

GEOGLOBAL RESOURCES INC.

Form 10-Q

August 13, 2010



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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2010;

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: 1-32158

GEOGLOBAL RESOURCES INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

Suite #200, 620 – 4 Avenue SW, Calgary, Alberta, Canada
(Address of principal executive offices)

Registrant's telephone number, including area code:

33-0464753
(I.R.S. Employer Identification No.)

T2P 0K2
(Zip Code)

+1 403-777-9250

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

NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES

NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or

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a smaller reporting company. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-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 outstanding of the registrant’s common stock as of August 13, 2010 was 72,805,756

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GEOGLOBAL RESOURCES INC.
(a development stage enterprise)
QUARTERLY REPORT ON FORM 10-Q

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PART I
FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GEOGLOBAL RESOURCES INC.
(a development stage enterprise)
CONSOLIDATED BALANCE SHEETS

	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)
Assets		
Current		
Cash and cash equivalents	5,824,199	16,294,996
Restricted deposits (note 4)	3,815,000	--
Accounts receivable	92,306	64,031
Prepays and deposits	209,164	173,318
	9,940,669	16,532,345
Restricted deposits (note 4)	5,678,000	6,925,000
Property and equipment (notes 5 and 10)	51,373,740	46,813,004
	66,992,409	70,270,349
Liabilities		
Current		
Accounts payable	5,832,294	8,733,612
Accrued liabilities	2,679,200	1,196,614
Due to related companies (note 10)	38,393	123,554
	8,549,887	10,053,780
Deferred income taxes	48,500	-
Asset retirement obligation (note 6)	807,090	775,000
	9,405,477	10,828,780
Stockholders' Equity		
Capital stock		
Authorized		
125,000,000 common shares with a par value of \$0.001 each		
1,000,000 preferred shares with a par value of \$0.01 each		
Issued		
72,805,756 common shares (December 31, 2009 – 72,805,756)	58,214	58,214
Additional paid-in capital	88,411,858	88,153,778
Deficit accumulated during the development stage	(30,883,140)	(28,770,423)
	57,586,932	59,441,569
	66,992,409	70,270,349

See Going Concern (note 2), Commitments (note 12) and Contingencies (note 13).

The accompanying notes are an integral part of these Unaudited Consolidated Financial Statements.

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GEOGLOBAL RESOURCES INC.

(a development stage enterprise)

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited)

	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009	Period from Inception, August 21, 2002 to June 30, 2010
Revenue and other income					
Oil and gas sales	234,672	190,048	425,889	190,048	1,087,811
Interest income	11,302	83,933	29,657	198,029	5,890,784
Gain on sale of equipment	--	--	--	--	42,228
	245,974	273,981	455,546	388,077	7,020,823
Expenses					
Operating	39,692	83,271	102,357	83,271	201,235
General and administrative	927,796	886,573	1,596,468	1,719,742	12,183,052
Consulting fees (note 10)	188,145	169,333	370,796	352,496	7,030,139
Professional fees	63,905	216,503	180,399	448,346	4,145,275
Depletion and depreciation	89,966	57,190	198,334	72,609	869,850
Accretion (note 6)	16,045	13,315	32,090	25,987	119,911
Foreign exchange loss	5,098	(5,762)	32,006	(1,036)	126,673
Impairment of oil and gas properties (note 5)	--	--	--	--	10,098,015
	1,330,647	1,420,423	2,512,450	2,701,415	34,774,150
Net loss before tax	(1,084,673)	(1,146,442)	(2,056,904)	(2,313,338)	(27,753,327)
Current income tax	--	--	(7,313)	--	(7,313)
Deferred income tax	--	--	(48,500)	--	(48,500)
Net loss and comprehensive loss after tax	(1,084,673)	(1,146,442)	(2,112,717)	(2,313,338)	(27,809,140)
Warrant modification	--	(1,754,000)	--	(1,754,000)	(3,074,000)
Net loss and comprehensive loss attributable to common stockholders	(1,084,673)	(2,900,442)	(2,112,717)	(4,067,338)	(30,883,140)
Basic and diluted net loss per share (note 11)	(0.01)	(0.04)	(0.03)	(0.06)	

The accompanying notes are an integral part of these Unaudited Consolidated Financial Statements.

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GEOGLOBAL RESOURCES INC.

