

BAKKEN RESOURCES INC  
Form 10-Q  
November 19, 2012

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended SEPTEMBER 30, 2012  
OR

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

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

Commission File Number: 000-50344

**BAKKEN RESOURCES, INC.**

(Name of small business issuer in its charter)

Nevada  
(State or other  
jurisdiction of  
incorporation or  
organization)

26-2973652  
(I.R.S. Employer Identification No.)

1425 Birch Ave. Suite A, Helena, MT 59601  
(Address of principal executive offices, including zip code)

(406) 442-9444  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the 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 large accelerated filer, accelerated filer and smaller reporting company in Rule 12-b-2 of the Exchange Act. (Check one):

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
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

The number of shares of issuer's outstanding common stock as of November 19, 2012 was 56,935,350.

**BAKKEN RESOURCES, INC.  
FORM 10-Q**

**TABLE OF CONTENTS**

<b>PART I</b>	<b>FINANCIAL INFORMATION</b>	
ITEM 1:	Financial Statements	3
ITEM 2:	Management's Discussion and Analysis of Financial Condition and Results of Operations	12
ITEM 4:	Controls and Procedures	15
<b>PART II</b>	<b>OTHER INFORMATION</b>	
ITEM 1:	Legal Proceedings	17
ITEM 2:	Unregistered Sales of Equity Securities and Use of Proceeds	17
ITEM 3:	Defaults Upon Senior Securities	17
ITEM 4:	Mine Safety Disclosures	17
ITEM 5:	Other Information	17
ITEM 6:	Exhibits	18
<b>SIGNATURES</b>		<b>20</b>

**PART I. FINANCIAL INFORMATION**

**Item 1. FINANCIAL STATEMENTS**

**BAKKEN RESOURCES, INC.  
CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)**

	September 30, 2012	December 31, 2011
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 335,098	\$ 956,263
Accounts receivable	662,679	185,462
Prepays	4,539	3,690
Total Current Assets	1,002,316	1,145,415
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of \$11,431 and \$6,050	26,217	34,156
PROVED MINERAL RIGHTS AND LEASES, net of accumulated-depletion of \$369,693 and \$74,892	1,279,307	1,574,108
OIL AND GAS PROPERTIES, using successful efforts accounting - proved, net of accumulated depletion	68,000	
UNPROVED MINERAL RIGHTS AND LEASES	250,000	250,000
Total Assets	\$ 2,625,840	\$ 3,003,679

**LIABILITIES AND STOCKHOLDERS' EQUITY**

## CURRENT LIABILITIES:

Accounts payable	\$ 40,340	\$ 15,885
Accrued liabilities	37,733	29,169
Payable to related party	34,000	
Royalty payable to related party	117,263	81,946
Payroll liabilities	8,540	6,531
Convertible debt		300,000
Current portion installment	120,000	120,000
Deferred Income	4,038	16,151
Total Current Liabilities	361,914	569,682
Long-term portion installment	895,452	1,005,112
Total Liabilities	1,257,366	1,574,794

## STOCKHOLDERS EQUITY:

Preferred stock, \$.001 par value, 10,000,000 shares authorized, none issued or outstanding		
Common stock, \$.001 par value, 100,000,000 shares authorized, 56,935,350 and 56,467,500 shares issued and outstanding	56,935	56,468
Additional paid-in capital, net of offering costs	3,349,887	2,732,457
Accumulated deficit	(2,038,348)	(1,360,040)
Total Stockholders Equity	1,368,474	1,428,885
Total Liabilities and Stockholders Equity	\$ 2,625,840	\$ 3,003,679

*See accompanying notes to the unaudited consolidated financial statements.*

**BAKKEN RESOURCES, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
REVENUES	\$ 348,599	\$ 118,793	\$ 909,353	\$ 149,832
OPERATING EXPENSES:				
Distribution and advertising				1,160
Depreciation and depletion	138,183	2,825	301,504	6,728
Payroll	83,210	74,336	249,777	183,813
Professional fees	220,329	224,444	706,986	418,191
Loss on disposal of fixed assets			950	
General and administrative expenses	23,072	53,227	90,555	128,330

Edgar Filing: BAKKEN RESOURCES INC - Form 10-Q

Total Operating Expenses	464,794	354,832	1,349,772	738,222
LOSS FROM OPERATIONS	(116,195)	(236,039)	(440,419)	(588,390)
OTHER INCOME (EXPENSES):				
Interest income	196	174	1,286	1,911
Other income	405		505	
Loss on extinguishment of debt			(22,092)	
Interest expense	(7,512)	(29,887)	(217,588)	(68,466)
Total other income (expenses)	(6,911)	(29,713)	(237,889)	(66,555)
NET LOSS	\$ (123,106)	\$ (265,752)	\$ (678,308)	\$ (654,945)
NET LOSS PER COMMON SHARE - BASIC AND DILUTED:	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average common shares outstanding - basic and diluted	55,935,350	56,195,761	56,924,422	55,432,299

*See accompanying notes to the unaudited consolidated financial statements.*

4

**BAKKEN RESOURCES, INC.**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY**  
**NINE MONTHS ENDED SEPTEMBER 30, 2012**  
**(UNAUDITED)**

		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders Equity
		Shares	Amount			
Balances	December 31, 2011	56,467,500	\$ 56,468	\$ 2,732,457	\$ (1,360,040)	\$ 1,428,885
	Common stock issued for conversion of debt and interest	417,850	417	156,277		156,694
	Common stock issued for cash	50,000	50	24,950		25,000
	Options expense			239,878		239,878
	Warrants issued for induced conversion of debt			174,233		174,233
	Warrants issued with debt extensions			22,092		22,092

Net loss					(678,308)	(678,308)
Balances	September 30, 2012	56,935,350	\$ 56,935	\$ 3,349,887	\$ (2,038,348)	\$ 1,368,474

See accompanying notes to the unaudited consolidated financial statements.

