

PETROSONIC ENERGY, INC.  
Form 10-Q  
January 13, 2017

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

**(Mark One)**

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

**For the period ended September 30, 2016**

**OR**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number 000-53881**

**PETROSONIC ENERGY, INC.**

(Exact name of registrant as specified in its charter)



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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 January 12, 2017 the issuer has 90,454,990 shares of common stock, par value \$.001, issued and outstanding.

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**PART I - FINANCIAL INFORMATION****ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS****PETROSONIC ENERGY, INC.****CONSOLIDATED BALANCE SHEETS****(UNAUDITED)**

	As of September 30, 2016	As of December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$11,643	\$117,936
Input tax receivable	31,259	25,634
Prepaid Expense	8,347	10,377
Total current assets	51,249	153,947
Total assets	\$51,249	\$153,947
Liabilities and Stockholder's Deficit		
Current liabilities:		
Accounts payable	\$334,102	\$340,412
Accounts payable to related parties	16,396	37,365
Accrued liabilities	518,203	384,669
Convertible debt to related parties	200,000	200,000
Total current liabilities	1,068,701	962,446
Stockholders' Deficit:		
Common stock, \$0.001 par value, 843,750,000 shares authorized, 90,454,990 and 90,288,323 shares issued and outstanding, respectively	\$90,456	\$90,289
Additional paid-in capital	5,887,825	5,853,058
Subscription note receivable	(140,000 )	(140,000 )
Deficit accumulated	(6,565,221)	(6,337,782)
Accumulated other comprehensive loss	(227,563 )	(224,145 )
Total Petrosonic Energy, Inc.'s stockholders' deficit	(954,503 )	(758,580 )
Non-controlling interest	(62,949 )	(49,919 )
Total stockholders' deficit	(1,017,452)	(808,499 )
Total liabilities and stockholders' deficit	\$51,249	\$153,947

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

**PETROSONIC ENERGY, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS****(UNAUDITED)**

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Operating expenses				
Selling, General and Administrative	\$42,508	\$207,147	\$225,511	\$607,655
Depreciation and Amortization Expense	–	9,694	–	28,926
Total operating expenses	42,508	216,841	225,511	636,581
Loss from operations	(42,508 )	(216,841 )	(225,511 )	(636,581 )
Other expense				
Interest expense	(4,986 )	(5,055 )	(14,958 )	(15,973 )
Total other expense	(4,986 )	(5,055 )	(14,958 )	(15,973 )
Net loss	(47,494 )	(221,896 )	(240,469 )	(652,554 )
Net loss attributable to non-controlling interest	749	7,066	13,030	55,380
Net loss attributable to Petrosonic Energy, Inc.	\$(46,745 )	\$(214,830 )	\$(227,439 )	\$(597,174 )
Basic and diluted net loss per share	\$(0.00 )	\$(0.00 )	\$(0.00 )	\$(0.01 )
Basic and diluted weighted average common shares outstanding	90,454,990	90,121,656	90,454,990	90,121,656
Other Comprehensive Loss:				
Net loss	\$(47,494 )	\$(221,896 )	\$(240,469 )	\$(652,554 )
Foreign currency translation adjustment	(3,418 )	11,406	(3,418 )	116,324
Comprehensive loss	(50,912 )	(210,490 )	(243,887 )	(536,230 )
Comprehensive loss attributable to noncontrolling interest	749	7,066	13,030	55,380
Comprehensive loss attributable to Petrosonic Energy, Inc.	\$(50,163 )	\$(203,424 )	\$(230,857 )	\$(480,850 )



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

**PETROSONIC ENERGY, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)**

	For The Nine Months Ended September 30, 2016	For The Nine Months Ended September 30, 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$(240,469)	\$(652,554)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	–	28,926
Shares issued for services	34,934	118,231
Changes in operating assets and liabilities:		
Receivable	(5,625 )	6,598
Prepaid expenses	2,030	5,987
Accounts payable and accrued expenses	127,224	127,326
Accounts payable to related parties	(20,969 )	–
<b>CASH USED IN OPERATING ACTIVITIES</b>	<b>(102,875)</b>	<b>(365,486)</b>
Cash paid for purchase of fixed assets	–	(9,341 )
<b>CASH USED IN INVESTING ACTIVITIES</b>	<b>–</b>	<b>(9,341 )</b>
Effects of foreign exchange on cash	(3,418 )	116,324
<b>NET DECREASE IN CASH</b>	<b>(106,293)</b>	<b>(258,503)</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>117,936</b>	<b>444,630</b>
<b>CASH AT YEAR END</b>	<b>\$11,643</b>	<b>\$186,127</b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the period for:		
Income taxes	\$–	\$–
Interest	\$–	\$–