(a development stage enterprise)

UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)

	Number of Shares #	Capital Stock \$	Additional paid-in capital \$	Accumulated Deficit \$	Stockholders' Equity \$
For the period from inception August 21, 2002 to December 31, 2007					
Common shares issued	57,550,068	57,614	76,001,511	--	76,059,125
Capital stock of GeoGlobal at August 29, 2003	14,656,688	14,657	--	10,914,545	10,929,202
Elimination of GeoGlobal capital stock in recognition of reverse takeover	(1,000)	(14,657)	--	(10,914,545)	(10,929,202)
Share issuance cost	--	--	(4,778,844)	--	(4,778,844)
2007 Compensation Options	--	--	705,456	--	705,456
2005 Stock Purchase Warrant modification	--	--	1,320,000	(1,320,000)	--
2005 Compensation Option & Warrant modification	--	--	240,000	--	240,000
Stock-based compensation	--	--	9,302,934	--	9,302,934
Net loss	--	--	--	(7,958,261)	(7,958,261)
Balance as at December 31, 2007	72,205,756	57,614	82,791,057	(9,278,261)	73,570,410
Common shares issued during 2008:					
Options exercised for cash	600,000	600	659,400	--	660,000
Stock-based compensation	--	--	1,104,216	--	1,104,216
Net loss	--	--	--	(13,313,915)	(13,313,915)
Balance as at December 31, 2008	72,805,756	58,214	84,554,673	(22,592,176)	62,020,711
Compensation option and warrant modification	--	--	264,000	--	264,000
Stock purchase warrant modification	--	--	1,754,000	(1,754,000)	--
Stock-based compensation	--	--	1,581,105	--	1,581,105
Net loss	--	--	--	(4,424,247)	(4,424,247)
Balance as at December 31, 2009	72,805,756	58,214	88,153,778	(28,770,423)	59,441,569
Stock-based compensation (note 9)	--	--	258,080	--	258,080

Net loss	--	--	--	(2,112,717)	(2,112,717)
Balance as at June 30, 2010	72,805,756	58,214	88,411,858	(30,883,140)	57,586,932

The accompanying notes are an integral part of these Unaudited Consolidated Financial Statements.

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GEOGLOBAL RESOURCES INC.

(a development stage enterprise)

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six months ended June 30, 2010	Six months ended June 30, 2009	Period from Inception, August 21, 2002 to June 30, 2010
Cash flows provided by (used in) operating activities:			
Net loss	(2,112,717)	(2,313,338)	(27,809,140)
Adjustments to reconcile net loss to net cash used in operating activities:			
Accretion expense	32,090	25,987	119,911
Asset impairment	--	--	10,098,015
Depletion and depreciation	198,334	72,609	869,850
Gain on sale of equipment	--	--	(42,228)
Stock-based compensation (note 9)	203,574	605,323	7,034,161
Compensation option & warrant modification	--	264,000	504,000
Deferred income taxes	48,500	--	48,500
Changes in non-cash working capital (note 14)	(627,038)	(140,038)	123,535
	(2,257,257)	(1,485,457)	(9,053,396)
Cash flows provided by (used in) investing activities:			
Oil and natural gas property additions	(4,704,071)	(3,611,792)	(53,756,856)
Other property and equipment additions	(493)	--	(1,555,968)
Proceeds on sale of equipment	--	--	82,800
Cash acquired on acquisition	--	--	3,034,666
Restricted deposits (note 4)	(2,568,000)	3,875,000	(10,663,000)
Changes in non-cash working capital (note 14)	(940,976)	(1,834,896)	8,109,118
	(8,213,540)	(1,571,688)	(54,749,240)
Cash flows provided by (used in) financing activities:			
Proceeds from issuance of common shares	--	--	75,612,165
Share issuance costs	--	--	(4,073,388)
Changes in non-cash working capital (note 14)	--	--	(1,911,942)
	--	--	69,626,835
Net increase (decrease) in cash and cash equivalents	(10,470,797)	(3,057,145)	5,824,199
Cash and cash equivalents, beginning of the period	16,294,996	25,432,814	--
Cash and cash equivalents, end of the period	5,824,199	22,375,669	5,824,199
Cash and cash equivalents			
Current bank accounts	230,192	222,308	230,192
Short term deposits	5,594,007	22,153,361	5,594,007
	5,824,199	22,375,669	5,824,199

Cash taxes paid during the period	14,138	7,750
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The accompanying notes are an integral part of these Unaudited Consolidated Financial Statements.

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GeoGlobal Resources Inc.

(a development stage enterprise)

Notes to the Consolidated Financial Statements

(Unaudited)

June 30, 2010

1. Organization and Nature of Operations

The Company is engaged primarily in the pursuit of petroleum and natural gas through exploration and development in India. Since inception, the efforts of GeoGlobal have been devoted to the pursuit of Production Sharing Contracts with the Gujarat State Petroleum Corporation, Oil India Limited and the Government of India and the exploration and development thereof. The Company is a Delaware corporation whose common stock is listed and traded on the NYSE/Amex Exchange under the symbol GGR.