5

**BAKKEN RESOURCES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	Nine Months Ended September 30,	
	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (678,308)	\$ (654,945)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and depletion expense	301,504	6,728
Amortization of deferred financing costs		12,092
Common stock issued for services		75,000
Stock based compensation		33,060
Options expense	239,878	
Loss on disposal of fixed assets	950	
Warrants issued for induced conversion of debt	174,233	
Loss on extinguishment of debt	22,092	
Consulting services paid through transfer of fixed asset	1,598	
Changes in operating assets and liabilities:		
Accounts receivable	(477,217)	(64,973)
Accounts receivable from related party		
Prepays	(849)	(4,350)
Accounts payable	24,455	(3,120)
Accounts payable to related party		(7,500)
Royalty payable to related party	35,317	
Accrued liabilities	12,267	11,214
Deferred income	(12,113)	20,189
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(356,193)</b>	<b>(576,605)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash paid for acquisition of oil and gas properties	(34,000)	(250,000)
Cash paid for acquisition of property and equipment	(1,312)	(10,348)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(35,312)</b>	<b>(260,348)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments made on debt	(254,660)	(90,000)
Proceeds from convertible notes payable		300,000
Proceeds from exercise of warrants		10,000
Cash paid for debt financing costs		(21,000)

Edgar Filing: BAKKEN RESOURCES INC - Form 10-Q

Proceeds from sale of common stock, net of offering costs	25,000	727,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	(229,660)	926,000
NET CHANGE IN CASH	(621,165)	89,047
Cash at beginning of period	956,263	1,081,682
Cash at end of period	\$ 335,098	\$ 1,170,729
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:</b>		
Interest paid	\$ 73,481	\$ 45,588
Taxes paid		
<b>NONCASH INVESTING AND FINANCING ACTIVITIES:</b>		
Common stock returned to the Company and cancelled	\$	\$ 750
Common stock issued to settle debt and accrued interest	156,694	
Related party payable incurred for acquisition of oil and gas properties	34,000	

*See accompanying notes to the unaudited consolidated financial statements.*

6

**BAKKEN RESOURCES, INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

**NOTE 1 - ORGANIZATION AND OPERATIONS**

When the company was incorporated on June 6, 2008, in Nevada, Bakken Resources, Inc. (the Company or BRI), was organized to distribute interactive multimedia language education software. On June 11, 2010, BRI and Bakken Development Corporation, its wholly-owned Nevada subsidiary, entered into an Option to Purchase Assets Agreement between Holms Energy and Multisys Acquisition, pursuant to which Holms Energy agreed to grant Multisys Acquisition an option to purchase certain oil and gas production royalty rights on land in North Dakota. This option was exercised on November 26, 2010.

*Formation of Multisys Acquisitions, Inc.*

On June 3, 2010, BRI formed a wholly owned subsidiary, Multisys Acquisitions, Inc. in Nevada. On December 28, 2010, Multisys Acquisitions, Inc. changed its name to Bakken Development Corporation.

*Formation of BR Metals, Inc.*

On January 13, 2011, the Company formed a Nevada corporation, BR Metals Corporation, as a wholly owned subsidiary to engage in the business of identifying, screening, evaluating, and acquiring precious metals properties in the Western United States.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of presentation*

The accompanying unaudited interim consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America and with the rules and regulations of the Securities and Exchange Commission to Form 10-Q and Article 8 of Regulation S-X. These unaudited interim consolidated financial statements should be read in conjunction with the financial statements of the Company for the year ended December 31, 2011 and notes thereto contained in the information as part of the Company's Annual Report on Form 10-K filed with the SEC on April 16, 2012. Notes to the consolidated financial statements which would substantially duplicate the disclosure contained in the audited financial statements for fiscal 2011 as reported in the Form 10-K have been omitted. In the opinion of management, the unaudited interim consolidated financial statements furnished reflect all adjustments (consisting of normal recurring adjustments) which are necessary to present fairly the financial position and the results of operations for the interim periods presented herein. Unaudited interim results are not necessarily indicative of the results for the full year.

Basis of consolidation

The consolidated financial statements include those of Bakken Resources, Inc. and its wholly-owned subsidiaries, Bakken Development Corp. and BR Metals, Inc. All material intercompany balances and transactions have been eliminated in consolidation.

Reclassification

Certain amounts in the prior period consolidated financial statements have been reclassified to conform to the current period presentation.

Oil and Gas Properties

The Company owns royalty interests and working interests. The Company follows the successful efforts method of accounting for its investment in oil and gas properties. The Company capitalizes asset acquisition costs. Unproved oil and gas properties are periodically assessed to determine whether they have been impaired, and any impairment in value is charged to expense. The costs of unproved properties, which are determined to be productive, are transferred to proved oil and gas properties and amortized on an equivalent unit-of-production basis.

7

---

During the period ended September 30, 2012 the Company recognized no impairment of its oil and gas properties.

