PETROSONIC ENERGY, INC.
Form 10-Q
May 15, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the period ended March 31, 2014

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)

Nevada	**98-0585718**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

914 Westwood Boulevard, No. 545

Los Angeles, California 90024

(Address of principal executive offices)

(855) 626-3317

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

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 than 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, or a non-accelerated filer. See definition of "accelerated filer," and "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [ ] Accelerated filer [ ]

Non-accelerated filer [ ] Smaller reporting company [X]
(Do not check if a smaller reporting company)

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

As of May 15, 2014 the issuer has 79,821,654 shares of common stock, par value $.001, issued and outstanding.

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PART I - FINANCIAL INFORMATION

Item 1- Financial Statement

PETROSONIC ENERGY, INC.

(A Development Stage Company)

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	As of March 31, 2014	As of December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$854,129	$1,007,652
Receivable	51,214	50,607
Prepaid Expense	54,672	54,188
Inventory	75,879	75,744
Other Current Assets	16,430	23,513
Total current assets	1,052,324	1,211,704
Non-current assets:		
Fixed assets - net	1,174,456	1,178,766
Land	70,000	70,000
Total assets	2,296,780	2,460,470
Liabilities and Stockholder's Equity		
Current liabilities:		
Accounts payable	$443,277	$457,177
Accounts payable to related parties	5,868	5,868
Accrued liabilities	214,560	174,911
Convertible debt to related parties	200,000	200,000
Total current liabilities	863,705	837,956
Stockholders' Equity:		
Common stock, $0.001 par value, 843,750,000 shares authorized, 79,821,654 and 79,821,654 shares issued and outstanding, respectively	$79,821	$79,821
Additional paid-in capital	4,978,932	4,972,751

Subscription note receivable	(140,000)	(140,000)
Deficit accumulated during the development stage	(3,327,338)	(3,140,114)
Accumulated other comprehensive (loss) income	(381,264)	(376,836)
Total Petrosonic Energy, Inc. stockholders' equity	1,210,151	1,395,622
Non-controlling interest	222,924	226,892
Total stockholders' equity	1,433,075	1,622,514
Total liabilities and stockholders' deficit	$2,296,780	$2,460,470

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

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PETROSONIC ENERGY, INC.

(A Development Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(UNAUDITED)

	Three Months Ended March 31, 2014	**Three Months Ended March 31, 2013**	**August 1, 2012 Through March 31, 2014**	**May 24, 2010 (Inception) Through July 31, 2012**
	Successor	**Successor**	**Successor**	**Predecessor**
Revenues	$-	$-	$-	$ -
Cost of sales	-	-	-	-
Gross profit	-	-	-	-
Operating expenses				
Selling, General and Administrative	175,647	349,698	2,565,840	38,599
Depreciation and Amortization Expense	10,613	3,048	55,556	5,081
Total operating expenses	186,260	352,746	2,621,396	43,680
(Loss) income from operations	(186,260)	(352,746)	(2,621,396)	(43,680)
Other income (expense)				
Interest income	-	-	14	18
Interest Expense	(4,932)	(384,408)	(437,269)	-
Bargain purchase gain	-	-	7,741	-
Loss on extinguishment of debt	-	(28,083)	(28,083)	-
Total other income (expense)	(4,932)	(412,491)	(457,597)	18
Net Loss	(191,192)	(765,237)	(3,078,993)	(43,662)
Net loss attributable to non-controlling interest	3,968	2,758	85,472	
Net loss attributable to Petrosonic Energy, Inc	$(187,224)	$(762,479)	$(2,993,521)	
Basic and diluted net loss per share	$(0.00)	$(0.01)		
Basic and diluted weighted average common shares outstanding	79,821,654	77,735,027		

Other Comprehensive Income (Loss):				
Net loss	$(191,192)	$(765,237)	$(3,078,993)	$ (43,662)
Foreign currency translation adjustment	(4,428)	(252,748)	(381,264)	110,273
Comprehensive (loss) income	(195,620)	(1,017,985)	(3,460,257)	$ 66,611
Comprehensive loss attributable to noncontrolling interest	3,968	2,758	85,472	
Comprehensive loss attributable to Petrosonic Energy, Inc.	$(191,652)	$(1,015,227)	$(3,374,785)	

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

PETROSONIC ENERGY, INC.

