

GEOGLOBAL RESOURCES INC.

Form 10-Q

May 16, 2011



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 March 31, 2011;

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)

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

Suite #200, 625 – 4 Avenue SW, Calgary, Alberta, Canada
(Address of principal executive offices)

T2P 0K2
(Zip Code)

Registrant's telephone number, including area 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 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 May 16, 2011 was 82,746,933

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

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FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	March 31, 2011	December 31, 2010
	(Unaudited)	
Assets		
Current		
Cash and cash equivalents	4,232,956	7,751,105
Restricted deposits (note 4)	8,379,500	2,034,000
Accounts receivable	1,132,508	2,317,180
Prepays expenses and deposits	333,235	398,404
	14,078,199	12,500,689
Restricted deposits (note 4)	--	5,018,000
Equity investee	210,000	--
Property and equipment (notes 5 and 8)	41,873,563	41,375,680
	56,161,762	58,894,369
Liabilities		
Current		
Accounts payable	6,400,290	6,834,061
Accrued liabilities	495,312	1,682,504
Due to related companies (note 8)	36,813	27,555
	6,932,415	8,544,120
Deferred income taxes	61,000	61,000
Asset retirement obligation	694,209	680,144
	7,687,624	9,285,264
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		
82,746,933 common shares (December 31, 2010 – 82,746,933)	68,155	68,155
Additional paid-in capital	97,446,447	97,099,997
Deficit accumulated during the development stage	(49,040,464)	(47,559,047)
	48,474,138	49,609,105
	56,161,762	58,894,369

See Going Concern (note 2), Commitments (note 11), Contingencies (note 12)

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 March 31, 2011	Three months ended March 31, 2010	Period from Inception, August 21, 2002 to March 31, 2011
Revenue and other income			
Oil and gas sales	142,912	191,217	1,595,176
Interest income	10,414	18,355	5,924,148
Gain on sale of equipment	--	--	42,228
	153,326	209,572	7,561,552
Expenses			
Operating	33,846	62,665	306,021
General and administrative	1,079,687	668,672	14,859,599
Consulting fees (note 8)	195,164	182,651	7,506,866
Professional fees	191,268	116,494	4,984,139
Depletion and depreciation	93,841	108,368	1,589,661
Accretion	14,065	16,045	143,175
Foreign exchange loss	7,675	26,908	125,843
Impairment of oil and gas properties	--	--	23,887,015
	1,615,546	1,181,803	53,402,319
Net loss before tax	(1,462,220)	(972,231)	(45,840,767)
Current income tax	(19,197)	(7,313)	(64,697)
Deferred income tax	--	(48,500)	(61,000)
Net loss and comprehensive loss after tax	(1,481,417)	(1,028,044)	(45,966,464)
Warrant modification	--	--	(3,074,000)
Net loss and comprehensive loss attributable to common stockholders	(1,481,417)	(1,028,044)	(49,040,464)
Basic and diluted net loss per share (note 9)	(0.02)	(0.01)	

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, 2008					
Common shares issued	58,150,068	58,214	76,660,911	--	76,719,125
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	--	--	10,407,150	--	10,407,150
Net loss	--	--	--	(21,272,176)	(21,272,176)
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
Common stock issued for private placements					
	9,941,177	9,941	8,440,059	--	8,450,000
Share issuance costs	--	--	(463,804)	--	(463,804)
Stock-based compensation	--	--	969,964	--	969,964
Net loss	--	--	--	(18,788,624)	(18,788,624)
Balance as at December 31, 2010	82,746,933	68,155	97,099,997	(47,559,047)	49,609,105
Stock-based compensation (note 7)					
	--	--	346,450	--	346,450
Net loss	--	--	--	(1,481,417)	(1,481,417)
Balance as at March 31, 2011	82,746,933	68,155	97,446,447	(49,040,464)	48,474,138

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)