Revenue recognition

The Company follows the guidance of paragraph 605-10-S99-1 of the FASB Accounting Standards Codification for revenue recognition. The Company recognizes revenue when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) the product has been shipped or the services have been rendered to the customer, (iii) the sales price is fixed or determinable, and (iv) collectability is reasonably assured.

Under the royalty and lease agreements obtained as part of the exercised Option to Purchase Asset Agreement the Company will recognize revenue when received pursuant to 14 separate mineral leases originally granted or amended between September 9, 2009 and December 10, 2009 whereby: 1) Oasis Petroleum, Inc., 2) Brigham Resources, and 3) Texon L.P. purchased the rights to explore, drill and develop oil and gas on the Holms Property acquired pursuant to the Agreement. Oasis Petroleum, Inc., pursuant to the terms and conditions of the leases, was required to drill nine wells in the acquired Holms Property, Bakken Formation, before December 31, 2011 in order to retain the leases and keep them in good standing, which the Company believes has occurred. The royalty income is calculated monthly and the Company recognizes royalty income upon production reported on the North Dakota Industrial Commission website. At September 30, 2012 the Company has received division orders for nine wells and have been paid on 11 wells.

**NOTE 3 - ACQUISITIONS**

Acquisition of Royalty Interest

On June 11, 2010, the Company entered into an Option to Purchase Assets Agreement with Holms Energy, LLC, pursuant to which Holms Energy agreed to grant Multisys Acquisition an option to exercise an Asset Purchase Agreement to assign all right, title, and interest of specific Holms Energy owned assets to Multisys Acquisition, with Holms Energy members holding a controlling interest in Multisys as a result of the exercise of the option. The option was exercised on November 26, 2010 and the Asset Purchase Agreement was entered into on November 26, 2010 by paying the consideration to Holms Energy detailed in the Asset Purchase Agreement. Under the Asset Purchase Agreement, Multisys Acquisition paid Holms Energy \$100,000, issued Holms Energy 40,000,000 shares of restricted common stock, and granted to Holms Energy a 5% overriding royalty on all revenue generated from the Holms Property for ten years from the date of the acquisition closing. The issuance of the 40,000,000 shares to the Holms Energy members resulted in a Change in Control as the Holms Energy members obtained a controlling interest in Multisys. With the Holms Energy members obtaining a controlling interest in the Company, the mineral rights acquired from Holms were recorded at Holms Energy's cost basis of zero. The \$100,000 cash paid to Holms was recorded as a stockholder distribution.

The Asset Purchase Agreement related to the acquisition of: 1) certain Holms energy mineral rights in oil and gas rights on approximately 33% of 6,000 gross mineral acres of land located in McKenzie County, 8 miles southeast of Williston, North Dakota; 2) potential production royalty income from wells to be drilled on the property whose mineral rights are owned by Holms Energy; and 3) the transfer of all right, title and interest to an Option to Purchase the Greenfield mineral rights entered into between Holms Energy and Rocky and Evenette Greenfield dated June 18, 2010 related to purchasing additional mineral rights and production royalty income on the Holms Property for \$1,649,000.

## Edgar Filing: BAKKEN RESOURCES INC - Form 10-Q

The Greenfield Option was subsequently exercised by Holms Energy on November 12, 2010, and those Greenfield mineral rights were acquired by Multisys Acquisition through the Asset Purchase Agreement with Holms Energy. Holms Energy exercised the Greenfield option and executed the Asset Purchase Agreement on the Greenfield mineral rights on November 12, 2010 using \$385,000 of a \$485,000 one month non-interest bearing loan from Multisys to complete the initial payment of \$400,000, of which \$15,000 was already paid by Holms Energy. The collateral for the loan was the Greenfield mineral rights.

8

---

Under the terms of the loan from Multisys to Holms Energy, Holms Energy, in conjunction with the entry into the Asset Purchase Agreement on November 26, 2010, assigned the Greenfield mineral rights to Multisys Acquisition in exchange for forgiveness of \$385,000 of the loan. The other \$100,000 of the loan was to be applied to the Asset Purchase Agreement between Multisys and Holms Energy, and on November 26, 2010, that \$100,000 was applied to the Asset Purchase Agreement and the loan was forgiven. After exercise of the option and executing the asset purchase agreement with Holms Energy, Multisys Acquisition purchased the gas and oil production royalty rights of Rocky and Evenette Greenfield for an aggregate of \$1,249,000 plus interest as follows: installment payments in the amount of \$120,000 per year, or \$30,000 per quarter plus interest at 5% per annum for 8 years and a balloon payment in the amount of \$289,000. As of September 30, 2012, the unpaid balance of this installment note totaled \$1,015,452.

On September 21, 2011, the Company purchased an undivided 50% interest in minerals contained in approximately 2,200 acres located in Glacier County, Montana (also referred to as Duck Lake). The purchase price of these rights was \$250,000. This amount has been classified as unproved mineral property on the balance sheet.

### Acquisition of Working Interest

On July 3, 2012 the Company purchased a 17% working interest in an oil well located in Archer County, Texas for a price of \$68,000. \$34,000 was paid during the nine months ended September 30, 2012 and the Company incurred a related party payable to an Officer of the Company for the other \$34,000. The related party payable of \$34,000 was paid in October 2012.

Depletion expense recorded on the mineral rights for the nine months ended September 30, 2012 was \$294,801.

