

November 17, 2014



Torchlight Energy Reports Third Quarter 2014 Earnings

PLANO, TX -- (Marketwired) -- 11/17/14 -- [Torchlight Energy Resources, Inc.](#) (NASDAQ: TRCH) ("**Torchlight Energy**" or "**the Company**"), a rapidly growing mid-continent oil and gas company, today reported its third quarter results for the three months ended September 30, 2014. The Company filed a 10-Q with the U.S. Securities and Exchange Commission for the third quarter of 2014 on November 14, 2014.

Third Quarter 2014 Highlights and Subsequent Events

- Revenues increased 330% to approximately \$2.0 million for the third quarter 2014 versus 2013
- 34 producing wells at September 30, 2014 with 413 BOEPD net; with an additional ten wells in final stages of development
- Average lifting cost (excluding depreciation, depletion, and amortization) was approximately \$20.00 per BOE for the nine months ended September 30, 2014. The cost per BOE has declined from 2013 due to 2014 having a greater concentration of producing properties in Oklahoma versus Texas. Hunton wells in Oklahoma have lower lease operating costs per well
- Purchased 100% Working Interest in 172,000 acres in the Orogrande Basin in West Texas (most of the acres purchased were contiguous)
- Drilling Program underway at the Ring Energy Project with 7 wells drilled as of September 30th
- Announced further expansion in the Hunton Play with Husky Ventures
- Completed \$3 million private offering on August 15, 2014 to fund drilling programs
- Updated Reserve report adding significant Proved and Probable reserves

"While the price of oil has been the principal topic of discussion recently it's important that our shareholders understand Torchlight is a low cost producer and only focused on producing wells which are economical," stated Tom Lapinski, Chief Executive Officer of Torchlight Energy. "We added significant development potential this quarter in the Hunton Play and in the closing of the Orogrande acreage. The Company's four main projects provide numerous future well-site locations and our deployment of capital, assisted by the potential sale of the Coulter and Smokey Hill assets, will be carefully budgeted between these projects as we continue to increase daily production. While we cannot control the price of oil, our job is to stay focused on creating intrinsic value in the organization and deploying capital with the best possible return while minimizing risk."

Financial Results

For the three months ended September 30, 2014, the company reported revenues of approximately \$2.0 million, an increase of 330% when compared to \$0.5 million in the same period in 2013.

Operating expenses for the third quarter, 2014 decreased 5.2% to \$3.07 million from \$3.24 million in the third quarter of 2013. Operating expenses were primarily made up of non-cash charges that included stock and warrant compensation of \$1.1 million and depreciation and amortization expense of \$0.8 million.

Net loss for the three months ended September 30, 2014 was \$2.8 million, or \$0.15 per share, compared to a net loss of \$3.4 million or \$0.24 per share, in the same period of 2013.

EBITDA and the impact of noncash expenses are detailed as follows:

Net loss for three months ended September 30, 2014	\$(2,814,335)
Add back: Depreciation expense	\$ 777,016
Interest expense (net of interest capitalized at 9/30/14)	\$ <u>120,851</u>
EBITDA (Loss) for three months ended 9/30/14	\$(1,916,468)
Adjust for noncash expenses: Accretion expense	\$ 1,145,247
Stock/Warrant compensation expense	\$ <u>1,080,500</u>
Adjusted EBITDA	\$ <u><u>309,279</u></u>

The Company had \$37.2 million of assets and \$21.8 million shareholders' equity at September 30, 2014 compared to \$16.7 million and \$9.2 million, respectively, at December 31, 2013.

"The inherent leverage in the Company's business model by being a non-operator in several of our properties will become more apparent in the fourth quarter and moving into 2015," stated John Brda, President of Torchlight Energy.

Business Updates

Torchlight Energy currently has interests in four main oil and gas projects:

1. Marcelina Creek Field Development in Wilson County, Texas
2. Ring Energy Joint Venture in Southwest Kansas
3. Hunton play in partnership with Husky Ventures in Central Oklahoma
4. Orogrande Project in West Texas

Additionally, the Company currently owns two non-core assets; The Coulter in Waller County Texas (970 acres) and the Smokey Hill Prospect in McPherson County Kansas (4,200 acres) which have been suspended pending technical review and possible disposition.

Torchlight Energy commenced drilling its initial 5-well program in Southwest Kansas in February 2014 and as of September 30, 2014 seven wells have been drilled; three are producing, two were drilling at September 30, 2014, one will be converted to a salt water disposal well, and one was not completed. 3-D seismic data will be acquired before selection of future drill sites.

Torchlight Energy increased its ownership in the Hunton Play with Husky Ventures acquiring 25% Working Interest in the T4 AMI increasing our acreage position in the Hunton by 1,690 acres. The drilling program in the Hunton continues to accelerate as a five rig drilling program is set to resume in early 2015 increasing the number of wells being drilled. The combination of a five rig drilling program and ongoing leasing activity provides pronounced opportunities to deploy capital and grow the Company's existing production portfolio.

