

VORTEX RESOURCES CORP.
Form 10-Q
May 20, 2009

United States
Securities and Exchange Commission
Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2009

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

Commissions file number 001-12000

VORTEX RESOURCES CORP.
(Exact name of registrant - registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

13-3696015
(I.R.S. Employer Identification No.)

9107 Wilshire Blvd., Suite 450, Beverly Hills, CA 90210
(Address of principal executive offices)

(310) 461-3559
Issuer's telephone number

(310) 461-1901
Issuer's facsimile number

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 requirement for the past 90 days. Yes No

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

Large accelerated filer Accelerated filer

Non accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

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Common Stock, \$.001 par value
(Class)

97,884,347
(Outstanding at May 15, 2009)

VORTEX RESOURCES CORP.

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VORTEX RESOURCES CORP.
CONDENSED CONSOLIDATED BALANCE SHEET
Amounts in US dollars

	March 2009 (Unaudited)	December 31, 2008 (Audited)
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,711	\$ 123,903
Intangible, debt discount on Notes with conversion option, current (Note 3)	—	953,610
Note receivable – From discontinued operations (Note 5)	600,000	—
Total current assets from continued operations	9,711	1,077,513
Total current assets from discontinued operations (Note 5, 12)	600,000	2,600,000
Total current assets	609,711	3,677,513
Intangible, debt discount on Notes with conversion option, net of current portion (Note 3)		
	—	731,101
Note receivable- From discontinued operations	1,500,000	—
Total assets from continued operations	9,711	1,808,614
Total assets from discontinued operations (Note 5, 12)	2,100,000	2,600,000
Total assets	\$ 2,109,711	\$ 4,408,614
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	797,654	813,064
Convertible notes payable to third party – current portion (Note 3)	350,097	1,165,900
Other current liabilities	88,336	89,400
Total current liabilities	1,236,087	2,068,364
Convertible Notes Payable to Third Party (Note 3)	2,270,000	2,474,000
Total liabilities	3,506,087	4,542,364
Commitments and contingencies (Note 6)	—	—
Minority interest in subsidiary's net assets	525,000	525,000
Stockholders' equity		
Preferred stock, 1,000,000 series B convertible, \$1.20 stated value - Authorized and outstanding 1,200,000 and 0 shares, respectively	1,200,000	1,200,000
Common stock, \$.001 par value - Authorized 400,000,000 shares; 97,834,347 and 917,809 shares issued; 97,834,347 and 872,809 shares outstanding, respectively	97,834	87,281
Additional paid-in capital	94,086,884	93,038,051
Accumulated deficit	(97,279,059)	(94,957,047)
Accumulated other comprehensive loss	(2,226)	(2,226)
Treasury stock – 100,000 and 1,279,893 common shares at cost, respectively (Note 9)	(24,809)	(24,809)
Total stockholders' equity	(1,921,376)	(658,750)

Total liabilities and stockholders' equity	\$ 2,109,711	\$ 4,408,614
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See accompanying notes to consolidated financial statements.

VORTEX RESOURCES CORP.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Un-Audited)

	Three Months Ended March 31,	
	2009	2008
Revenues	\$ -	\$ -
Cost of revenues	-	-
Operating expenses		
Compensation and related costs	71,533	76,101
Consulting, professional and directors fees	159,209	2,641,649
Other selling, general and administrative expenses	40,595	285,311
Total operating expenses (Note 10)	271,337	3,003,060
Operating loss	(271,337)	(3,003,060)
Interest income	171,565	196,343
Interest expense	(1,737,240)	(104,491)
Net loss before minority interest (Note 10)	(1,837,012)	(2,911,208)
Minority interest (loss) income of consolidated subsidiary	(485,000)	69,419
Net loss	(2,322,012)	(2,841,789)
Other comprehensive income	—	427,022
Comprehensive loss (Note 10)	(2,322,012)	(2,414,767)
Net income (loss) per share, basic (Note 10)	\$ (.12)	\$ (59.00)
Weighted average number of shares outstanding, basic (Note 1)	28,494,628	47,970
Net income (loss) per share, diluted (Note 1)	\$ (.08)	\$ (59.00)
Weighted average number of shares outstanding, diluted (Note 1)	30,571,961	47,970

See accompanying notes to condensed consolidated financial statements.