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

**Petrosonic Energy, Inc.**

**Notes to the Unaudited Consolidated Financial Statements**

**NOTE 1: Nature of Business and Basis of Presentation**

*Nature of Business*

We are an early-stage startup company focused on the sonic separation technologies. We are in the process of engineering and building a pilot plant for decontamination of certain hydrocarbons in Laramie, Wyoming, USA. We are also bringing online our first synthetic fuel oil manufacturing facility, which is located in Albania, and which has a manufacturing capacity of 3,000 bbls/day. We plan to generate revenue by manufacturing synthetic fuel oil. We have not generated any revenue since inception. To date, we have funded our operations through the issuance of convertible debentures, sales of shares of our common stock and advances from related parties.

*Basis of Presentation*

The accompanying unaudited consolidated interim financial statements of Petrosonic Energy, Inc. (“we”, “our”, 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 for the year ended December 31, 2015, as filed with the SEC on Form 10-K. In the opinion of management all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the 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 consolidated financial statements which would substantially duplicate the disclosures contained in the audited financial statements for the most recent fiscal period ended December 31, 2015, as reported in the Form 10-K, have been omitted.

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include the Company and its 60% owned subsidiary, Petrosonic Albania, Sha. All significant intercompany accounts and transactions have been eliminated in consolidation.

**NOTE 2: Going Concern**

The accompanying unaudited interim consolidated financial statements have been prepared assuming that the Company will continue as a going concern, and 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. The Company has suffered recurring net losses, has an accumulated deficit at September 30, 2016 and 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 the ability of the Company to obtain additional working capital and attain profitable operations. 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 should enable the Company to continue its operations for the coming year.

**NOTE 3: Related Party Transactions**

On June 6, 2012, we borrowed \$200,000 from our President under a convertible debenture. The convertible debenture is unsecured, originally matured on June 6, 2013 and bears interest at 10%. On June 5, 2013 the maturity date of the debenture was extended to June 6, 2014. On June 5, 2014 the maturity date of the debenture was further extended to June 6, 2015. 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. During 2012, the Company raised more than \$500,000 and this note became convertible at \$0.25 per share. The outstanding unpaid balance under this note was \$200,000 as of September 30, 2016 and December 31, 2015. As of September 30, 2016, the note was in default.

As of September 30, 2016 and December 31, 2015, the Company has a payable of \$16,396 and \$24,415 to its CEO, respectively. The amounts are unsecured, bear no interest and due on demand.

On May 29, 2015, our Board of Directors appointed Mr. Gerald W. Bruce, as Chief Technology Officer of the Company. Mr. Bruce currently serves as President of his consulting company GWB Process Consulting Inc. As compensation, upon execution of the agreement, Mr. Bruce is to be paid CAD\$10,000, and CAD\$3,000 per month thereafter, to be increased to CAD\$5,000 per month once funding has been received for the development program. In connection with the agreement, the Company also agreed to issue Mr. Bruce options to purchase 500,000 shares of common stock, including 250,000 options upon reaching milestone 1, and remaining 250,000 options upon reaching milestone 2. During 2016, the Company terminated the remaining contract with Gerald W. Bruce, and the total 500,000 options are expensed during the period. As of September 30, 2016 and December 31, 2015, the Company has a payable in the amount of \$0 and \$12,950, respectively.

On November 18, 2015, our Board of Directors appointed Mr. Keith R. McGee, as President and Chief Operating Officer of the Company. Mr. McGee currently serves as President of his consulting company RockReef Advisors. Under the Consulting Agreement entered into by and between the Company and Rockreef Advisors, LLC, Mr. McGee is to receive 5,000,000 options of company stock, vesting upon achievement of various milestones. The options will have an exercise price of \$0.02 and shall expire five years from the grant date. In addition, Mr. McGee is to receive a monthly retainer of \$6,000. During April, 2016, the Company terminated the remaining contract with Keith R. McGee, and the remaining two thirds of the options, 3,333,333 options were forfeited.

