

COASTAL CARIBBEAN OILS & MINERALS LTD
Form 10-Q
November 14, 2003

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, 2003**

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 1-4668

COASTAL CARIBBEAN OILS & MINERALS, LTD.

(Exact name of registrant as specified in its charter)

BERMUDA

(State or other jurisdiction of incorporation or organization)

NONE

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

Clarendon House, Church Street,
Hamilton, Bermuda

HM 11

(Address of principal executive offices)

(Zip Code)

850-576-5982

(Registrant's telephone number, including area code)

(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 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

The number of shares outstanding of the issuer's single class of common stock as of November 14, 2003 was 46,211,604.

COASTAL CARIBBEAN OILS & MINERALS, LTD.

FORM 10-Q SEPTEMBER 30, 2003

Table of Contents

PART I - FINANCIAL INFORMATION

| ITEM 1 | Financial Statements | Page |
|---------------|---|-------------|
| | Consolidated balance sheets at September 30, 2003 and December 31, 2002 | 3 |
| | Consolidated statements of operations for the three and nine month periods ended September 30, 2003 and 2002 and for the period from January 31, 1953 (inception) to September 30, 2003 | 4 |
| | Consolidated statements of cash flows for the nine month periods ended September 30, 2003 and 2002 and for the period from January 31, 1953 (inception) to September 30, 2003 | 5 |
| | Notes to consolidated financial statements | 6 |
| ITEM 2 | Management's Discussion and Analysis of Financial Condition and Results of Operations | 9 |
| ITEM 3 | Quantitative and Qualitative Disclosure About Market Risk | 12 |
| ITEM 4 | Controls and Procedures | 12 |

PART II - OTHER INFORMATION

| | | |
|---------------|---|-----------|
| ITEM 5 | Other Information | 12 |
| ITEM 6 | Exhibits and Reports on Form 8-K | 13 |
| | Signatures | 14 |

COASTAL CARIBBEAN OILS & MINERALS, LTD.**FORM 10-Q****PART I - FINANCIAL INFORMATION****ITEM 1 Financial Statements****CONSOLIDATED BALANCE SHEETS**

(Expressed in U.S. dollars)

(A Bermuda Corporation)
A Development Stage Company

| | September 30, <hr/> 2003 <hr/> (unaudited) | December 31, <hr/> 2002 <hr/> (Note) |
|---|--|--|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 26,906 | \$ 292,095 |
| Interest and accounts receivable | 719 | 4,068 |
| Prepaid expenses | 115,603 | 410,632 |
| | <hr/> 143,228 | <hr/> 706,795 |
| Total current assets | | |
| | <hr/> 143,228 | <hr/> 706,795 |
| Contingent litigation claim (Note 2) | - | - |
| Total assets | <hr/> \$ 143,228 | <hr/> \$ 706,795 |
| LIABILITIES AND SHAREHOLDERS' DEFICIT | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 808,630 | \$ 915,085 |
| Due to related parties | 925,852 | 621,618 |
| | <hr/> 1,734,482 | <hr/> 1,536,703 |
| Total current liabilities | | |
| | <hr/> 1,734,482 | <hr/> 1,536,703 |
| Minority interests | - | - |
| Shareholders' deficit: | | |
| Common stock, par value \$.12 per share: | | |
| Authorized - 250,000,000 shares | | |
| Outstanding <input type="checkbox"/> 46,211,604 shares and 46,211,604 | | |
| shares, respectively | 5,545,392 | 5,545,392 |
| Capital in excess of par value | 32,117,811 | 32,067,811 |

Edgar Filing: COASTAL CARIBBEAN OILS & MINERALS LTD - Form 10-Q

| | | |
|--|--------------|--------------|
| | 37,663,203 | 37,613,203 |
| Deficit accumulated during the development stage | (39,254,457) | (38,443,111) |
| Total shareholders' deficit | (1,591,254) | (829,908) |
| Total liabilities and shareholders' deficit | \$ 143,228 | \$ 706,795 |

Note: The balance sheet at December 31, 2002 has been derived from the audited consolidated financial statements at that date.