(A Development Stage Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

THREE MONTHS ENDED MARCH 31, 2014

(UNAUDITED)

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013	August 1, 2012 Through March 31, 2014	May 24, 2010 (Inception) Through July 31, 2012
	Successor	**Successor**	**Successor**	**Predecessor**
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	$(191,192)	$(765,237)	$(3,078,993)	$(43,662)
Adjustments to reconcile net income (loss) to net cash used in operating activities:				
Depreciation expense	10,613	3,048	55,556	5,081
Amortization of debt discounts	-	376,764	396,372	-
Loss on extinguishment of debt	-	28,083	28,083	-
Bargain purchase gain- Albania	-	-	(7,741)	-
Shares issued for services	6,181	129,391	904,589	-
Stock Warrant issued for services	-	-	149,843	-
Changes in operating assets and liabilities:				
Receivable	(607)	106,666	(9,204)	(42,010)
Inventory and Supplies	(135)	(53,947)	(75,879)	-
Prepaid expenses	(484)	(137,631)	(54,672)	-
Accounts payable and accrued expenses	32,832	158,014	621,890	4,942
Accounts payable to related parties	-	(6,782)	5,868	-
CASH USED IN OPERATING ACTIVITIES	(142,792)	(161,631)	(1,064,288)	(75,649)
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash acquired in acquisition of Albania	-	-	11,448	-
Cash paid for purchase of land	-	-	(70,000)	-
Cash paid for purchase of fixed assets	(6,303)	(74,029)	(456,589)	(731,129)
CASH USED IN INVESTING ACTIVITIES	(6,303)	(74,029)	(515,141)	(731,129)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from sale of stock, net	-	1,718,000	3,107,500	-
Capital contributions	-	-	-	704,378
Principal payments on convertible debt	-	(250,000)	(250,000)	-
CASH USED IN FINANCING ACTIVITIES	-	1,468,000	2,857,500	704,378

Effects of foreign exchange on cash	(4,428)	(257,897)	(431,078)	113,924
NET DECREASE IN CASH	(153,523)	974,443	846,993	11,524
CASH AT BEGINNING OF YEAR	1,007,652	1,200,676	7,136	-
CASH AT YEAR END	$854,129	$2,175,119	$854,129	$ 11,524
NON-CASH TRANSACTIONS				
Beneficial conversion feature	$-	$165,000	$378,956	$ -
Common stock issued for note receivable	-	140,000	140,000	-
Common stock issued for debt and interest	-	176,852	176,852	-
Deposit used for acquisition of Albania	-	-	250,000	-
Convertible debt issued for acquisition of Albania, net of discount	-	-	204,852	-

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

Petrosonic Energy, Inc.

(A Development Stage Company)

Notes to the Unaudited Consolidated Financial Statements

NOTE 1: Nature of Business and Basis of Presentation

Nature of Business

Petrosonic Energy, Inc. (“we”, “our” or the “Company”) was incorporated in the state of Nevada on June 11, 2008. The Company is a development stage company, as defined by ASC 915 “Development Stage Entities.”

On May 16, 2012 the Company changed its name to Petrosonic Energy, Inc. to better reflect the Company’s new business direction in anticipation of the purchase of certain rights in technology and assets through the acquisition of a 60% ownership interest in Petrosonic Albania, Sha. from Sonoro Energy Ltd. on July 27, 2012.

The consolidated financial statements included herein are the consolidated financial statements of Petrosonic Energy, Inc. and its 60% owned subsidiary, Petrosonic Albania, Sha.

Basis of Presentation

The accompanying unaudited consolidated interim financial statements of Petrosonic Energy, Inc. 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 (“SEC”), and should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2013, 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, 2013, 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 (“U.S. GAAP”) 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 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 since inception, has an accumulated deficit at March 31, 2014 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: Subsequent Events

Subsequent events have been evaluated through the date the consolidated financial statements were issued. There have been no subsequent events that require recognition or disclosure through the date the consolidated financial statements were issued.

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,” “w “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.

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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 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 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 have not generated any revenue since inception. We plan to generate revenue by integrating our system into oil producer treatment facilities as well as by developing our own stand-alone processing facility. We have funded our operations to date through the issuance of convertible debentures and sales of shares of our common stock.