On August 29, 2003, the Company commenced oil and gas exploration activities. As of June 30, 2010, the Company has not achieved its planned principal operations from its oil and gas operations. Accordingly, the Company's activities are considered to be those of a "Development Stage Enterprise". Among the disclosures required, are that the Company's financial statements be identified as those of a development stage enterprise. In addition, the statements of operations and comprehensive loss, stockholders' equity and cash flows are required to disclose all activity since the Company's date of inception. The Company will continue to prepare its financial statements and related disclosures as those of a development stage enterprise until such time that the Company achieves planned principle operations.

2. Going Concern

To date, the Company has not achieved its planned principal operations and is considered to be in the development stage. The Company incurs cash outflows from operations, and at this time all exploration activities and overhead expenses are financed by way of equity issuance, oil sales and interest income. The recoverability of the costs incurred to date is uncertain and dependent upon achieving significant commercial production or sale.

The Company's ability to continue as a going concern is dependent upon obtaining the necessary financing to complete further exploration and development activities and generate profitable operations from its oil and natural gas interests in the future. The Company's current operations are dependent upon the adequacy of its current assets to meet its current expenditure requirements and the accuracy of management's estimates of those requirements. Should those estimates be materially incorrect, the Company's ability to continue as a going concern will be impaired. The Company's financial statements as at and for the period ended June 30, 2010 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. During the period ended June 30, 2010, the Company incurred a net loss of approximately \$2.1 million, used approximately \$2.3 million of cash flow in its operating activities, used approximately \$8.2 million in its investing activities and had an accumulated deficit of approximately \$30.9 million. These matters raise doubt about the Company's ability to continue as a going concern.

The Company expects to incur expenditures to further its exploration programs and the Company's existing cash balance and any cash flow from operating activities is not sufficient to satisfy its current obligations and meet its commitments of \$29.8 million over the next three and one half years ending December 31, 2013 of which, approximately \$17.0 million is attributable to the twelve months ending June 30, 2011. The Company is considering various alternatives to remedy any future shortfall in capital. The Company deems it necessary to raise capital for continued exploration and development expenditures through equity markets, debt markets or other financing arrangements, which could include the sale of oil and gas interests or participation arrangements in oil and gas interests. There can be no assurance this capital will be available and if it is not, we may be forced to substantially

curtail or cease exploration block acquisition and/or exploration and development expenditures.

As at June 30, 2010, the Company has working capital of approximately \$1.4 million which is available for the Company's future operations. In addition, the Company has \$9.5 million in restricted deposits pledged as security against the minimum work program which will be released upon completion of the minimum work program.

Should the going concern assumption not be appropriate and the Company is not able to realize its assets and settle its liabilities, commitments (as described in note 12) and contingencies (as described in note 13) in the normal course of operations, these unaudited consolidated financial statements would require adjustments to the amounts and classifications of assets and liabilities, and these adjustments could be significant.

These unaudited consolidated financial statements do not reflect the adjustments or reclassifications of assets and liabilities that would be necessary if the Company is unable to continue as a going concern.

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GeoGlobal Resources Inc.

(a development stage enterprise)

Notes to the Consolidated Financial Statements

(Unaudited)

June 30, 2010

3. Significant Accounting Policies

Basis of presentation

The accompanying unaudited consolidated financial statements of the Company have not been audited and are presented in United States dollars unless otherwise noted and have been prepared by management in accordance with accounting principles generally accepted in the United States of America.

In the opinion of management, these unaudited consolidated financial statements reflect all of the normal and recurring adjustments necessary to present fairly the financial position at June 30, 2010 and 2009, the results of operations for the three and six months ended and cash flows for the three months ended June 30, 2010 and 2009 and for the period from inception of August 21, 2002 to June 30, 2010. In preparing these accompanying unaudited consolidated financial statements, management has made certain estimates and assumptions that affect reported amounts in the financial statements and related disclosures. The Company bases its estimates on various assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results may differ significantly from these estimates under different assumptions or circumstances.

Certain information, accounting policies, and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted in this Form 10-Q pursuant to certain rules and regulations of the Securities and Exchange Commission. These Unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

Use of estimates

The preparation of the unaudited consolidated financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions 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. Actual results may differ from these estimated amounts due to factors such as fluctuations in interest rates, currency exchange rates, inflation levels and commodity prices, changes in economic conditions and legislative and regulatory changes.

Significant estimates with regard to the unaudited consolidated financial statements include the estimated carrying value of unproved properties, the estimated cost and timing related to asset retirement obligations, stock-based compensation and contingencies.