Torchlight owns mineral lease interests in multiple Hunton AMIs in percentages which vary from area to area. Gross *undeveloped* acreage in those combined Hunton AMIs totalled approximately 28,000 acres as of September 30, 2014.

On August 7, 2014, the Company purchased 100% Working Interest, 75% Net Revenue Interest in 172,000 mostly contiguous acres in the Orogrande Basin in West Texas. The acreage is in a five-year lease with five year extension provisions. Operations will begin no later than March 31, 2015 by drilling one well every six months to hold the acreage. The initial test program will consist of four vertical wells to be drilled at depths estimated at 6,000 ft. The data provided by the first four test wells will determine the production potential in the play.

Outlook

Over the next 90 to 120 days, our expectations are to: 1) continue the pace in the Hunton play with Husky Ventures; 2) complete the next set of wells and 3D seismic survey with Ring Energy; 3) drill the next Austin Chalk well in South Texas; 4) the Orogrande project will be evaluated and preparations for the first test wells in the project will continue. In addition, disposition of the non-core Coulter and Smokey Hill assets will be evaluated.

Conference Call

Management will host a conference call at 4:15 p.m. ET on November 20, 2014 to discuss its third quarter 2014 earnings results.

Date: Thursday, November 20, 2014
Time: 4:15 pm ET
Dial-in (US): 877-407-9039
Dial-in 201-689-8470
(International):

Conference ID: 13595906

Webcast: <http://public.viavid.com/index.php?id=111429>

A replay of the call will be available after 7:30 pm ET November, 2014. To access the replay, use 877-870-5176 for U.S. callers and 858-384-5517 for international callers. The PIN number is 13595906.

About Torchlight Energy

Torchlight Energy Resources, Inc. (NASDAQ: TRCH), based in Plano, Texas, is a high growth oil and gas Exploration and Production (E&P) company with a primary focus on acquisition and development of highly profitable domestic oil fields. The company currently holds interests in Texas, Kansas and Oklahoma where their targets are established plays such as the Eagle Ford Shale, Mississippi Limestone and Hunton Limestone trends. For additional information on the company, please visit www.torchlightenergy.com.

Forward Looking Statement

This news release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements may involve risks and uncertainties that could cause actual results to differ materially from those described in such statements. Such forward-looking statements involve known and unknown risks and uncertainties, including risks associated with the company's ability to obtain additional capital in the future to fund planned expansion, the demand for oil and natural gas, general economic factors, competition in the industry and other factors that may cause actual results to be materially different from those described herein as anticipated, believed, estimated or expected. The company is under no obligation (and expressly disclaims any such obligation) to update or alter its forward-looking statements whether as a result of new information, future events or otherwise.

TORCHLIGHT ENERGY RESOURCES, INC. CONSOLIDATED CONDENSED BALANCE SHEETS

	September 30, 2014 <u>(Unaudited)</u>	December 31, 2013 <u>(Audited)</u>
<i>ASSETS</i>		
Current assets:		
Cash	\$ 561,329	\$ 1,811,713
Accounts receivable	205,958	429,699
Production revenue receivable	972,026	-
Note receivable	408,755	-
Prepayments - development costs	636,635	0
Prepaid expenses	24,375	9,144

Total current assets	2,809,078	2,250,556
Investment in oil and gas properties, net	33,288,968	13,038,751
Office Equipment	58,428	11,604
Debt issuance costs, net	553,495	920,947
Goodwill	447,084	447,084
Other Assets	78,850	74,379
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 37,235,903</u>	<u>16,743,321</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 3,777,014	\$ 985,123
Accrued liabilities	240,000	-
Related party payables	90,000	90,000
Convertible promissory notes, net of discount of \$1,495,653 at September 30, 2014	6,621,945	-
Notes payable within one year	67,923	753,904
Due to working interest owners	362,550	580,484
Interest payable	388,113	309,498
	<u> </u>	<u> </u>
Total current liabilities	11,547,545	2,719,009
Convertible promissory notes, net of discount of \$688,656 at September 30, 2014 and \$5,500,462 at December 31, 2013	3,880,844	4,802,711
Asset retirement obligation	34,455	24,382
Commitments and contingencies	-	-
Stockholders' equity:		
Common stock, par value \$0.001 per share; 75,000,000 shares authorized; 23,187,941 issued and outstanding at September 30, 2014 16,141,765 issued and outstanding at December 31, 2013	23,187	16,142
Additional paid-in capital	43,385,949	21,978,616
Warrants outstanding	7,511,820	3,043,420
Accumulated deficit	-29,147,897	-15,840,959
	<u> </u>	<u> </u>
Total stockholders' equity	21,773,059	9,197,219
	<u> </u>	<u> </u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 37,235,903</u>	<u>16,743,321</u>