#### **NOTE 4: Stockholders' Equity**

On May 21, 2014, the Company entered into a Non-Exclusive Sales, Distribution, Manufacturing and License Agreement and a Consulting Agreement with a consulting firm. In consideration of these services, the Company will issue 9,000,000 shares and a 10-year warrant for the purchase of 3,000,000 shares at an exercise price of \$0.148 per share. The warrants vest immediately and have a fair value of \$321,197 as calculated using the Black-Scholes model. Assumptions used in the Black-Scholes model include: (1) a discount rate of 0%; (2) an expected term of 10 years; (3) an expected volatility of 117%; and (4) zero expected dividends. The shares are to be issued in quarterly installments beginning in August 2014. The fair value of the shares will be determined upon the completion of the services. The Company terminated the remaining contract in 2016. During the nine months ended September 30, 2016, the remaining \$32,341 in fair value was recognized under this award. All common shares have been issued under this agreement. There is no remaining unamortized expense as of September 30, 2016.

On June 17, 2014, the Company entered into a Consulting Agreement with an individual. In consideration for these services the Company will issue 2,000,000 shares to him. During the nine months ended September 30, 2016, \$2,593 in fair value was recognized under this award. The remaining fair value of the unvested portion as of June 30, 2016 was determined to be \$7,247, which will be recognized over the remaining service period. As of September 30, 2016, 1,333,336 shares have been issued under this agreement and 666,664 have not been issued as of September 30, 2016. The remaining shares have not been issued because of resignation from the Board of Directors for personal reasons.

On November 18, 2015, our Board of Directors appointed Mr. Keith R. McGee, as President and Chief Operating Officer of the Company. Mr. McGee currently serves as President of his consulting company RockReef Advisors. Under the Consulting Agreement entered into by and between the Company and Rockreef Advisors, LLC, Mr. McGee is to receive 5,000,000 options of company stock, one third vested upon agreement, one third upon successful capital raise of at least \$1 million, and one third at on one year anniversary. The options will have an exercise price of \$0.02 and shall expire five years from the grant date. The fair value of the options using Black Scholes model is \$73,378. The Company recognized \$24,459 in stock based compensation expense associated with this award in 2015. In addition, Mr. McGee is to receive a monthly retainer of \$6,000.

A summary of the Company's option activity during the nine months ended September 30, 2016, is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Balance outstanding, December 31, 2015	5,300,000	0.02	4.89
Granted	—	—	—
Exercised	—	—	—
Forfeited/expired	(3,833,333)	—	—
Balance outstanding, September 30, 2016	1,466,667	\$ 0.02	4.34
Exercisable, September 30, 2016	1,466,667	\$ 0.02	4.34

A summary of the Company's warrant activity during the nine months ended September 30, 2016, is as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term
Balance outstanding, December 31, 2015	3,350,000	0.20	7.75
Granted	—	—	—
Exercised	—	—	—
Forfeited/expired	—	—	—
Balance outstanding, September 30, 2016	3,350,000	\$ 0.20	7.75
Exercisable, September 30, 2016	3,350,000	\$ 0.20	7.75

#### **NOTE 5: Commitments**

On May 29, 2015, the Company entered into a two-year agreement with an individual for consulting services. As compensation, upon execution of the agreement, the consultant is to be paid \$10,000 and 3,000 per month thereafter, to be increased to \$5,000 per month once funding has been received for the development program. In connection with the agreement, the Company also agreed to issue options to purchase 500,000 shares of common stock to the individual, including 250,000 options upon reaching milestone 1, and remaining 250,000 options upon reaching milestone 2. During 2016, the Company terminated the remaining contract with Gerald W. Bruce, and the total 500,000 options are expensed during the period.



**NOTE 6: Subsequent Events**

On October 25, 2016, the Board of Directors of the Company appointed Mr. Bendis Husi, age 42, as a member of the Board of the Directors of the Company. Mr. Husi currently serves as President of his consulting company. Before that Mr. Husi served as a senior accounting manager for a resource firm in Calgary and Toronto, Canada, where he was responsible for the company's financial management and other administrative functions. Prior to that Mr. Husi was vice general director of taxation for the government of Albania. Mr. Husi previously has been the CEO of Petrosonic's Albania subsidiary.

There is no arrangement or understanding between Mr. Husi and any other person(s) pursuant to which he was selected as an officer and director of the Company. Mr. Husi has no family relationships with any director or executive officer of the Company, or persons nominated or chosen by the Company to become directors or executive officers.

Other than as reported herein, there is no material plan, contract or arrangement (whether or not written) to which Mr. Husi is a party or in which he participates that is entered into or materially amended in connection with our appointment of Mr. Husi, or any grant or award to Mr. Husi or modification thereto, under any such plan, contract or arrangement in connection with our appointment of Mr. Husi.