	Three months ended March 31, 2011	Three months ended March 31, 2010	Period from Inception, August 21, 2002 to March 31, 2011
Cash flows provided by (used in) operating activities:			
Net loss	(1,481,417)	(1,028,044)	(45,966,464)
Adjustments to reconcile net loss to net cash used in operating activities:			
Accretion expense	14,065	16,045	143,175
Asset impairment	--	--	23,887,015
Depletion and depreciation	93,841	108,368	1,589,661
Gain on sale of equipment	--	--	(42,228)
Stock-based compensation (note 7)	247,954	66,591	7,796,170
Compensation option & warrant modification	--	--	504,000
Deferred income taxes	--	48,500	61,000
Changes in non-cash working capital (note 13)	(603,983)	(377,275)	(565,046)
	(1,729,540)	(1,165,815)	(12,592,717)
Cash flows provided by (used in) investing activities:			
Oil and natural gas property additions	(491,615)	(1,243,572)	(58,584,341)
Other property and equipment additions	(1,613)	(344)	(1,576,937)
Proceeds on sale of equipment	--	--	82,800
Cash acquired on acquisition	--	--	3,034,666
Restricted deposits (note 4)	(1,327,500)	940,000	(9,549,500)
Investment addition	(210,000)	--	(210,000)
Changes in non-cash working capital (note 13)	242,119	(3,114,069)	6,015,954
	(1,788,609)	(3,417,985)	(60,787,358)
Cash flows provided by (used in) financing activities:			
Proceeds from issuance of common stock	--	--	84,062,165
Share issuance costs	--	--	(4,537,192)
Changes in non-cash working capital (note 13)	--	--	(1,911,942)
	--	--	77,613,031
Net increase (decrease) in cash and cash equivalents	(3,518,149)	(4,583,800)	4,232,956
Cash and cash equivalents, beginning of the period	7,751,105	16,294,996	--
Cash and cash equivalents, end of the period	4,232,956	11,711,196	4,232,956
Cash and cash equivalents			
Current bank accounts	1,620,630	3,696,986	1,620,630
Short term deposits	2,612,326	8,014,210	2,612,326
	4,232,956	11,711,196	4,232,956

Cash taxes paid during the period	26,352	7,313
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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)

March 31, 2011

1. Organization and Nature of Operations

The Company is engaged in the pursuit of petroleum and natural gas through exploration and development in India, Israel and Colombia. Since inception, the efforts of GeoGlobal have primarily been devoted to the pursuit of Production Sharing Contracts (PSCs) with the Gujarat State Petroleum Corporation (GSPC), Oil India Limited and the Government of India and the exploration and development thereof. The Company is a Delaware corporation with common stock 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 March 31, 2011, 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 by this status is 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 principal 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 and gas sales incidental to the exploration process 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 March 31, 2011 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 March 31, 2011, the Company incurred a net loss of approximately \$1.5 million, used approximately \$1.7 million of cash flow in its operating activities, used approximately \$1.8 million in its investing activities and had an accumulated deficit of approximately \$49.0 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. 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 \$29.7 million over the next three years, approximately \$14.7 million of which is attributable to the twelve months ending March 31, 2012. 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 March 31, 2011, the Company has working capital of approximately \$7.1 million which is available for the Company's future operations.

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 11) and contingencies (as described in note 12) 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)

March 31, 2011

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 March 31, 2011 and December 31, 2010, the results of operations and cash flows for the three months ended March 31, 2011 and 2010 and for the period from inception of August 21, 2002 to March 31, 2011. 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, 2010. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

Principles of consolidation

These unaudited consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. A significant portion of the Company's activities conducted jointly with others and the unaudited consolidated financial statements reflect only the Company's proportionate interest in such activities. Investment in companies where the company has the ability to exercise significant influence but not control, are accounted for using the equity method. All inter-company balances and transactions have been eliminated in consolidation.

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.

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GeoGlobal Resources Inc.

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Notes to the Consolidated Financial Statements

(Unaudited)

March 31, 2011

4. Restricted Deposits (continued)

The term deposits securing these bank guarantees are as follows:

	March 31, 2011	December 31, 2010
	\$	\$
Exploration Blocks – India		
Sanand/Miroli	--	1,300,000
Ankleshwar	734,000	734,000
DS 03	599,000	330,000
DS 04	1,975,000	1,247,000
KG Onshore	1,358,500	900,000
RJ 20	1,374,500	1,100,000
RJ 21	2,338,500	1,441,000
	8,379,500	7,052,000
Less: current portion of restricted deposit	(8,379,500)	(2,034,000)
	--	5,018,000

The following term deposits are classified as current restricted deposits:

	March 31, 2011	December 31, 2010
	\$	\$
Exploration Blocks - India		
Sanand/Miroli	--	1,300,000
Ankleshwar	734,000	734,000
DS 03	599,000	--
DS 04	1,975,000	--
KG Onshore	1,358,500	--
RJ 20	1,374,500	--
RJ 21	2,338,500	--
	8,379,500	2,034,000

Subsequent to March 31, 2011, term deposits securing bank guarantees amounting to \$5,304,500 included in the current portion of 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.

	March 31, 2011	December 31, 2010
	\$	\$

Oil and natural gas properties (using the full-cost method)		
Unproved properties	48,315,104	47,715,032
Proved properties	17,702,000	17,702,000
Total oil and natural gas properties	66,017,104	65,417,032
Building	889,609	889,609
Computer, office and other equipment	604,530	602,917
Total property and equipment	67,511,243	66,909,558
Accumulated impairment of oil and natural gas properties	(23,887,015)	(23,887,015)
Accumulated depletion	(1,143,700)	(1,060,700)
Accumulated depreciation	(606,965)	(586,163)
Total property and equipment, net	41,873,563	41,375,680

The oil and natural gas properties consist of contract interests in 10 exploration blocks in India, 3 exploration licenses held in Israel and 2 exploration licenses held in Colombia.