4. Restricted Deposits

The Company's PSCs relating to exploration blocks onshore and offshore India contain provisions whereby the joint venture participants must provide the Government of India a bank guarantee in the amount of 35% of the participant's share of the minimum work program for a particular phase, to be undertaken annually during the budget period April 1 to March 31. These bank guarantees have been provided to the Government of India and serve as guarantees for the performance of such minimum work programs and are in the form of irrevocable letters of credit which are secured by

term deposits of the Company in the same amount.

The term deposits securing these bank guarantees are as follows:

	June 30, 2010	December 31, 2009
	\$	\$
Exploration Blocks – India		
Mehsana	160,000	160,000
Sanand/Miroli	1,300,000	1,300,000
Ankleshwar	1,990,000	1,490,000
Tarapur	--	940,000
DS 03	780,000	450,000
DS 04	1,247,000	215,000
KG Onshore	1,475,000	1,475,000
RJ 20	1,100,000	490,000
RJ 21	1,441,000	405,000
	9,493,000	6,925,000
Less: current portion of restricted deposit	(3,815,000)	--
	5,678,000	6,925,000

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GeoGlobal Resources Inc.

(a development stage enterprise)

Notes to the Consolidated Financial Statements

(Unaudited)

June 30, 2010

4. Restricted Deposits (continued)

The following term deposits are classified as current restricted deposits:

	June 30, 2010	June 30, 2009
	\$	\$
Sanand/Miroli	1,300,000	--
Ankleshwar	1,490,000	--
DS 03	450,000	--
KG Onshore	575,000	--
	3,815,000	--

Subsequent to June 30, 2010, term deposits securing bank guarantees amounting to \$2,515,000 included in the current portion of the restricted deposits have been released.

5. Property and Equipment

The amounts capitalized as oil and natural gas properties were incurred for the purchase, exploration and ongoing development of various properties in India.

	June 30, 2010	December 31, 2009
	\$	\$
Oil and natural gas properties (using the full-cost method)		
Unproved properties	56,484,267	51,890,959
Proved properties	4,513,000	4,313,000
Total oil and natural gas properties	60,997,267	56,203,959
Building	889,609	889,609
Computer, office and other equipment	583,560	583,067
Total property and equipment	62,470,436	57,676,635
Accumulated impairment of oil and natural gas properties	(10,098,015)	(10,098,015)
Accumulated depletion	(460,700)	(293,700)
Accumulated depreciation	(537,981)	(471,916)
Total property and equipment, net	51,373,740	46,813,004

The unproved oil and natural gas properties consist of contract interests in 10 exploration blocks held in India.

The Company has capitalized \$244,902 for the six months ended June 30, 2010 (June 30, 2009 – \$650,976) of general and administrative expenses directly related to exploration activities. These amounts include \$54,506 (June 30, 2009 –

\$378,743) of capitalized stock-based compensation expense and capitalized support equipment depreciation of \$34,730 (June 30, 2009 - \$25,931).

Impairment of Oil and Gas Properties

The Company performed a ceiling test calculation at June 30, 2010, to assess the ceiling limitation of its proved oil properties. At June 30, 2010, the Company's net capitalized costs of proved oil and natural gas properties did not exceed the ceiling limitation.

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GeoGlobal Resources Inc.

(a development stage enterprise)

Notes to the Consolidated Financial Statements

(Unaudited)

June 30, 2010

6. Asset Retirement Obligation

Asset retirement obligations are recorded for legal obligations where the Company will be required to retire, dismantle, abandon and restore tangible long-lived assets.

The following table summarizes the changes in the asset retirement obligation:

	June 30, 2010 \$	December 31, 2009 \$
Asset retirement obligation at beginning of period	775,000	633,598
Liabilities incurred	--	85,783
Accretion expense	32,090	55,619
Asset retirement obligation at end of period	807,090	775,000

7. Fair Value Measurements

The carrying values of cash and cash equivalents, accounts receivable, restricted deposits, accounts payable, accrued liabilities and amounts due to related companies approximate their estimated fair value due to their short terms to maturity.

8. Warrants

From time to time, the Company has issued compensation options, compensation warrants and or warrants (collectively the "Warrants") in connection with a finance offering as an incentive to participate in such offerings. The fair value of any Warrants issued is recorded as additional paid-in capital. The fair value of the Warrants is determined using the Black-Scholes option pricing model and management's assumptions as disclosed.

Activity with respect to all warrants is presented below for the periods as noted:

	June 30, 2010		December 31, 2009	
	Warrants #	Weighted Average Exercise Price \$	Warrants #	Weighted Average Exercise Price \$
Outstanding warrants at the beginning of period	5,599,716	7.91	5,599,716	7.91
Warrants granted	--	--	--	--
Warrants exercised	--	--	--	--
Warrants outstanding at the end of period	5,599,716	7.91	5,599,716	7.91
Exercisable at end of period	5,599,716	7.91		