On October 25, 2016 the Board of Directors of the Company granted Bendis Husi, Director, an option to purchase 200,000 shares of Company common stock. The terms will be pursuant to the Company's approved incentive option plan. There have been no transactions, since the beginning of the Company's last fiscal year, or any currently proposed transaction, in which the Company was or is to be a participant and the amount involved exceeds the lesser of \$120,000 or one percent of the average of the Company's total assets at year-end for the last three completed fiscal years, and in which Mr. Husi had or will have a direct or indirect material interest.

On December 19, 2016 Mr. Alfred Fischer resigned from the Board of Directors of the company. The reason of the resignation was for personal reasons.



**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND OTHER INFORMATION CONTAINED IN THIS REPORT**

This report and the documents incorporated by reference herein contain forward-looking statements. Forward-looking statements give our current expectations or forecasts of future events. We have based these statements on our beliefs and assumptions, based on information currently available to us. You can identify these statements by the fact that they do not relate strictly to historical or current facts. You can find many (but not all) of these statements by looking for words such as “approximates,” “believes,” “hopes,” “expects,” “anticipates,” “estimates,” “projects,” “intends,” “plans,” “wishes,” “should,” “could,” “may,” or other similar expressions in this report. In particular, these include statements relating to future financial results. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections.

Forward-looking statements are not guarantees of performance. Our future results and requirements may differ materially from those described in the forward-looking statements. Many of the factors that will determine these results and requirements are beyond our control. In addition to the risks and uncertainties discussed in this report, factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to, the following:

- our ability to successfully implement our business strategy,
- our limited cash and our history of losses,
- whether our technology will perform as expected,
- the acceptance of our technology by the oil industry,
- emerging competition and rapidly advancing technology in our industry that may outpace our technology,
- our ability to raise cash as and when we need it,
- the impact of competition and changes to the competitive environment on our products and services, and
- other factors detailed from time to time in our filings with the Securities and Exchange Commission.

These forward-looking statements speak only as of the date of this report. We do not intend to update or revise any forward-looking statements to reflect changes in our business, anticipated results of our operations, strategy or planned capital expenditures, or to reflect the occurrence of unanticipated events, except as required by law.

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

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q as well as our audited financial statements and related notes included in our annual report on Form 10-K. In addition to historical information, this discussion and analysis here and throughout this Form 10-Q contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements.*

### **OVERVIEW**

We focused on the sonic separation of hydrocarbons and other materials and on the manufacture of synthetic fuel oil through emulsification of heavy crude oil and asphaltenes. We are in the process of bringing online our first synthetic fuel oil manufacturing facility, which is located in Albania, and which has a manufacturing capacity of 3,000 bbls/day. We plan to generate revenue by manufacturing synthetic fuel oil and by separating and decontamination of hydrocarbons. We have not generated any revenue since inception. To date, we have funded our operations through the issuance of convertible debentures and sales of shares of our common stock.

## **Recent Events**

The main focus in current quarter was to receive the processing permit from Albanian government for our synthetic fuel oil facility and complete engineering and cost estimates of our sonic separation pilot plant.

## **Going Concern Uncertainties**

As of the date of this report, there is substantial doubt regarding our ability to continue as a going concern as we have not generated any revenues to date and we do not know when or if we will be able to general revenues in the future to fund our business operations and loan commitments. The financial statements included in this report have been prepared on a going concern basis, which assumes that adequate sources of financing will be obtained as required and that our assets will be realized and liabilities settled in the ordinary 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 to raise additional capital may have a material and adverse effect upon us and our shareholders. We do not have any committed sources of financing.

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.

We completed the construction of our facility in Albania during the first quarter of 2014. Our goals are to begin to generate revenue from both the emulsification processing and from the sonic separation process. Ultimately, we expect to generate revenue by licensing our technology to third parties, forming joint ventures to build more processing and separation facilities and through our own stand-alone toll processing facilities. We cannot guarantee that we will begin processing oil as planned or, if our oil processing operations begin, that they will generate significant revenue.

## **CRITICAL ACCOUNTING POLICIES**

The following discussion and analysis of financial condition and results of operations is based upon our financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States of America. Certain accounting policies and estimates are particularly important to the understanding of our financial position and results of operations and require the application of significant judgment by our management or can be materially affected by changes from period to period in economic factors or conditions that are outside of our control. As a result, they are subject to an inherent degree of uncertainty. In applying these policies, our management uses their judgment to determine the appropriate assumptions to be used in the determination of certain estimates. Those estimates are based on our historical operations, our future business plans and projected financial results, the terms of existing contracts, our observance of trends in the industry, and information available from other outside sources, as appropriate. See Note 1 to our audited financial statements included in our Annual Report on Form 10-K for a more complete description of our significant accounting policies.

