

TORRENT ENERGY CORP  
Form 10-Q  
August 14, 2007

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2007

OR

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

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

Commission file number 000-19949

**TORRENT ENERGY CORPORATION**

(Exact name of registrant as specified in its charter)

Colorado

(State or other jurisdiction of incorporation or organization)

84-1153522

(I.R.S. Employer Identification No.)

1 SW Columbia Street; Suite 640, Portland, Oregon 97258

(Address of principal executive offices)

503.224.0072

(Issuer's telephone number)

N/A

(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 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 past 90 days. Yes  No

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" in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer  Accelerated filer  Non-accelerated filer

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

**39,828,801 shares of common stock issued and outstanding as of August 10, 2007.**

Transitional Small Business Disclosure Format (Check one): Yes  No

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**PART I FINANCIAL INFORMATION**

**Item 1. Financial Statements**

We have prepared the consolidated financial statements included herein without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such Securities and Exchange Commission rules and regulations. In our opinion, the accompanying statements contain all adjustments necessary to present fairly the financial position of Torrent Energy Corporation (the Company or Torrent ) as of June 30, 2007, and its results of operations for the three month periods ended June 30, 2007 and 2006 and its cash flows for the three month periods ended June 30, 2007 and 2006. The results for these interim periods are not necessarily indicative of the results for the entire year. The accompanying financial statements should be read in conjunction with the financial statements and the notes thereto filed as a part of our annual report on Form 10-K.

**TORRENT ENERGY CORPORATION**

(formerly Scarab Systems, Inc.)

(An exploration stage enterprise)

**Consolidated Balance Sheets****(UNAUDITED)**

	June 30, 2007	March 31, 2007
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 2,610,106	\$ 5,941,577
Joint venture receivables	328,227	147,928
Inventory	852,760	906,208
Prepaid expenses and deposits	418,058	511,135
<b>Total Current Assets</b>	<b>4,209,151</b>	<b>7,506,848</b>
Oil and gas properties, unproven (Note 4 )	33,520,973	31,234,262
Other assets, net of depreciation of \$59,218 and \$43,762	205,243	215,999
<b>Total Assets</b>	<b>\$ 37,935,367</b>	<b>\$ 38,957,109</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)</b>		
Current Liabilities		
Accounts payable	\$ 1,221,112	\$ 1,379,204
Accounts payable related parties (Note 3)	8,008	8,545
Convertible Series E preferred stock subject to mandatory redemption, 1,600 shares outstanding (March 31, 2007 2,350) (Note 5)	1,600,000	2,350,000
Preferred stock dividends payable	914,159	660,069
Dividend payable on preferred stock subject to mandatory redemption	28,466	-
Current portion of long-term note	37,500	37,500
<b>Total Current Liabilities</b>	<b>3,809,245</b>	<b>4,435,318</b>
<b>Long-term Liabilities</b>		
Long-term note	3,125	9,375
<b>Total Liabilities</b>	<b>3,812,370</b>	<b>4,444,693</b>
<b>Commitments and Contingencies (Note 4)</b>		
<b>STOCKHOLDERS EQUITY (DEFICIT)</b>		
<b>Share Capital</b>		
Convertible Series E preferred stock, \$0.01 par value, 25,000 shares authorized, 21,850 shares issued and outstanding (March 31, 2007 22,650)	218	226
Common stock, \$0.001 par value, 100,000,000 shares authorized, 36,561,953 shares issued and outstanding (March 31, 2007 33,424,941)	36,562	33,425

<b>Additional paid in capital</b>	54,738,544	51,124,541
<b>Deficit accumulated during the exploration stage</b>	(20,652,327)	(16,645,776)
<b>Total stockholders' equity (deficit)</b>	34,122,997	34,512,416
<b>Total liabilities and stockholders' equity (deficit)</b>	\$ 37,935,367	\$ 38,957,109

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

**TORRENT ENERGY CORPORATION**

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**Consolidated Statements of Stockholders Equity (Deficit)  
For the period from October 8, 2001 (inception) to June 30, 2007  
(UNAUDITED)**

	Common Stock		Additional	Share	Deficit	Total
	Shares	Amount	paid- in capital	subscriptions received/ (receivable)	accumulated during exploration stage	Stockholders equity (deficit)
Stock issued for cash at \$0.001 per share in October 2001	5,425,000	\$ 5,425	\$ -	\$ -	\$ -	\$ 5,425
Stock issued for intangible asset acquisition at \$0.001 per share in October 2001	200,000	200	-	-	-	200
Issued 1,440,000 common stock at \$0.001 per share in October 2001	1,440,000	1,440	-	(1,440)	-	-
Stock issued at \$0.50 per share in November 2001	675,000	675	336,825	(337,500)	-	-
Stock issued for cash at \$0.50 per share in January 2002	390,000	390	194,610	-	-	195,000
Net(loss)for the period	-	-	-	-	(112,434)	(112,434)
<b>Balance, March 31, 2002</b>	<b>8,130,000</b>	<b>8,130</b>	<b>531,435</b>	<b>(338,940)</b>	<b>(112,434)</b>	<b>88,191</b>
Stock issued for cash at \$0.25 to \$0.50 per share in April 2002	130,000	130	39,870	-	-	40,000
Recapitalization to effect the acquisition of iRV, Inc.	1,446,299	1,446	(1,446))	-	-	-
Acquisition of MarketEdge Direct	-	-	-	337,500	-	337,500
Proceeds of share subscription	-	-	-	1,440	-	1,440
Return of stocks in connection with disposal of MarketEdge Direct	(540,000)	(540)	(358,042))	-	-	(358,582)
Proceeds of 96,000 share subscription at \$0.40 to \$0.50 per share	-	-	-	40,500	-	40,500
241,020 shares allotted for services rendered at \$0.10 to \$0.40 per share	-	-	33,306	-	-	33,306
Net (loss) for the year	-	-	-	-	(396,277)	(396,277)
<b>Balance, March 31, 2003</b>	<b>9,166,299</b>	<b>9,166</b>	<b>245,123</b>	<b>40,500</b>	<b>(508,711)</b>	<b>(213,922)</b>
Stocks issued for services rendered and recorded in fiscal year 2004	241,020	241	(241))	-	-	-