Recent Events

During the first quarter of 2014, we completed the construction of the portion of our plant in Albania related to our de-asphalting operations. We expect to receive the environmental permit or approval necessary for us to begin our de-asphalting operations during the second quarter of 2014

Our plant in Albania has completed installing the equipment necessary to begin emulsifying fuel oil and we received the fire permit that is required before we can undertake emulsification processing. On April 10, 2013 we announced the execution of a Master Toll Services Agreement with IDK Petrol Albania Sha. (“IDK”), an Albanian energy company. Under the agreement, IDK engaged us as a processor and producer of heavy hydrocarbon emulsion fuel oil and emulsified bitumen from heavy oil and agreed to pay us per barrel fees based on both the quantity of oil to be processed and the quality of the end product produced. Pricing of the processed oil, delivery dates and specifications, among other terms, were to be determined at the time each purchase order was issued. The Master Toll Services Agreement did not require IDK to provide a minimum amount of feedstock during the term of the agreement. We earned no revenues from this agreement through March 31, 2014 and the agreement has expired. At this time we do not expect to renew the agreement.

We signed a Memorandum of Terms for Sales, Distribution and Manufacturing Agreement (the "Memorandum") dated June 24, 2013 with East West Partners, LLC ("EWP"). The Memorandum is not binding on either party. Subject to the completion of due diligence by both sides, the parties commit to sign a definitive Sales, Distribution and License Agreement pursuant to which EWP will be granted a non-exclusive license to sell, distribute, outsource manufacture and sub-license our Sonoprocess heavy oil processing technology and our heavy oil emulsification technology for the territories of China, Kazakhstan and state of California. The license fee, which has not yet been determined, will be based on each barrel of oil processed by EWP using our technology. No definitive Sales, Distribution and License Agreement has been executed.

Going Concern Uncertainties

As of the date of this report, there is 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.

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. We intend to seek a reputable processor of heavy oil as a joint venture partner and to start building another facility located in Alberta, Canada or another jurisdiction with large heavy oil production and reserves. We do not have any commitments for financing, either now or in the future. Our goals during 2014 are to begin to generate revenue from both the emulsification processing and from the de-asphalting sonication process, and to begin to expand our operations into other countries. Ultimately, we expect to generate revenue by licensing our technology to third parties, forming joint ventures to build more processing 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, information provided by our customers 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.

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 for machinery and equipment and 10 years for buildings. We have not recognized depreciation on machinery and equipment since we have not yet completed our production line.

Impairment of Long-Lived Assets

The carrying value of property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the estimated future cash flows (undiscounted) expected to result from the use and eventual disposition of the asset group is less than the carrying amount of the asset group, an impairment loss is recognized which is measured based on the fair value of the asset. Construction in process is impaired when projects are abandoned or terminated. Long-lived assets were not impaired as of December 31, 2013 or March 31, 2014.

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 March 31, 2014 as compared to the three months ended March 31, 2013

We did not generate any revenue for the three months ended March 31, 2014 or March 31, 2013.

General and administrative expenses were $175,647 for the three months ended March 31, 2014. Our operating expenses were comprised of costs for legal services in the amount of $33,665, or approximately 19% of our operating expenses, for compensation in the amount of $39,218, or approximately 22% of our operating expenses, for transfer agent and filing fees in the amount of $7,020, or approximately 4% of our operating expenses, for audit, accounting, and related fees of $43,250, or approximately 25% of our operating expenses, for repair and maintenance services in the amount of $6,575, or approximately 4% of our operating expenses, for office expenses in the amount of $6,550, or approximately 4% of our operating expenses, and for travel and entertainment in the amount of $15,369, or approximately 9% of our operating expenses. We also spent $24,000 for investor relations services. In addition, we recognized depreciation expense of $10,613 for the three months ended March 31, 2014. General and administrative expenses during the three months ended March 31, 2013 totaled $349,698 and included costs for legal, accounting, investor relations and other administrative costs incurred by us in connection with developing and beginning the implementation of our operating plan as well as costs related to public company compliance matters. In addition, we recognized depreciation expense of $3,048 for the quarter ended March 31, 2013. The decline in operating expenses of $174,051, or approximately 50%, is a result of our efforts to rein in expenses. Specifically, we reduced legal fees and transfer agent and filing fees.