TORCHLIGHT ENERGY RESOURCES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED September 30, 2014 (Unaudited)	THREE MONTHS ENDED September 30, 2013 (Unaudited)	NINE MONTHS ENDED September 30, 2014 (Unaudited)	NINE MONTHS ENDED September 30, 2013 (Unaudited)
Revenue				
Oil and gas sales	\$ 1,941,715	\$ 430,782	\$ 4,214,720	\$ 837,901
SWD and royalties	12,305	23,774	61,269	33,078
Cost of revenue	<u>(429,353)</u>	<u>(136,607)</u>	<u>(1,005,588)</u>	<u>(314,662)</u>
Gross income	1,524,667	317,949	3,270,401	556,317
Operating expenses:				
General and administrative expense	2,295,901	2,701,062	9,435,148	4,815,712
Depreciation, depletion and amortization	<u>777,016</u>	<u>539,782</u>	<u>1,739,719</u>	<u>894,366</u>
Total operating expenses	3,072,917	3,240,844	11,174,867	5,710,078
Other income (expense)				
Income - Cancellation of Debt	-	660,000	-	660,000
Interest income	14	6	70	46
Interest and accretion expense	<u>(1,266,099)</u>	<u>(1,120,985)</u>	<u>(5,402,543)</u>	<u>(1,856,444)</u>
Total other income (expense)	<u>(1,266,085)</u>	<u>(460,979)</u>	<u>(5,402,473)</u>	<u>(1,196,398)</u>
Net loss before taxes	(2,814,335)	(3,383,874)	(13,306,939)	(6,350,159)
Provision for income taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net (loss)	<u>\$ (2,814,335)</u>	<u>\$ (3,383,874)</u>	<u>\$ (13,306,939)</u>	<u>\$ (6,350,159)</u>
Loss per share:				
Basic and Diluted	<u>\$ (0.15)</u>	<u>\$ (0.24)</u>	<u>\$ (0.85)</u>	<u>\$ (0.47)</u>
Weighted average				

shares outstanding:	18,231,409	13,858,030	15,687,540	13,655,021
Basic and Diluted	<u>18,231,409</u>	<u>13,858,030</u>	<u>15,687,540</u>	<u>13,655,021</u>

TORCHLIGHT ENERGY RESOURCES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOW (Unaudited)

	NINE MONTHS ENDING September 30, 2014	NINE MONTHS ENDING September 30, 2013
	<u> </u>	<u> </u>
Cash Flows From Operating Activities		
Net (loss)	\$ (13,306,939)	\$ (6,350,159)
Adjustments to reconcile net loss to net cash from operations:		
Stock based compensation	5,834,186	3,357,148
Accretion of convertible note discounts	4,676,739	1,451,237
Income - Cancellation of Debt	-	(660,000)
Depreciation, depletion and amortization	1,739,719	894,366
Change in:		
Accounts receivable	96,258	566,511
Note receivable	(294,318)	-
Production revenue receivable	(972,026)	-
Prepayment of development costs	(636,635)	-
Prepaid expenses	(15,231)	(65,286)
Debt issuance costs	(150,000)	(720,450)
Other assets	(4,471)	(21,406)
Accounts payable and accrued liabilities	2,706,835	(457,835)
Related party payable	-	(18,648)
Due to working interest owners	(217,934)	167,056
Asset retirement obligation	10,073	-
Interest payable	88,885	170,885
Capitalized interest	(260,096)	-
Net cash used in operating activities	<u>(704,955)</u>	<u>(1,686,581)</u>
Cash Flows From Investing Activities		
Investment in oil and gas properties	(16,363,979)	(5,101,434)
Acquisition of office equipment	(53,960)	(10,434)
Proceeds from Sale of Leases	-	86,400
Net cash used in investing activities	<u>(16,417,939)</u>	<u>(5,025,468)</u>
Cash Flows From Financing Activities		
Proceeds from sale of common stock	10,632,791	-
Proceeds from issuance of convertible notes	4,569,500	8,465,288
Proceeds from warrant exercise	706,782	-
Proceeds from promissory notes	53,695	-
Repayment of promissory notes	(90,258)	(601,000)

Net cash provided by financing activities	<u>15,872,510</u>	<u>7,864,288</u>
Net increase (decrease) in cash	(1,250,384)	1,152,239
Cash - beginning of period	<u>1,811,713</u>	<u>63,252</u>
Cash - end of period	<u>\$ 561,329</u>	<u>\$ 1,215,491</u>

Supplemental disclosure of cash flow information:

Non cash transactions:		
Common stock issued for services	\$ 1,249,077	\$ -
Warrants issued in connection with promissory notes	\$ 562,354	\$ 914,449
Warrants issued for services	\$ 4,663,865	\$ -
Beneficial conversion feature on promissory notes	\$ 195,466	\$ 1,827,100
Liabilities assumed-purchase of properties	\$ -	\$ 1,809,572
Promissory note issued for debt issuance	\$ -	(50,000)
Sale of properties for note receivable	\$ -	\$ 990,000
Common stock issued for mineral interests	\$ 5,136,879	\$ 1,233,967
Capitalized interest cost	\$ 260,096	\$ 32,335
Common stock issued in conversion of promissory notes	\$ 2,185,535	\$ 56,000
Common stock issued in warrant exercises	\$ 1,240,000	\$ -
Asset retirement obligation	\$ 10,073	\$ -
Cash paid for interest	\$ 855,703	\$ 244,643

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Source: Torchlight Energy Resources, Inc.