The Company has capitalized \$191,543 (March 31, 2010 – \$112,995) of general and administrative expenses directly related to exploration activities. These amounts include \$98,496 (March 31, 2010 – \$5,158) of capitalized stock-based compensation expense and capitalized support equipment depreciation of \$9,961 (March 31, 2010 - \$23,666).

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GeoGlobal Resources Inc.
(a development stage enterprise)
Notes to the Consolidated Financial Statements
(Unaudited)
March 31, 2011

5. Property and Equipment (continued)

Impairment of Oil and Gas Properties

The Company performed a ceiling test calculation at March 31, 2011, to assess the ceiling limitation of its proved oil properties. At March 31, 2011, the Company's net capitalized costs of proved oil and natural gas properties did not exceed the ceiling limitation.

6. Warrants

From time to time, the Company may issue 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.

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

	March 31, 2011		December 31, 2010	
	Warrants #	Weighted Average Exercise Price \$	Warrants #	Weighted Average Exercise Price \$
Outstanding warrants at the beginning of period	8,717,363	5.44	5,599,716	7.91
Warrants granted	--	--	3,117,647	1.00
Warrants exercised	--	--	--	--
Warrants outstanding at the end of period	8,717,363	5.44	8,717,363	5.44
Exercisable at end of period	5,599,716	7.91	5,599,716	7.91

The weighted average remaining life by exercise price as of March 31, 2011 is summarized below:

	Outstanding Warrants #	Weighted Average Remaining Life (Months)	Exercisable Warrants #	Weighted Average Exercise Price \$
Warrants				
Compensation Options	535,944	2.7	535,944	5.55
Compensation Warrants	97,572	2.7	97,572	9.00
Stock Purchase Warrants	8,083,847	22.7	4,966,200	5.39
	8,717,363	21.2	5,599,716	5.44

The warrants have certain terms and conditions as follows:

Compensation options enable the holder to purchase one fully-paid non-assessable common share of the Company at a specified price up to June 20, 2011. Certain compensation options consist of one compensation option and one half of one common share purchase warrant referred to as compensation warrants;

Compensation warrants enable the holder to purchase one fully-paid non-assessable common share of the Company at a specified price up to June 20, 2011; and

Share Purchase Warrants enable the holder to purchase one fully-paid non-assessable common share of the Company at a specified price up to June 20, 2011 and one half of one common share callable warrant and one-half of one common share non-callable warrant at a specified price up to October 15, 2015.

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GeoGlobal Resources Inc.

(a development stage enterprise)

Notes to the Consolidated Financial Statements

(Unaudited)

March 31, 2011

7. Stock Options

Stock-based Compensation

The Company is required to recognize compensation cost for stock-based compensation arrangements with employees, non-employee consultants and non-employee directors based on their fair value using the Black-Scholes option-pricing model, such cost to be expensed over the respective vesting periods. For awards with graded vesting, in which portions of the award vest in different periods, the Company recognizes compensation costs over the vesting periods for each separate vested tranche.

The following table summarizes stock-based compensation for employees, non-employee consultants and independent directors:

	Three months ended March 31, 2011	Three months ended March 31, 2010	Period from Inception August 21, 2002 to March 31, 2011
	\$	\$	\$
Stock-based compensation			
Unaudited Consolidated Statements of Operations			
General and administrative	244,197	102,827	4,376,325
Consulting fees	3,757	(36,236)	3,419,845
	247,954	66,591	7,796,170
Unaudited Consolidated Balance Sheets			
Property and equipment	98,496	5,158	5,508,500
	346,450	71,749	13,304,670

At March 31, 2011, the total compensation cost related to non-vested awards not yet recognized was \$734,129 (December 31, 2010 – \$318,649) which will be recognized over a weighted-average period of 1 year. During the three months ended March 31, 2011 and 2010, no options were exercised.

No income tax benefit has been recognized relating to stock-based compensation expense and no tax benefits have been realized from the exercise of stock options.

The fair value of each option granted was estimated on the date of grant using the Black-Scholes option-pricing model. Weighted average assumptions used in the valuation are disclosed in the following table:

	Three months ended March 31, 2011	Three months ended March 31, 2010
Fair value of stock options granted (per option)	\$0.68	\$0.97
Risk-free interest rate	3.4%	1.10%
Volatility	123.8%	128%
Expected life	9.9 years	1.9 years

Dividend yield

0%

0%

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GeoGlobal Resources Inc.

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Notes to the Consolidated Financial Statements

(Unaudited)

March 31, 2011

7. Stock Options (continued)

Stock option table

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

	March 31, 2011		March 31, 2010	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
	#	\$	#	\$
Outstanding options at beginning of period	4,550,000	2.72	4,440,000	3.69
Options granted	1,130,000	1.13		