## **NOTE 4 - RELATED PARTY TRANSACTIONS**

### Royalty payable - officer

In connection with the acquisition of the Holms Property (see Note 3), the Company granted to Holms Energy, which is owned by an officer of the Company, a 5% overriding royalty on all revenue generated from the Holms Property for ten years from the date of the acquisition closing. As of September 30, 2012 and December 31, 2011, the royalty payable was \$117,263 and \$81,946, respectively.

In connection with the acquisition of the working interest (see Note 3). Company incurred a related party payable to an Officer of the Company totaling \$34,000. The related party payable of \$34,000 was paid in October 2012.

## **NOTE 5 - CONVERTIBLE NOTES PAYABLE**

During May and June 2011, the Company borrowed \$300,000 from investors. The notes are unsecured, bear interest at 6% per annum and mature on December 31, 2011. The notes are convertible at the holders' option into common stock of the Company at a \$0.375 per share. In addition, each of the notes will automatically convert into the next equity financing with gross proceeds of at least \$2,000,000 at the lower of \$0.375 or a 25% discount to the per share sales price of the \$2,000,000 equity financing. The company evaluated the conversion option for a beneficial conversion feature under FASB ASC 470-20 and determined that none existed.

During January 2012, the notes came due. \$155,000 of the notes and \$1,694 of accrued interest was converted into 417,850 common shares. In connection with the conversions, the note holders were issued 206,667 common stock warrants. The warrants are exercisable at \$0.75 per share, vest immediately and have a term of 4 years. The fair value of the warrants was determined to be \$174,233 using the Black-Scholes option pricing model. The key assumptions utilized in the model include the closing market price of the Company's common stock of \$1.20, expected term of 4 years, volatility of 85.79%, risk-free interest rate of 0.89% and zero expected dividends. The conversion was accounted for as an induced conversion and the fair value of the warrants of \$174,233 was expensed during the nine months ended September 30, 2012.



## Edgar Filing: BAKKEN RESOURCES INC - Form 10-Q

\$95,000 of the notes was extended until June 30, 2012. In connection with the extensions, the Company issued the note holders an aggregate of 25,334 common stock warrants. The warrants are exercisable at \$0.75 per share, vest immediately and have a term of 5 years. The fair value of the warrants was determined to be \$22,092 using the Black-Scholes option pricing model. The key assumptions utilized in the model include the closing market price of the Company's common stock of \$1.20, expected term of 5 years, volatility of 81.79%, risk-free interest rate of 0.89% and zero expected dividends. The Company evaluated the extension of these notes under FASB ASC 470-50 and determined that the modification was

9

substantial and qualified as a debt extinguishment. The extinguishment loss recognized as a result of the loan extensions was \$22,092 for the nine months ended September 30, 2012.

\$50,000 of the notes was repaid in cash during the six months ended June 30, 2012 and the remaining \$95,000 of outstanding principal was paid during the third quarter 2012. As of September 30, 2012, the convertible notes payable have been paid in full.

### NOTE 6 - STOCKHOLDERS' EQUITY

#### Common stock and Common Stock Warrants

During the nine months ended September 30, 2012, the Company sold 25,000 common stock units at \$0.50 per unit to a private investor. Each unit consists of two shares of common stock plus one common stock purchase warrant that are exercisable at \$0.50 per share for a term of three years from date of issuance, callable at \$0.01 per share at any time after one year from the date of sale, if the underlying shares are registered and the common stock trades for 20 consecutive trading days at an average closing sales price of \$.75 or more, for a total of 50,000 shares of common stock and 25,000 warrants sold, total cash of \$25,000 was received net of offering costs of \$0. None of the common stock warrants were exercised or canceled at September 30, 2012.

The table below summarizes the Company's warrant activity for the nine months ended September 30, 2012:

	<b>Number of Warrant Shares</b>	<b>Weighted Average Exercise Price</b>
Balance, December 31, 2011	5,640,000	\$ 0.48
Granted	257,001	0.75
Canceled		
Exercised		
Expired		
Balance, September 30, 2012	5,897,001	0.50
Exercisable, September 30, 2012	5,897,001	\$ 0.50

At September 30, 2012, the range of exercise prices and the weighted average remaining contractual life of the warrants outstanding were \$0.25 to \$0.75 and 1.33 years, respectively. The intrinsic value of the exercisable warrants outstanding at September 30, 2012 was \$14,400.

At December 31, 2011, the range of exercise prices and the weighted average remaining contractual life of the warrants outstanding were \$0.25 to \$0.50 and 2.01 years, respectively. The intrinsic value of the exercisable warrants outstanding at December 31, 2011 was \$4,038,000.

#### Common Stock Options

On June 25, 2010, the Company increased the total common stock, available in the Company's 2008 Non-Qualified Stock Option and Stock Appreciation Rights Plan from one million (1,000,000) shares to five million (5,000,000) shares.

## Edgar Filing: BAKKEN RESOURCES INC - Form 10-Q

During March 2012, the Company granted an aggregate of 500,000 common stock options to officers and Directors. The options are exercisable at \$0.10 per share and vest one-third immediately and one-third each year over the next two years. The fair value of the options was determined to be \$400,548 using the Black-Scholes option pricing model. The key assumptions utilized in the model include the closing market price of the Company's common stock of \$0.90, expected terms between 1 and 2 years, volatility of 68.94%, risk-free interest rate of 0.41% and zero expected dividends. The fair value is being expensed over the vesting period of the options. Option expense of \$239,878 was recognized during the nine months ended September 30, 2012 and the remaining \$160,670 will be expensed through March 2014.