See accompanying notes.

COASTAL CARIBBEAN OILS & MINERALS, LTD.**FORM 10-Q****PART I - FINANCIAL INFORMATION****ITEM 1 Financial Statements****CONSOLIDATED BALANCE SHEETS**

(Expressed in U.S. dollars)

(A Bermuda Corporation)
A Development Stage Company

(unaudited)

| | Three months ended September 30, | | Nine months ended September 30, | | For the period from Jan. 31, 1953 (inception) to September 30, 2003 |
|----------------------------------|-------------------------------------|---------------------|------------------------------------|-----------------------|---|
| | 2003 | 2002 | 2003 | 2002 | |
| | | | | | |
| Interest and other income | \$ 103 | \$ 2,034 | \$ 640 | \$ 6,173 | \$ 3,877,552 |
| Expenses: | | | | | |
| Legal fees and costs | 82,383 | 640,029 | 263,375 | 1,319,785 | 16,493,512 |
| Administrative expenses | 116,950 | 174,228 | 408,467 | 506,687 | 9,478,097 |
| Salaries | 17,024 | 37,950 | 79,186 | 113,850 | 3,603,414 |
| Shareholder communications | 8,996 | 8,225 | 21,341 | 24,666 | 3,939,122 |
| Write off of unproved properties | - | - | - | - | 5,501,247 |
| Exploration costs | 39,617 | - | 39,617 | 59,247 | 287,082 |
| Lawsuit judgments | - | - | - | - | 1,941,916 |
| Minority interests | - | - | - | - | (632,974) |
| Other | - | - | - | - | 364,865 |
| Contractual services | - | - | - | - | 2,155,728 |
| | 264,970 | 860,432 | 811,986 | 2,024,235 | 43,132,009 |
| Net loss | \$ (264,867) | \$ (858,398) | \$ (811,346) | \$ (2,018,062) | |

Deficit accumulated during
the development stage

(39,254,457)

| | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| Weighted Average number of shares outstanding (basic & diluted) | <u>46,221,604</u> | <u>45,525,329</u> | <u>46,221,604</u> | <u>44,291,312</u> |
| Net loss per share (basic & diluted) | \$ <u>(.01)</u> | \$ <u>(.02)</u> | \$ <u>(.02)</u> | \$ <u>(.05)</u> |

See accompanying notes.

COASTAL CARIBBEAN OILS & MINERALS, LTD.**FORM 10-Q****PART I - FINANCIAL INFORMATION****ITEM 1 Financial Statements****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in U.S. dollars)

(A Bermuda Corporation)
A Development Stage Company

(unaudited)

| | Nine months ended September 30, | | For the period from Jan. 31, 1953 (inception) To September 30, 2003 |
|--|------------------------------------|------------------|---|
| | 2003 | 2002 | |
| Operating activities: | | | |
| Net loss | \$ (811,346) | \$ (2,018,062) | \$ (39,254,457) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Minority interest | - | - | (632,974) |
| Write off of unproved properties | - | - | 5,501,247 |
| Common stock issued for services | - | - | 119,500 |
| Compensation recognized for stock option grant | - | - | 75,000 |
| Recoveries from previously written off properties | - | - | 252,173 |
| Net change in: | | | |
| Interest and accounts receivable | 3,349 | 4,523 | (719) |
| Prepaid expenses | 295,031 | (122,938) | (115,601) |
| Accounts payable and accrued liabilities | 197,777 | 1,056,693 | 1,734,480 |
| Deferred financing costs | - | 90,391 | - |
| Net cash used in operating activities | <u>(315,189)</u> | <u>(989,393)</u> | <u>(32,321,351)</u> |
| Investing activities: | | | |
| Additions to oil, gas, and mineral properties net of assets acquired for common stock and reimbursements | - | - | (3,621,688) |
| Proceeds from relinquishment of surface rights | - | - | 246,733 |
| Notes receivable | - | 15,000 | - |
| Purchase of fixed assets | - | - | (61,649) |