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Stocks issued at \$0.40 to \$0.50 per share	96,000	96	40,404	(40,500)	-	-
Stocks issued for conversion of debt at \$0.10 per share in February 2004	510,000	510	50,490	-	-	51,000
Stocks issued for cash at \$0.10 per share in February and March 2004	1,200,000	1,200	118,800	-	-	120,000
Stocks issued for exercise of stock options at \$0.10 per share in February and March 2004	960,000	960	95,040	-	-	96,000
Issuance of stock options as compensation	-	-	195,740	-	-	195,740
Forgiveness of debt related party	-	-	110,527	-	-	110,527
Net (loss) for the year	-	-	-	-	(374,606)	(374,606)
<b>Balance, March 31, 2004</b>	<b>12,173,319</b>	<b>\$ 12,173</b>	<b>\$ 855,883</b>	<b>\$ -</b>	<b>\$(883,317)</b>	<b>\$(15,261)</b>

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

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**Consolidated Statements of Stockholders Equity (Deficit)  
For the period from October 8, 2001 (inception) to June 30, 2007  
(UNAUDITED)**

	Series B Preferred Stock		Common Stock		Additional paid-in capital	Deficit accumulated during exploration stage	Total Stockholders equity (deficit)
	Shares	Amount	Shares	Amount			
Stocks issued for exercise of stock options at \$0.10 per share in May, June and July 2004	-	\$ -	640,000	\$ 640	\$ 63,360	\$ -	\$ 64,000
Stocks and warrants issued under a private placement at \$0.35 per share in May 2004	-	-	1,442,930	1,443	503,582	-	505,025
Stocks issued for investor relations services at \$0.54 per share in June 2004			300,000	300	161,700	-	162,000
Stocks issued for acquisition of oil and gas properties at \$0.38 per share in June 2004 and January 2005			1,200,000	1,200	454,800	-	456,000
Stocks and warrants issued under a private placement at \$0.40 per share in July 2004			500,000	500	199,500	-	200,000
Stocks issued under a private placement at \$1.00 per share in 2005, net of share issue costs of \$100,000			2,500,000	2,500	2,397,500	-	2,400,000
Stocks issued for exercise of warrants at \$0.50 and \$0.55 per share			1,614,359	1,614	825,565	-	827,179
Convertible Series B preferred stock issued under a private placement at \$1,000 per Series B share in August 2004, net of issuance costs	2,200	22	-	-	1,934,978	-	1,935,000
Stocks issued for conversion of Series B	(500)	(5)	614,358	615	(610)	-	-



preferred stock at prices ranging from \$0.76 to \$0.89 per share							
Beneficial conversion feature on convertible Series B preferred stock	-	-	-	-	315,245	-	315,245
Accretion of Series B preferred stock beneficial conversion feature	-	-	-	-	-	(210,163)	(210,163)
Series B preferred stock dividend	-	-	-	-	-	(72,672)	(72,672)
Issuance of stock options as compensation	-	-	-	-	701,740	-	701,740
Net (loss) for the year	-	-	-	-	-	(2,418,625)	(2,418,625)
<b>Balance, March 31, 2005</b>	1,700	\$ 17	20,984,966	\$ 20,985	\$ 8,413,243	\$ (3,584,777)	\$ 4,849,468

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For the period from October 8, 2001 (inception) to June 30, 2007  
(UNAUDITED)**

	Series B		Series C		Common Stock		Additional paid-in capital	Deficit accumulated during exploration stage	Total Stockholders equity (deficit)
	Shares	Amount	Shares	Amount	Shares	Amount			
Stock issued for conversion of Series B preferred stock at prices ranging from \$0.77 to \$1.20 per share	(1,700)	\$ (17)	-	\$ -	1,795,254	\$ 1,795	(1,778)	\$ -	-
Accretion of Series B preferred stock beneficial conversion feature	-	-	-	-	-	-	-	(105,081)	(105,081)
Common stock issued for cashless exercise of stock options	-	-	-	-	89,502	89	(89)		
Cancellation of stock options as compensation	-	-	-	-	-	-	(99,641)		(99,641)
Common stock issued for exercise of warrants ranging from \$0.50 to \$0.55 per share	-	-	-	-	328,571	329	168,956		169,285
Common stock issued at \$2 per share under a	-	-	-	-	1,650,000	1,650	3,273,350		3,275,000

private placement in July 2005, net of issuance cost								
Series C preferred stock issued under a private placement at \$1,000 per Series C share in July 2005, net of issuance costs	-	- 12,500	125	-	-	11,551,875	-	11,552,000
Beneficial conversion feature on convertible	-	-	-	-	-			