The table below summarizes the Company's option activity for the nine months ended September 30, 2012:

10

	Number of Option Shares	Weighted Average Exercise Price
Balance, December 31, 2011		\$
Granted	500,000	0.10
Canceled		
Exercised		
Expired		
Balance, September 30, 2012	500,000	0.10
Exercisable, September, 2012	166,666	\$ 0.10

At September 30, 2012, the weighted average remaining contractual life of the options outstanding was 1.47 years. The intrinsic value of the exercisable options outstanding at September 30, 2012 was \$31,667.

11

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

*This discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and notes thereto included in this quarterly report on Form 10-Q (the "Quarterly Report") and the audited financial statements and notes thereto included in our annual report on Form 10-K for the year ended December 31, 2011 (the "2011 Annual Report"), as filed with the Securities and Exchange Commission (the "SEC"). In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including but not limited to those identified in the 2011 Annual Report in the section entitled "Risk Factors."*

#### **Overview**

BRI is an oil and gas exploration company, with properties located mostly in the Bakken. As of April 16, 2012, the Company owns 50% of the mineral rights to approximately 6,000 gross acres of land located about 8 miles southeast of Williston, North Dakota. Our current and proposed operations consist of holding certain mineral rights which presently entitle the Company to royalty rights on average of 12.5% from the oil and gas produced on such lands. We have no working interest rights to influence the activities conducted by the Lessees of these mineral rights. In the event the operators fail to meet their drilling commitment, the Company has only three options: 1) it can agree to grant an extension; 2) it can renegotiate the terms of the existing leases; or 3) it can legally terminate the leases. We will focus on evolving the Company into a growth-orientated independent energy company engaged in the acquisition, exploration, exploitation, and development of oil and natural gas properties; focusing our activities initially in the Williston Basin, a large sedimentary basin in eastern Montana, Western North and South Dakota, and Southern Saskatchewan known for its rich deposits of petroleum and potash.

## Edgar Filing: BAKKEN RESOURCES INC - Form 10-Q

On February 4, 2011, we entered into agreements relating to the private placement of \$50,000 of our securities through the sale of 200,000 shares of our common stock at \$0.25 per share, with 100,000 total warrant shares attached that are exercisable at \$.50 per share for three years from the date of this sale and callable at \$0.01 per share at any time after February 4, 2012, if the underlying shares are registered and the common stock trades for 20 consecutive trading days at an average closing sales price of \$.75 or more. In conjunction with the private placement, there were no fees, commissions, or professional fees for services payable. The placement was undertaken by the officers of the Company. The private placement of these securities was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended. The proceeds from these sales of unregistered securities were used to fund Company operations.

On March 18, 2011, we entered into agreements relating to the private placement of \$695,000 of our securities on substantially similar terms as in the February 4, 2011 closing. The placement was undertaken by the officers of the Company. The private placement of these securities was exempt from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended. The proceeds from these sales of unregistered securities were used to fund Company operations. With the conclusion of the March 18, 2011 closings, the raise under the original private placement which commenced in November 2010 for \$2.5 million were completed in full.

In May and June 2011, we entered into a series of convertible debt agreements with certain investors in an aggregate amount of \$300,000. Such notes bear an annual interest rate of 6% and were convertible into shares of common stock of the Company upon the closing of a qualified equity financing round prior to December 31, 2011. Conversion, if it occurred, would have been at a 25% discount to the price per share of the qualified financing round. Interest on the Notes shall not be deemed payable in the event of an equity conversion pursuant to a qualified financing round. The Company issued the notes pursuant to the exemption from registration afforded by the provisions of Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder. In January 2012, holders of \$155,000 of such notes elected to convert at a price of \$0.375 per share. Also in January 2012, holders of \$95,000 of such notes elected to extend such notes until June 30, 2012.

In September 2011 and February 2012, we sold an aggregate of 150,000 shares of common stock of the Company at \$0.50 per share pursuant to subscription agreements. The September 2011 and February 2012 investors also received an aggregate of 75,000 warrants exercisable at \$0.75 per share reflecting 50%

12

---

of the original investment amount. The Company received gross proceeds of \$75,000 in connection with this sale. The Company issued the shares and warrants pursuant to the exemption from registration afforded by the provisions of Section 4(2) of the Securities Act and Rule 506 of Regulation D thereunder.

### ***Results of Operations***

#### *Comparison of the Nine Months Ended September 30, 2012 and September 30, 2011*

**Revenue.** We generated revenue for the nine months ended September 30, 2012 of \$909,353, compared to revenue of \$149,832 for the nine months ended September 30, 2011. The revenue amount for the period ended September 30, 2012 is based on our estimates for third quarter oil production from our currently producing wells and is based on a conservative estimate of currently available public information. Since the beginning of 2011, we have received royalty checks totaling \$867,318 to date from wells operated by Continental Resources and Oasis Petroleum. Typically, royalty checks from oil well operators can be delivered anytime between 60 to 150 days following the month of initial production. Following oil well production, the oil well operator will usually seek a division order title opinion from any attorney which would describe the ownership of the production. Following issuance of this opinion, the oil well operator will generally issue division orders which would set forth payments to the royalty holders. North Dakota law requires payment of 18% annual interest if royalty payments are not made within 150 days after oil produced by the well is marketed. For additional information regarding the rights of royalty holders, see the Royalty Owner Information Center link found on the website for the North Dakota Petroleum Council, [www.ndoil.org](http://www.ndoil.org).