Edgar Filing: COASTAL CARIBBEAN OILS & MINERALS LTD - Form 10-Q

| | | | |
|--|-----------|------------|-------------|
| Net cash provided by (used in) investing activities | - | 15,000 | (3,436,604) |
| | <hr/> | <hr/> | <hr/> |
| Financing activities: | | | |
| Sale of common stock net of expenses | - | 899,642 | 30,380,612 |
| Shares issued upon exercise of options | - | - | 884,249 |
| Sale of shares by subsidiary | 50,000 | - | 800,000 |
| Sale of subsidiary shares | - | - | 3,720,000 |
| | <hr/> | <hr/> | <hr/> |
| Net cash provided by financing activities | 50,000 | 899,642 | 35,784,861 |
| | <hr/> | <hr/> | <hr/> |
| Net increase (decrease) in cash and cash equivalents | (265,189) | (74,751) | 26,906 |
| Cash and cash equivalents at beginning of period | 292,095 | 609,024 | - |
| | <hr/> | <hr/> | <hr/> |
| Cash and cash equivalents at end of period | \$ 26,906 | \$ 534,273 | \$ 26,906 |
| | <hr/> | <hr/> | <hr/> |

See accompanying notes.

ITEM 1 Financial Statements

Note 1. Basis of Presentation

The accompanying unaudited consolidated financial statements include the Company's 58.84% owned subsidiary, Coastal Petroleum Company (Coastal Petroleum) and have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal recurring nature. Operating results for the three and nine month periods ended September 30, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

Note 2. Litigation

Florida Litigation

Coastal Petroleum has been involved in various lawsuits for many years. Coastal Petroleum's current litigation (Florida Litigation) now involves one basic claim: whether the State's denial of a permit constitutes a taking of Coastal Petroleum's property. In addition, Coastal Caribbean is a party to another action in which Coastal Caribbean claims that certain of its royalty interests have been confiscated by the State.

Lease Taking Case (Lease 224-A)

In Coastal's current appeal of the November 15, 2002 Final Judgment entered by the trial court finding no taking of Coastal's Lease 224-A, oral argument has been scheduled for November 19, 2003.

Royalty Taking Case

There has been no material change in these proceedings during this quarter.

Lease Taking Case (Lease 224-B)

There has been no material change in these proceedings during this quarter.

ITEM 1 Financial StatementsNote 3. Loss per share

Loss per share is based upon the weighted average number of common and common equivalent shares outstanding during the period. The Company's basic and diluted calculations of EPS are the same because the exercise of options is not assumed in calculating diluted EPS, as the result would be anti-dilutive (the Company has continuing losses).

Note 4. Stock Options

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB No. 25) and related interpretations in accounting for its stock options because the alternative fair value accounting provided under FASB Statement No. 123, "Accounting for Stock Based Compensation," (SFAS No. 123) requires use of option valuation models that were not developed for use in valuing stock options. Under APB No. 25, because the exercise price of the Company's stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Pro forma information regarding net income and earnings per share is required by SFAS No. 123, and has been determined as if the Company had accounted for its stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model.

Summary of Options Outstanding at September 30, 2003

| Granted | Expiration | Total | Vested | Exercise Prices (\$) |
|------------------------------------|----------------|---------|---------|---------------------------|
| 2000 | March 22, 2010 | 700,000 | 700,000 | .91 |
| | | 700,000 | 700,000 | .91 (Weighted Average) |
| Options reserved for future grants | | 75,000 | | |

The assumptions used in the 2000 valuation model were: risk free interest rate \square 6.66%, expected life - 10 years, expected volatility - .741, and expected dividend \square 0. Because the Company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its stock options.

ITEM 1 Financial Statements

Had the Company determined stock-based compensation based on the fair value of the options granted at the grant date, consistent with the method prescribed under SFAS No. 123, there would have been no change to the Company's net loss for the three and nine months ended September 30, 2003 and 2002.