Our loss from operations of $186,260 resulted from the operating expenses we incurred, as described above. Loss from operations for the three months ended March 31, 2013 was $352,746.

Interest expense was $4,932 for the three months ended March 31, 2014. Interest expense for the three months ended March 31, 2013 was $384,408. The significant decline in interest expense was a result of the reduction of the amortization and extinguishment of unamortized discount, as well as amortization of the extinguished notes.

We acquired a 60% ownership interest in Petrosonic Albania, Sha. The net income attributable to non-controlling interest of $3,968 and $2,758 reflects the portion of the net income of Petrosonic Albania, Sha. attributable to Albnafta, the minority shareholder, for the three months ended March 31, 2014 and 2013, respectively.

The net loss attributable to Petrosonic Energy, Inc. for the three months ended March 31, 2014 of $187,224 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 income attributable to the non-controlling interest described above. The net loss for three months ended March 31, 2013 was $762,479. The significant decrease in net loss of $575,255, or approximately 75%, resulted primarily from the reduction in our expenses and the reduction in interest expense.

Liquidity and Capital Resources

As of March 31, 2014, we had cash of $854,129 compared with $1,007,652 at December 31, 2013. As of March 31, 2014, we had total current assets of $1,052,324 and total current liabilities of $863,705, resulting in a working capital balance of $188,619 on that date. We have incurred an accumulated deficit during the development stage of $3,327,338

Operating activities for the three months ended March 31, 2014 resulted in net cash used of $142,792 compared with cash used in operations for the three months ended March 31, 2013 of $161,631. For the three months ended March 31, 2014, cash used in operating activities resulted from an increase in accounts payable. For the three months ended March 31, 2013, cash used in operating activities resulted from the shares issued for services and increase in operating costs, use of cash for the acquisition of prepaid expenses and inventory.

Investing activities for the three months ended March 31, 2014 resulted in net cash used of $6,303 during the three months ended March 31, 2014 compared with cash used for investing activities for the three months ended March 31, 2013 of $74,029. The cash used for investing activities resulted from cash paid for the acquisition of property and equipment during the three months ended March 31, 2014 and 2013.

Financing activities for the three months ended March 31, 2014 resulted in net cash provided of $0 compared with cash provided by financing activities for the three months ended March 31, 2013 of $1,468,000. The change reflects

$1,718,000 in net proceeds from the sale of common stock offset by cash payments of $250,000 on convertible debt in 2013.

The effects of foreign exchange resulted in a negative effect on cash of $4,428 during the three months ended March 31, 2014 compared with a negative effect of $257,897 during the three months ended March 31, 2013. 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 corrected the failures of the purchased assets and we are currently in discussions with Sonoro to mutually resolve our differences. If we are unable to resolve our differences amicably, we will consider pursuing our legal and equitable remedies.

Potential Excise Tax Liability

The Customs Code of the Republic of Albania does not specifically address the collection of excise taxes on synthetic fuel oil as this is the first time such a product is being manufactured and sold in the country. The Company is working with the Albanian tax authorities to determine its excise tax liability, therefore, at this time the Company cannot provide an estimate of the proposed tax rate percentage that will be imposed by the Albanian government. The Company has chosen to process and sell the synthetic fuel oil only after the excise tax has been determined by the

Customs Department. At this time the Company does not believe that it has incurred any excise tax liability as it has not sold any product in the market.

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 deficiencies 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 March 31, 2014, 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 March 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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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, 2013 which we filed with the Securities and Exchange Commission on April 11, 2014.

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

Exhibit Number	**Document**
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)
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 March 31, 2014, formatted in XBRL: (i) Consolidated Balance Sheets (Unaudited); (ii) Consolidated Statements of Operations (Unaudited); (iii) Consolidated Statements of Cash Flows (Unaudited); (iv) Notes to Unaudited Consolidated Financial Statements.*+

*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 April 1, 2013.

+ In accordance with Rule 406T of Regulation S-T, the information in these exhibits shall not be deemed to be “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to liability under that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, except as expressly set forth by specific reference in such filing.

SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	PETROSONIC ENERGY, INC. (Registrant)
Date: May 15, 2014	By:*/s/ Art Agolli* Art Agolli Chief Executive Officer and Principal Financial Officer