**General and Administrative Expenses.** General and administrative expenses were \$90,555 for the nine month period ended September 30, 2012 compared to \$128,330 for the same period in 2011, a decrease of \$37,775. The decrease in 2012 is principally attributable to reduced travel related expense.

Our material financial obligations include our salaries paid to our three current employees, fees paid to outside consultants, public company reporting expenses, transfer agent fees, bank fees, and other recurring fees.

### ***Liquidity and Capital Resources***

## Edgar Filing: BAKKEN RESOURCES INC - Form 10-Q

The Company has historically met our capital requirements through the issuance of stock and by borrowings. From November 2010 through March 2011, the Company raised approximately \$2.5 million in equity financing, net of offering costs of approximately \$0.2 million. As of September 30, 2012, the Company had cash of \$335,098. Our recent rate of use of cash in our operations over the last nine months has been approximately \$69,000 per month and consists mainly of salaries, office rent, travel and professional fees. Given our recent rate of use of cash in our operations, we believe we have sufficient capital to carry on operations for the next year. Our long term capital requirements and the adequacy of our available funds will depend on many factors, including the reporting company costs, public relations fees, and operating expenses, among others.

In the future, we anticipate we will be able to provide the necessary liquidity we need by the revenues generated from the royalties received through sales of our oil reserves in our existing properties. No assurances, however, can be given that such royalties will be received and as of September 30, 2012, the royalty revenues received have not been sufficient to provide liquidity. If the Company does not generate sufficient revenues it will continue to finance operations through equity and/or debt financings.

We will continue to evaluate additional properties containing mineral rights which we may seek to acquire. With respect to transactions involving the acquisition of additional mineral rights or other business collaboration transactions, we may seek to issue shares of our common stock or other equity to finance part or all such acquisitions or transactions. To the extent that such acquisitions or transactions require cash payments, such payments will likely have a material impact on our liquidity.

Until we can generate significant revenues from operations, we expect to continue to fund operations with proceeds of offerings of our equity and debt securities. However, we may not be successful in obtaining cash from new or existing agreements or licenses, or in receiving royalty payments under our existing leases. In addition, we cannot be sure that additional financing will be available when needed or that, if available, financing will be obtained on terms favorable to us or to our stockholders. Having insufficient funds may require us to delay, scale back, or eliminate some or all of our business development

13

---

activities. Failure to obtain adequate financing also may adversely affect our ability to operate as a going concern. If we raise additional funds from the issuance of equity securities, substantial dilution to our existing stockholders would likely result. If we raise additional funds by incurring debt financing, the terms of the debt may involve significant cash payment obligations as well as covenants and specific financial ratios that may restrict our ability to operate our business.

### *Satisfaction of our cash obligations for the next 12 months*

A critical component of our operating plan impacting our continued existence is the ability to obtain additional capital through additional equity and/or debt financing and JV drilling partnerships. We do not anticipate enough positive internal operating cash flow until we can generate substantial oil and gas royalty revenues. In the event we cannot obtain the necessary capital to pursue our strategic plan, we may have to cease or significantly curtail our operations. This would materially impact our ability to continue operations. However, due to our low overhead, we are not dependent on new capital if we do not wish to accelerate our drilling programs and/or buy up working interests in potential wells during the next 12 months.

Since inception, we have financed cash flow requirements through debt financing and issuance of common stock for cash and services. As we expand operational activities, we may continue to experience net negative cash flows from operations, pending receipt of sales or development fees, and will be required to obtain additional financing to fund operations through common stock offerings and debt borrowings to the extent necessary to provide working capital.

Over the next twelve months we believe that existing capital and anticipated funds from operations will be sufficient to sustain current operations. We may seek additional capital in the future to fund growth and expansion through additional equity or debt financing or credit facilities. No assurance can be made that such financing would be available, and if available it may take either the form of debt or equity. In either case, the financing could have a negative impact on our financial condition and our Stockholders.

We anticipate incurring operating losses over the next six months. We have collected approximately \$867,318 in royalty income from August 2011 to September 30, 2012 from production on thirteen wells. We have information that an additional fifteen (15) wells are either in production or are in confidential status. Although we believe that our income from our wells will likely reduce or eliminate operating losses in the near future, we have no control over the timing of when we will receive such royalty payments. In addition, we can give no assurance that we will be successful in addressing operational risks as previously identified under the Risk Factors section, and the failure to do so can have a material adverse effect on our business prospects, financial condition and results of operations.

***Off-Balance Sheet Arrangements***

We currently do not have any off-balance sheet arrangement that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

***Critical Accounting Policies, Estimates, and Judgments***

Our financial statements are prepared in accordance with accounting principles that are generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. We continually evaluate our estimates and judgments, the most critical of which are those related to revenue recognition, the timing of the royalty revenues, and income taxes. We base our estimates and judgments on historical experience and other factors that we believe to be reasonable under the circumstances. Materially different results can occur as circumstances change and additional information becomes known.