Note 5. Going Concern

The Company has a working capital deficiency, has a limited amount of cash, has incurred recurring losses and has a deficit accumulated during the development stage. Furthermore, on January 16, 2001, Coastal Petroleum Company filed a complaint in the Leon County Circuit Court in Florida against the State of Florida seeking compensation for the State's taking of its property rights to explore for oil and gas within its Lease 224-A. On November 15, 2002, the trial court issued its Final Judgment that the State's denial of a permit to drill on Coastal Petroleum's Lease 224-A did not constitute an unlawful taking of Coastal Petroleum's property. The Company is currently in the process of appealing the court's ruling. The cost of that litigation has been substantial and has required the Company to obtain additional capital. On March 10, 2003, Coastal Petroleum sold 2 shares of its common stock to a non-shareholder of Coastal Petroleum for \$50,000. On October 28 and 29, 2003, Coastal Petroleum sold 2 shares of a common stock to two shareholders of Coastal Petroleum for \$20,000. These amounts have been included as increases to additional paid-in capital and were used in part to pay annual rentals. The sale of additional shares of Coastal Petroleum common stock to this and other parties is being pursued although to date, no binding agreements have been entered into.

At September 30, 2003, Coastal Caribbean had approximately \$27,000 of cash available. With the sale of two shares of Coastal Petroleum in October, Management paid the annual rentals for Lease 224-B on October 29, 2003, still leaving approximately \$27,000 of cash available. Management believes that this amount should be sufficient to fund the Company's operations through its current appeal that is scheduled for oral argument on November 19, 2003 and until a decision is rendered by the Court likely in the first quarter of 2004. Subsequent to the first quarter of 2004, Management will have to raise additional capital to continue operations. In particular, if the appeal is successful, the Management will have to raise additional capital to prepare for and participate in a trial for damages. If Management is unsuccessful in the appeal or is unsuccessful in raising additional capital, Management may have to suspend or cease operations and may have to file for bankruptcy under the laws of Bermuda.

These situations raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classification of liabilities that may result from the outcome of these uncertainties.

ITEM 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

Statements included in Management's Discussion and Analysis of Financial Condition and Results of Operations which are not historical in nature are intended to be forward looking statements. The Company cautions readers that forward looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated in the forward looking statements. Among the risks and uncertainties are: the uncertainty of securing additional financing through the sale of shares of Coastal Petroleum and/or Coastal Caribbean; the uncertainty of any decision favorable to Coastal Petroleum in its litigation against the State of Florida; and the substantial cost of continuing the litigation.

Critical Accounting Policies

The Company follows the full cost method of accounting for its oil and gas properties. All costs associated with property acquisition, exploration and development activities whether successful or unsuccessful are capitalized. Since the Company's properties were undeveloped and nonproducing and the subject of litigation, capitalized costs were not being amortized.

The capitalized costs are subject to a ceiling test which basically limits such costs to the aggregate of the estimated present value discounted at a 10% rate of future net revenues from proved reserves, based on current economic and operating conditions, plus the lower of cost or fair market value of unproved properties.

The Company assesses whether its unproved properties are impaired on a periodic basis. This assessment is based upon work completed on the properties to date, the expiration date of its leases and technical data from the properties and adjacent areas. These properties are subject to extensive litigation with the State of Florida.

Liquidity and Capital Resources

In July 2002 Coastal Caribbean concluded a rights offering and sold 2,743,275 shares of common stock for \$.50 per share and received net proceeds of approximately \$900,000.

At September 30, 2003, Coastal Caribbean had approximately \$27,000 of cash available. Management believes that this amount should be sufficient to fund the Company's operations through its current appeal that is scheduled for oral argument on November 19, 2003 and until a decision is rendered by the Court likely in the first quarter of 2004. Subsequent to the first quarter of 2004, Management will have to raise additional capital to continue operations. In particular, if the appeal is successful, the Management will have to raise additional capital to prepare for and participate in a trial

ITEM 2 Management's Discussion and Analysis of Financial Condition and Results of Operation (Cont'd)

for damages. If Management is unsuccessful in the appeal or is unsuccessful in raising additional capital, Management may have to suspend or cease operations and may have to file for bankruptcy under the laws of Bermuda.