VORTEX RESOURCES CORP.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(RESTATED FOR 1:100 REVERSE SPLIT AS OF MARCH 31, 2009
(Un-Audited)

	Preferred Stock		Common Stock		Additional	Accumulated	Other Comprehensive	Treasury
	Number of	Amount	Number of	Amount	Paid-in	Deficit	Income	Stock
	shares		Shares		Capital		(Loss)	
Balances, December 31, 2007			46,092	\$ 4,609	\$ 53,281,396	\$ (38,289,630)	\$ (2,226)	\$ (2,117,711)
Compensation charge on shares, options and warrants issued to consultants			2,540	254	2,018,161			
Treasury stock - Open Market			(1030)	(103)				(28,400)
Issuance of preferred shares and subsequent conversion into common shares			500,000	50,000	49,950,000			
Issuance of shares - common			25,207	2,521	1,014,993			
Conversion of notes payable into common shares			450,000	45,000	2,105,000			
Cancellation of treasury shares					(2,121,302)			2,121,302
Discount on Note Payable					1,907,220			
Surrendered 15M shares			(150,000)	(15,000)	(14,985,000)			
Conversion of note to Series B preferred	1,000,000	1,200,000			(132,417)			
Net loss for the period						(56,667,417)		
Balances, December 31, 2008	1,000,000	\$ 1,200,000	872,809	\$ 87,281	\$ 93,038,051	\$ (94,957,047)	\$ (2,226)	(24,800)
Conversion of note to common shares			8,500,000	8,500	1,048,833			
Yasheng shares subscribed (Note 7)			50,000,000	1,161				
Capitol shares subscribed (Note 7)			38,461,538	892				
Net loss for the period						(2,322,012)		
Balances, March 31, 2009	1,000,000	\$ 1,200,000	97,834,347	\$ 97,834	\$ 94,086,884	\$ (97,279,059)	\$ (2,226)	(24,800)

See accompanying notes to consolidated financial statements.

VORTEX RESOURCES CORP.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Un-Audited)

	Three Months Ended March 31,	
	2009	2008
Net cash provided by operating activities	\$ (114,192)	\$ 487,148
Cash flows from investing activities:		
Loan advances to ERC		(788,510)
Investment in land development		(2,177,941)
Net cash used in investing activities		—\$ (2,966,451)
Cash flows from financing activities:		
Proceeds from bank loans	\$	—\$ 39,800
Repayment of convertible note		— (100,000)
Proceeds from Trafalgar note payable		— 500,000
Proceeds from issuance of stock		— 500,000
Payments to acquire treasury stock		— (508)
Proceeds from AFG loan		1,660,000
Net cash provided by financing activities	\$	—\$ 2,599,292
Net decrease in cash and cash equivalents	(114,192)	119,989
Cash and cash equivalents, beginning of period	123,903	369,576
Cash and cash equivalents, end of period	\$ 9,711	\$ 489,565
Supplemental disclosure:		
Cash paid for interest		—\$ 17,063
Cash received for interest		—\$ 108,193
Summary of non-cash transactions:		
Accrued interest capitalized into Investment in real property		\$ 212,856
Non cash Transaction : Note payable converted to common stock	\$ 1,030,000	—
Non cash Transaction: Shares issued to Yasheng Group (Note 10)	50,000,000	
Non cash Transaction: Shares issued to Capitol Group (Note 10)	38,461,538	

See accompanying notes to condensed consolidated financial statements.

VORTEX RESOURCES CORP.

Notes to Un-Audited Condensed Consolidated Financial Statements

1. Organization and Business

Vortex Resources Corp, formerly known as Emvelco Corp., is a Delaware corporation and was organized on November 9, 1992. It was a development stage company through December 1993. Effective August 19, 2008, the Company changed its name to Vortex Resources Corp. which was accomplished by merger of a wholly owned subsidiary into the Company with the Company being the survivor entity. Vortex Resources Corp. and its consolidated subsidiaries are collectively referred to herein as “Vortex” or the “Company”.

The Company’s headquarters are located in Beverly Hills, California, and its operational offices located in West Hollywood, California.

Since 1997, the Company’s strategy has been to identification and acquisition of undervalued assets within emerging industries for the purpose of consolidation and development of these businesses and sale if favorable market conditions exist. The Company’s objective is to find, acquire and develop resources at the lowest cost possible and recycle its cash flows into new projects yielding the highest returns with controlled risk. The company competencies include financial services, mergers and acquisitions, accounting, real estate development, and natural resources exploration. In 2008, the Company focused on the mineral resources industry, commencing gas and oil sub-industry, which was approved by its shareholders. Based on series of agreements commonly known as “reverse merger” which were formalized on May 1, 2008, the Company entered into an Agreement and Plan of Exchange (the "DCG Agreement") with Davy Crockett Gas Company, LLC ("DCG") and its members ("DCG Members"). DCG has obtained a reserve evaluation report from an independent engineering firm, which classifies the gas reserves as “proven undeveloped”. According to the independent well evaluation, each well contains approximately 355 MMCF (355,000 cubic feet) of recoverable natural gas.

The Company elected to move from The NASDAQ Stock Market to the OTCBB to reduce, and more effectively manage, its regulatory and administrative costs, and to enable Company’s management to better focus on its business of developing the natural gas drilling rights recently acquired in connection with the acquisition of DCG.

Due to current issues in the development of the oil and gas project in Crockett County, Texas, the board obtained in January 2009, a reserve report for the Company's interest in DCG and Vortex One, which report indicated that the DCG properties as being negative in value. As a result of such report, the world and US recessions and the depressed oil and gas prices, the board of directors elected to dispose of the DCG property and/or desert the project in its entirety