Besides the estimates identified above that are considered critical, we make many other accounting estimates in preparing our financial statements and related disclosures. All estimates, whether or not deemed critical, affect reported amounts of assets, liabilities, revenues and expenses, as well as

14

---

disclosures of contingent assets and liabilities. These estimates and judgments are also based on historical experience and other factors that are believed to be reasonable under the circumstances. Materially different results can occur as circumstances change and additional information becomes known, even for estimates and judgments that are not deemed critical.

For further information, refer to the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2011.

**Item 4. CONTROLS AND PROCEDURES**

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934, as amended, as a process designed by, or under the supervision of, a company's principal executive and principal financial officers and effected by a company's board of directors, management and other personnel, to provide reasonable assurances regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of September 30, 2012.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

We identified material weaknesses in our internal control over financial reporting as of September 30, 2012 because certain elements of an effective control environment were not present as of September 30, 2012, including the financial reporting processes and procedures, and internal control procedures by our board of directors as we have yet to establish an audit committee and our full board has not been adequately performing those functions. There exists a significant overlap between management and our board of directors, with three of our six directors being members of management.

Based on this assessment and the material weaknesses described above, management has concluded that internal control over financial reporting was not effective as of September 30, 2012. We have hired a Chief Financial Officer and have developed policies relating to our internal controls and procedures to help address any material weaknesses.

We intend to take the following steps as soon as practicable to remediate the material weaknesses we identified as follows:

We will segregate incompatible functions using existing personnel where possible or, given sufficient capital resources, we will hire additional personnel to perform those functions. In this regard, we note in particular the formal appointment of David Deffinbaugh, our CFO, to our Board as well as the entry of Mr. Deffinbaugh into a written employment agreement with the Company.

We will, and have, appointed additional outside directors, particularly those who may have experience with regard to financial reporting, financial reporting processes and procedures and internal control procedures. In this regard, we note in particular the appointment of W. Edwards Nichols to our Board.

15

---

To the extent we can attract outside directors, we plan to form an audit committee to review and assist the board with its oversight responsibilities and appoint a financial expert to be the chairperson of such audit committee.

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

As of the end of the period covered by this Report, there have been no changes in internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the quarter ended September 30, 2012, that materially affected, or are reasonably likely to materially affect, our Company's internal control over financial reporting.

16

---

## **PART II OTHER INFORMATION**

### **Item 1. LEGAL PROCEEDINGS**

On April 2, 2012, BRI was served with a summons relating to a complaint filed by Allan Holms, both individually and derivatively through Roil Energy, LLC. Allan Holms is the half-brother of BRI's CEO, Val Holms. The complaint (filed in the Superior Court of the State of Washington located in Spokane County) names, among others, Joseph Edington, Val and Mari Holms, Holms Energy, LLC and BRI as defendants. The Complaint primarily alleges breach of contract, tortious interference with prospective business opportunity and fraud. The complaint focuses on events allegedly occurring around February and March 2010 whereby Allan Holms alleged an oral agreement took place whereby he was to receive up to 40% of the originally issued equity of Roil Energy, LLC. Allan Holms alleges Roil Energy was originally intended to be the predecessor entity to BRI. Both Mr. Val Holms, our CEO, and BRI dispute such allegations in their entirety and intend to and have vigorously defended against such claims. On August 17, 2012, BRI filed a motion to dismiss the lawsuit in the Superior Court of the State of Washington, County of Spokane to dismiss the complaint filed by Allan Holms on April 2, 2012. Originally scheduled dates to argue such motion have been postponed and BRI is awaiting a new hearing date.

On June 6, 2012, BRI filed a Temporary Restraining Order (the "TRO") and Verified Complaint for Injunctive Relief against McKinley Romero, Peter Swan Investment Consulting Ltd and IWJ Consulting Group, LLC (collectively, the "Defendants"), in connection with the Defendants request to the transfer agent to remove restrictive legends from an aggregate of 4.7 million shares, which the Company believes were improperly

## Edgar Filing: BAKKEN RESOURCES INC - Form 10-Q

obtained by the Defendants. The Company obtained the TRO from the Second Judicial District Court of the State of Nevada, County of Washoe on June 6, 2012 enjoining the Defendants from seeking removal of the restrictive legends. The order granting such preliminary injunction was issued from this court on August 14, 2012.

### Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

### Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

### Item 4. MINE SAFETY DISCLOSURES

Not applicable.

### Item 5. OTHER INFORMATION

None.

17

### Item 6. EXHIBITS

The following exhibit index shows those exhibits filed with this report and those incorporated herein by reference:

Exhibits	Description of Document	Incorporated Herein by Reference			
		Filed Herewith	Form	Exhibit	Filing Date
3.1	Articles of Incorporation		S-1	3.1	02-26-09
3.2	Bylaws		S-1	3.2	02-26-09
4.1	Non-Qualified Stock Option and Stock Appreciation Rights Plan adopted on June 10, 2008		S-1	10.3	02-26-09
4.2	Form of Registration Rights Agreement 2010		10-K	4.3	04-15-11
4.3	Form of Warrant 2010		10-K	4.4	04-15-11
4.4	Form of Warrant 2011 (Convertible Bridge Loan)		8-K	10.1	05-25-11
4.5	Form of Convertible Promissory Note 2011		8-K	10.2	05-25-11
10.1	Assignment of Interest Agreement between Bakken Resources, Inc. (formerly Multisys Language Solutions, Inc.) and Peter Schmid dated June 11, 2008		S-1	10.2	02-26-09
10.2	Asset Purchase Agreement with Holms Energy, LLC entered into on November 26, 2010		8-K	10.1	10-21-10
10.3			8-K	10.2	10-21-10