Certain directors, officers, legal counsel and administrative consultants have agreed to defer the payment of their salaries and fees. At September 30, 2003, the amount of salaries and fees being deferred totaled approximately \$1,734,000.

Coastal Caribbean has a working capital deficiency, has a limited amount of cash, has incurred recurring losses and has a deficit accumulated during the development stage. On January 16, 2001, Coastal Petroleum filed a complaint in the Leon County Circuit Court in Florida against the State of Florida seeking compensation for the State's taking of its property rights to explore for oil and gas within its Lease 224-A. On November 15, 2002, the Trial Court issued its Final Judgment that the State's denial of a permit to drill on Coastal Petroleum's Lease 224-A did not constitute an unlawful taking of Coastal Petroleum's property. The cost of that litigation has been substantial and will require the Company to obtain additional capital.

Since October 2002, Coastal Caribbean and Coastal Petroleum have attempted to raise funds from the other shareholders of Coastal Petroleum and from others. In the first quarter, Coastal Petroleum sold two shares of its common stock for \$25,000 per share to a non-shareholder of Coastal Petroleum and in the fourth quarter sold two shares of its common stock for \$10,000 per share to two shareholders of Coastal Petroleum. With the exception of these sales and non-binding indications of interest in purchasing shares from Coastal Petroleum by other potential purchasers, those efforts have been unsuccessful.

Results of Operations

Three months ended September 30, 2003 vs. September 30, 2002

The Company incurred a loss of \$228,000 for the 2003 quarter, compared to a loss of \$858,000 for the comparable 2002 quarter.

Interest income and other income remained negligible from \$2,034 in the 2002 quarter to \$103 in the 2003 quarter because of the lack of funds to invest.

Legal fees and costs decreased 87% to \$82,000 for the 2003 quarter, compared to \$640,000 in the 2002 quarter. Legal fees and costs were higher in the 2002 period as a result of Coastal Petroleum Company's lawsuit against the State of Florida seeking compensation for the State's taking of its property rights to explore for oil and gas within its state Lease 224-A.

Administrative expenses decreased 32% during the 2003 quarter to \$117,000 compared to \$174,000 in the 2002 quarter as a result of Coastal eliminating an office and streamlining operations.

Salaries decreased 55% during the 2003 quarter to \$17,000 compared to \$38,000 in the 2002 quarter as a result of Coastal eliminating an employee and streamlining operations.

Shareholder communications increased 9% during the 2003 quarter to \$9,000 compared to \$8,000 in the 2002 quarter.

Exploration costs represent the \$40,000 and \$59,000 in lease rentals paid to the State of Florida to maintain Coastal Petroleum's leases during 2003 and 2002, respectively. These lease payments were made in the second quarter in 2002 and the third quarter in 2003. In addition, on October 29, 2003, Coastal paid its annual lease rentals on Lease 224-B. During the year 2001, the Company concluded that its property interests were impaired by the actions taken by the State of Florida and recorded an impairment charge to reflect the write off of these costs. Although these costs have been written off, the Company still has legal title to the leases and will continue to pay annual lease rentals on the leases. All future costs incurred in connection with the Company's Florida leases are being expensed as incurred.

Nine months ended September 30, 2003 vs. September 30, 2002

The Company incurred a loss of \$774,000 for the 2003 period, compared to a loss of \$2,018,000 for the comparable 2002 period.

Interest income and other income decreased 90% from \$6,173 in 2002 to \$640 in 2003 because of the lack of funds to invest.

Legal fees and costs decreased 80% to \$263,000 for 2003, compared to \$1,320,000 for 2002. Legal fees and costs were higher in the 2002 period as a result of Coastal Petroleum Company's lawsuit against the State of Florida seeking compensation for the State's taking of its property rights to explore for oil and gas within its state Lease 224-A. In addition, Coastal Petroleum responded to the State's motions to dismiss the lawsuit.