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

Costs incurred in connection with the development of new products and processing methods are charged to selling, general and administrative expenses as incurred.

### **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.

## RESULTS OF OPERATIONS

### *Three months ended September 30, 2016 as compared to the three months ended September 30, 2015*

We did not generate any revenue for the three months ended September 30, 2016 or 2015.

General and administrative expenses were \$42,508 for the three months ended September 30, 2016. Operating expenses during the three months ended September 30, 2015 totaled \$207,147. As noted above, operating expenses decreased due to decrease in accounting and audit, consulting and other G&A expenses since the Company has limited activities during the three months ended September 30, 2016.

Our loss from operations of \$42,508 resulted from the operating expenses we incurred. Loss from operations for the three months ended September 30, 2015 was \$216,841.

Interest expense was \$4,986 for the three months ended September 30, 2016. Interest expense for the three months ended September 30, 2015 was \$5,055.

We acquired a 60% ownership interest in Petrosonic Albania, Sha. The net loss attributable to non-controlling interest of \$749 and \$7,066 reflects the portion of the net loss of Petrosonic Albania, Sha. attributable to Albnafta, the minority shareholder, for the three months ended September 30, 2016 and 2015, respectively.

The net loss attributable to Petrosonic Energy, Inc. for the three months ended September 30, 2016 of \$36,773 reflects the net loss of the consolidated operations of Petrosonic Energy, Inc. and Petrosonic Albania, Sha. for that period after reducing the net loss by the loss attributable to the non-controlling interest described above. The net loss for the three months ended September 30, 2015 was \$214,830.

### *Nine months ended September 30, 2016 as compared to the nine months ended September 30, 2015*

We did not generate any revenue for the nine months ended September 30, 2016 or 2015.

General and administrative expenses were \$225,511 for the nine months ended September 30, 2016. Operating expenses during the nine months ended September 30, 2015 totaled \$607,655. As noted above, operating expenses decreased due to decrease in accounting and audit, consulting and other G&A expenses since the Company has limited activities during the nine months ended September 30, 2016.

Our loss from operations of \$225,511 resulted from the operating expenses we incurred. Loss from operations for the nine months ended September 30, 2015 was \$636,581.

Interest expense was \$14,958 for the nine months ended September 30, 2016. Interest expense for the six months ended September 30, 2015 was \$15,973.

We acquired a 60% ownership interest in Petrosonic Albania, Sha. The net loss attributable to non-controlling interest of \$13,030 and \$55,380 reflects the portion of the net loss of Petrosonic Albania, Sha. attributable to Albnafita, the minority shareholder, for the nine months ended September 30, 2016 and 2015, respectively.

The net loss attributable to Petrosonic Energy, Inc. for the nine months ended September 30, 2016 of \$227,439 reflects the net loss of the consolidated operations of Petrosonic Energy, Inc. and Petrosonic Albania, Sha. for that period after reducing the net loss by the loss attributable to the non-controlling interest described above. The net loss for the nine months ended September 30, 2015 was \$597,174.

### **Liquidity and Capital Resources**

As of September 30, 2016, we had cash of \$11,643 compared with \$117,936 at December 31, 2015. As of September 30, 2016, we had total current assets of \$51,249 and total current liabilities of \$1,068,701 resulting in a working capital deficit of \$1,017,452 at September 30, 2016. We have incurred an accumulated deficit of \$6,565,221.



Operating activities for the nine months ended September 30, 2016 resulted in net cash used of \$102,875 compared with cash used in operations for the nine months ended September 30, 2015 of \$365,486. The decrease in the use of cash was attributable primarily to the decrease in operating costs during the nine months ended September 30, 2016.

Investing activities for the nine months ended September 30, 2016 resulted in net cash used of \$0 during the nine months ended September 30, 2016 compared with cash used for investing activities for the nine months ended September 30, 2015 of \$9,341. The cash used for investing activities resulted from cash paid for the acquisition equipment during the nine months ended September 30, 2015.

There were no financing activities for the years ended September 30, 2016 and 2015.

Effects of foreign exchange on cash. The effects of foreign exchange resulted with negative effect of \$3418 during the nine months ended \$ 30, 2016 compared with positive effect of \$116,324 during the nine months ended September 30, 2015. The change reflects the effects of the variability in the rates of exchange of the various currencies in which the Company transacted business during the periods presented.