Edgar Filing: BAKKEN RESOURCES INC - Form 10-Q

Incorporated Herein by Reference

	Asset Purchase Agreement between Holms Energy, LLC and Evenette and Rocky Greenfield entered into on November 12, 2010			
10.4	Promissory note with Holms Energy, LLC for \$485,000 entered into on November 12, 2010	8-K	10.2	11-18-10
10.5	Office Lease beginning December 1, 2010	10-K	10.6	04-15-11
10.7	Form of Common Stock and Warrant Purchase Agreement 2010	10-K	10.7	04-15-11
10.8	Employment Agreement by and between Bakken Resources, Inc. and Val M. Holms, dated February 1, 2011	8-K	10.1	02-07-11
10.9	Employment Agreement by and between Bakken Resources, Inc. and Karen Midtlyng, dated February 1, 2011	8-K	10.2	02-07-11
10.10	Employment Agreement be and between Bakken Resources, Inc. and David Deffinbaugh, dated effective as of January 1, 2012	10-K	10.10	04-16-12
10.11	Form of Securities Purchase Agreement, entered into by Bakken Resources, Inc. on February 4, 2011	8-K	10.1	02-09-11
10.12	Form of Securities Purchase Agreement, entered into by Bakken Resources, Inc. on March 18, 2011	8-K	10.1	03-24-11
10.13	Oil and Gas Lease by and between Rocky Greenfield and Evenette Greenfield, Trustees of the Revocable Living Trust of Rocky Greenfield and Evenette Greenfield and Empire Oil Company dated July 29, 2008	10-K	10.12	04-15-11
10.14	Oil and Gas Lease No.1 by and between Rocky Greenfield and Evenette Greenfield, Trustees of the Revocable Living Trust of Rocky Greenfield and Evenette Greenfield and Empire Oil Company dated July 14, 2008	10-K	10.13	04-15-11
10.15	Amendment to Oil and Gas Lease by and between The Rocky Greenfield and Evenette Greenfield Revocable Living Trust, Rocky Greenfield and Evenette Greenfield, Trustees and Oasis Petroleum North America, LLC dated September 18, 2009	10-K	10.14	04-15-11

18

Incorporated Herein by Reference

Exhibits	Description of Document	Filed Herewith	Form	Exhibit	Filing Date
10.16	Extension, Amendment and Ratification of Oil and Gas Lease by and between Evenette Greenfield and Rocky Greenfield and The Armstrong Corporation dated September 9, 2003		10-K	10.15	04-15-11
10.17	Extension, Amendment and Ratification of Oil and Gas Lease by and between Evenette Greenfield and The Armstrong Corporation dated November 24, 2004		10-K	10.16	04-15-11



Edgar Filing: BAKKEN RESOURCES INC - Form 10-Q

Incorporated Herein by Reference

10.18	Oil and Gas Lease No.2 by and between Rocky Greenfield and Evenette Greenfield, Trustees of the Revocable Living Trust of Rocky Greenfield and Evenette Greenfield and Empire Oil Company dated July 14, 2008	10-K	10.17	04-15-11
10.19	Oil and Gas Lease by and between Val Holms and Mari Holms, individually and as Trustees of the Val Holms and Mari Holms Revocable Living Trust and Empire Oil Company dated July 29, 2008	10-K	10.18	04-15-11
10.20	Oil and Gas Lease by and between Val Holms and Mari Holms, individually and as Trustees of the Val Holms and Mari Holms Revocable Living Trust and Empire Oil Company dated July 14, 2008	10-K	10.19	04-15-11
10.21	Oil and Gas Lease by and between Val Holms and Mari Holms, individually and as Trustees of the Val Holms and Mari Holms Revocable Living Trust and The Armstrong Corporation dated March 1, 2005	10-K	10.20	04-15-11
10.22	Oil and Gas Lease by and between Val Holms and Mari Holms Revocable Living Trust, Val Holms and Maris Holms Trustees and The Armstrong Corporation dated September 9, 2003	10-K	10.21	04-15-11
10.23	Oil and Gas Lease by and between Val Holms and Mari Holms, Trustees of the Val Holms and Mari Holms Revocable Living Trust and the Armstrong Corporation dated November 24, 2004	10-K	10.22	04-15-11
10.24	Oil and Gas Lease by and between Val Holms and Mari Holms, individually and as Trustees of the Val Holms and Mari Holms Revocable Living Trust and Empire Oil Company dated July 14, 2008	10-K	10.23	04-15-11
10.25	Form of Convertible Bridge Loan Agreement 2011	8-K	10.1	05-25-11
10.26	Mineral Property Sale and Purchase Agreement Between John L. Reely, Lincoln Green, Inc. and Bakken Resources, Inc. dated effective as of September 21, 2011	8-K	10.1	09-27-11
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer	X		
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer	X		
32.1	Section 1350 Certification of Chief Executive Officer	X		
32.2	Section 1350 Certification of Chief Financial Officer	X		

Edgar Filing: BAKKEN RESOURCES INC - Form 10-Q

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

**BAKKEN RESOURCES, INC.**

Date: November 19 , 2012

/s/ Val M. Holms  
Val M. Holms  
President, CEO, and Director  
(Principal executive officer)

/s/ David Deffinbaugh  
David Deffinbaugh  
CFO, Treasurer, and Director  
(Principal financial and accounting officer)