Administrative expenses decreased 19% in 2003 to \$408,000 from \$507,000 in the 2002 period. This decrease was primarily due to the decrease in Accounting and administrative expenses during the 2003 period to \$53,000 compared to \$149,000 in the 2002 period due to the higher costs associated with various filings with the Securities and Exchange Commission during 2002.

Salaries decreased 30% in 2003 to \$79,000 compared to \$114,000 in 2002 as a result of Coastal eliminating an employee and streamlining operations.

Shareholder communications decreased 13% during the 2003 period to \$21,000 compared to \$25,000 in the 2002 period.

Exploration costs represent the \$40,000 and \$59,000 in lease rentals paid to the State of Florida to maintain Coastal Petroleum's leases during 2003 and 2002, respectively. These lease payments were made in the second quarter in 2002 and the third quarter in 2003. In addition, on October 29, 2003, Coastal paid its annual lease rentals on Lease 224-B. During the year 2001, the Company concluded that its property interests were impaired by the actions taken by the State of Florida and recorded an impairment charge to reflect the write off of these costs. Although these costs have been written off, the Company still has legal title to the leases and will continue to pay annual lease rentals on the leases. All future costs incurred in connection with the Company's Florida leases are being expensed as incurred. The Company will make the final payment of approximately \$19,000 for the 2003 year during the fourth quarter of 2003.

ITEM 3 Quantitative and Qualitative Disclosure About Market Risk

The Company does not have any significant exposure to market risk as there were no investments in marketable securities at September 30, 2003.

ITEM 4 Controls and Procedures

I, Phillip W. Ware, the principal executive officer and treasurer, have evaluated the Company's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) adopted under the Securities Act of 1934) within the ninety (90) day period prior to the date of this report and have concluded:

1. That the Company's disclosure controls and procedures are adequately designed to ensure that material information relating to the Company, including its consolidated subsidiary, is timely made known to such officers by others within the Company and its subsidiary, particularly during the period in which this quarterly report is being prepared; and
2. That there were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

ITEM 5 Other Information

In Coastal's current appeal of the November 15, 2002 Final Judgment entered by the trial court finding no taking of Coastal's Lease 224-A, oral argument has been scheduled for November 19, 2003.

On October 29, 2003, Coastal paid its annual lease rentals on Lease 224-B in the amount of \$19,630.

Coastal Caribbean is currently a passive foreign investment company, or PFIC, for United States federal income tax purposes, which could result in negative tax consequences to a shareholder. If, for any taxable year, the Company's passive income or assets that produce passive income exceed levels provided by U.S. law, the Company would be a "passive foreign investment company," or PFIC, for U.S. federal income tax purposes. For the years 1987 through 2001, Coastal Caribbean's passive income and assets that produce passive income exceeded those levels and for those years Coastal Caribbean constituted a PFIC. If Coastal Caribbean is a PFIC for any taxable year, then the Company's U.S. shareholders potentially would be subject to adverse U.S. tax consequences of holding and disposing of shares of our common stock for that year and for future tax years. Any gain from the sale of, and certain distributions with respect to, shares of the Company's common stock, would cause a U.S. holder to become liable for U.S. federal income tax under section 1291 of the Internal Revenue Code (the interest charge regime). The tax is computed by allocating the amount of the gain on the sale or the amount of the distribution, as the case may be, to each day in the U.S. shareholder's holding period. To the extent that the amount is allocated to a year, other than the year of the disposition or distribution, in which the corporation was treated as a PFIC with respect to the U.S. holder, the income will be taxed as ordinary income at the highest rate in effect for that year, plus an interest charge.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K and 10-K/A for the year ended December 31, 2002.

ITEM 6 Exhibits and Reports on Form 8-K

(a) Exhibits

31.1 Certification of the President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of the Acting Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of the President and Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of the Acting Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COASTAL CARIBBEAN OILS & MINERALS, LTD.

Registrant

Date: November 14, 2003

By /s/ Phillip W. Ware

Phillip W. Ware
Chief Executive Officer,
President and Treasurer

By /s/ Kenneth M. Cornell

Kenneth M. Cornell
Chief Financial Officer
and Principal Financial Officer