We will need to raise additional funds in order to continue operations and continue to execute on our business plan. Our cash needs are primarily for working capital to fund our operations and for capital equipment used in heavy oil processing. We have funded our operations through a variety of debt and equity financings. We presently operate with a level of overhead consistent with our current needs, but we will need to raise additional capital until our business generates revenues sufficient to support our operations, which may never occur. We do not have any committed current or future sources of financing. Our management is exploring a variety of options to meet our future cash requirements, including the possibility of debt financings, equity financings, and business combinations. If we fail to obtain the financing necessary to continue to execute on our business plan, we may be forced to reduce operations or possibly to cease operations.

## **Trends, Events and Uncertainties**

Discussions with Sonoro Energy Ltd.

On July 27, 2012, pursuant to the terms of an Asset Purchase and Sale Agreement we acquired certain assets from Sonoro Energy Ltd., including technology relating to the treatment and upgrading of heavy oil by sonicated solvent

de-asphalting, two sonic reactors and a solvent recovery system. Upon extensive testing of the Sonoro assets after the closing date, we determined that additional development was required to bring the purchased assets to the specifications that we were promised by Sonoro. We are not actively in discussions with Sonoro over this conflict, but retain the right to request improvements to our systems from Sonoro, when advantageous and cost-effective to do so.

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

As a smaller reporting company we are not required to provide this information.

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

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

Under the supervision and with the participation of our management, including our principal executive officer who is also our 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, our principal executive officer/principal financial officer has concluded that our disclosure controls and procedures are not effective, due to the material weaknesses in our internal controls over financial reporting described below.

We do not have an Audit Committee – While not being legally obligated to have an audit committee, it is the management’s view that such a committee, including a financial expert member, is an utmost important entity level control over our financial statements. To date we have not established an audit committee.

Insufficient documentation of financial statement preparation and review procedures - We employ policies and procedures in reconciliation of the financial statements and the financial information based on which the financial statements are prepared, however, the controls and policies we employ are not sufficiently documented.

We did not maintain proper segregation of duties for the preparation of our financial statements – The majority of the preparation of financial statements was carried out by one person. This has resulted in several deficiencies including:

I.) Significant, non-standard journal entries were prepared and approved by the same person, without being checked or approved by any other personnel.

II.) Lack of control over preparation of financial statements, and proper application of accounting policies.

We lack sufficient information technology controls and procedures – As of September 30, 2016, we lacked a proper data back-up procedure, and while backup did take place in actuality, we believe that it was not regulated by methodical and consistent activities and monitoring.

Lack of formal review process that includes multiple levels of review, resulting in several audit adjustments.

Management believes that the aforementioned material weaknesses did not impact our financial reporting or result in a material misstatement of our financial statements.

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

There were no changes in our internal control over financial reporting during the quarter ended September 30, 2016 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**

Not applicable.

### **ITEM 1A. RISK FACTORS**

We incorporate herein by reference the risk factors included under Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2015 which we filed with the Securities and Exchange Commission on April 5, 2016.

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

Not applicable.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

Not applicable.

**ITEM 6. EXHIBITS**

<b>Exhibit Number</b>	<b>Document</b>
3.1	Articles of Incorporation of Petrosonic Energy, Inc. (1)
3.1.1	Articles of Amendment to Articles of Incorporation of Petrosonic Energy, Inc. (2)
3.2	Bylaws, as amended (3)
10.1	Cooperation Agreement entered into on August 14, 2014 between the registrant and Western Research Institute of Wyoming (3)
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer*
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer*
32.1	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer*
101	The following financial statements from the registrant's Quarterly Report on Form 10-Q for the three months ended June 30, 2016, formatted in XBRL: (i) Consolidated Balance Sheets (Unaudited); (ii) Consolidated Statements of Operations (Unaudited); (iii) Consolidated Statement of Stockholders' Equity (Unaudited); (iv) Consolidated Statements of Cash Flows (Unaudited); (v) Notes to Unaudited Consolidated Financial Statements.*

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\* Filed herewith.

(1) Incorporated by reference from the registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on December 19, 2008.

(2) Incorporated by reference from the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 16, 2012.

(3) Incorporated by reference from the registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 19, 2014.



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**PETROSONIC ENERGY, INC.**  
(Registrant)

Date: January 12, 2017 By: */s/ Art Agolli*  
Art Agolli  
Chief Executive Officer and Principal Financial Officer