GEOGLOBAL RESOURCES INC.
Form 10-Q
November 14, 2007

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

(Mark One)

x Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 2007;

or

o 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	33-0464753
(State or other jurisdiction of incorporation of organization)	(I.R.S. employer identification no.)

SUITE #310, 605 – 1 STREET SW, CALGARY, ALBERTA, CANADA T2P 3S9

(Address of principal executive offices, zip code)

403/777-9250

(Registrant's Telephone Number, Including Area Code)

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 proceeding 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 x NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer o Accelerated filer x Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES o NO x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at November 14, 2007
COMMON STOCK, PAR VALUE $.001 PER SHARE	72,205,756

GEOGLOBAL RESOURCES INC.
(a development stage enterprise)

QUARTERLY REPORT ON FORM 10-Q

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PART I. FINANCIAL INFORMATION
Item 1. CONSOLIDATED FINANCIAL STATEMENTS

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

	September 30, 2007 US $	December 31, 2006 US $
Assets		
Current		
Cash and cash equivalents	**49,255,804**	32,362,978
Accounts receivable	**431,335**	202,821
Prepaids and deposits	**154,214**	31,232
	49,841,353	32,597,031
Restricted cash (note 11a)	**4,545,148**	3,590,769
Property and equipment (note 3)	**935,934**	183,427
Oil and gas interests, not subject to depletion (note 4)	**18,558,849**	9,722,738
	73,881,284	46,093,965
Liabilities		
Current		
Accounts payable	**1,078,914**	1,888,103
Accrued liabilities	**1,076,319**	33,487
Due to related companies (notes 8c, 8d and 8e)	**52,745**	33,605
	2,207,978	1,955,195
Stockholders' Equity (note 5)		
Capital stock		
Authorized		
100,000,000 common shares with a par value of US$0.001 each		
1,000,000 preferred shares with a par value of US$0.01 each		
Issued		
72,205,755 common shares (December 31, 2006 – 66,208,255)	**57,614**	51,617
Additional paid-in capital	**77,373,125**	47,077,827
Deficit accumulated during the development stage	**(5,575,433)**	(2,990,674)
	71,673,306	44,138,770
	73,881,284	46,093,965

See Commitments, Contingencies and Guarantees (note 11)
The accompanying notes are an integral part of these Consolidated Financial Statements

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GEOGLOBAL RESOURCES INC.
(a development stage enterprise)
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended Sept 30, 2007 US $	Three months ended Sept 30, 2006 US $	**Nine months ended Sept 30, 2007 US $**	Nine months ended Sept 30, 2006 US $	Period from Inception, Aug 21, 2002 to Sept 30, 2007 US$ (note 12a)
Expenses (notes 5g, 6b, 8c, 8d and 8e)					
General and administrative	**791,587**	358,810	**1,571,722**	1,054,504	4,082,438
Consulting fees	**337,038**	399,155	**908,304**	568,172	2,772,555
Professional fees	**147,424**	61,039	**488,918**	161,967	1,241,594
Depreciation	**14,941**	12,975	**39,285**	33,974	250,595
	1,290,990	831,979	**3,008,229**	1,818,617	8,347,182
Other expenses (income)					
Consulting fees recovered	**--**	--	**--**	--	(66,025)
Equipment costs recovered	**--**	--	**--**	--	(19,395)
Gain on sale of equipment	**--**	--	**--**	--	(42,228)
Foreign exchange (gain) loss	**2,433**	(2,329)	**(10,286)**	(3,750)	16,261
Interest income	**(694,292)**	(461,123)	**(1,551,184)**	(1,288,741)	(3,798,362)
	(691,859)	(463,452)	**(1,561,470)**	(1,292,491)	(3,909,749)
Net loss and comprehensive loss for the period (note 9)	**(599,131)**	(368,527)	**(1,446,759)**	(526,126)	(4,437,433)
Net loss per share – basic and diluted (note 5f, 5g)	**(0.03)**	(0.01)	**(0.04)**	(0.01)	

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

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GEOGLOBAL RESOURCES INC.
(a development stage enterprise)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Capital Stock US $	Additional paid-in capital US $	Accumulated Deficit US $	Stockholders' Equity US $
Common shares issued on incorporation on August 21, 2002	64	--	--	64
Net loss and comprehensive loss for the period	--	--	(13,813)	(13,813)
Balance at December 31, 2002	64	--	(13,813)	(13,749)
Common shares issued during the year				
On acquisition	34,000	1,072,960	--	1,106,960
Options exercised for cash	397	101,253	--	101,650
December 2003 private placement financing	6,000	5,994,000	--	6,000,000
Share issuance costs on private placement	--	(550,175)	--	(550,175)
Net loss and comprehensive loss for the year	--	--	(477,695)	(477,695)
Balance at December 31, 2003	40,461	6,618,038	(491,508)	6,166,991
Common shares issued during the year				
Options exercised for cash	115	154,785	--	154,900
Broker Warrants exercised for cash	39	58,611	--	58,650
Net loss and comprehensive loss for the year	--	--	(867,496)	(867,496)
Balance at December 31, 2004	40,615	6,831,434	(1,359,004)	5,513,045
Common shares issued during the year				
Options exercised for cash	739	1,004,647	--	1,005,386
2003 Purchase Warrants exercised for cash	2,214	5,534,036	--	5,536,250
Broker Warrants exercised for cash	541	810,809	--	811,350
September 2005 private placement financing	4,252	27,636,348	--	27,640,600
Share issuance costs on private placement	--	(1,541,686)	--	(1,541,686)
Net loss and comprehensive loss for the year	--	--	(480,980)	(480,980)
Balance at December 31, 2005	48,361	40,275,588	(1,839,984)	38,483,965
Common shares issued during the year				
Options exercised for cash	2,285	2,706,895	--	2,709,180
Options exercised for notes receivable	185	249,525	--	249,710
2003 Purchase Warrants exercised for cash	786	1,962,964	--	1,963,750
Share issuance costs	--	(74,010)	--	(74,010)
Stock-based compensation	--	1,956,865	--	1,956,865
Net loss and comprehensive loss for the year	--	--	(1,150,690)	(1,150,690)
Balance at December 31, 2006	51,617	47,077,827	(2,990,674)	44,138,770
Common shares issued during 2007				
Options exercised for cash (note 6d)	**317**	**320,358**	**--**	**320,675**
June 2007 private placement financing (note 5b)	**5,680**	**28,394,320**	**--**	**28,400,000**

Share issuance costs on private placement (note 5b)	**--**	**(2,720,728)**	**--**	**(2,720,728)**
2007 Compensation options (note 5b)	**--**	**705,456**	**--**	**705,456**
Stock-based compensation (note 6b)	**--**	**2,035,892**	**--**	**2,035,892**
2005 Stock purchase warrant modification (note 5g)	**--**	**1,320,000**	**(1,320,000)**	**--**
2005 Compensation option & warrant modification (note 5g)	**--**	**240,000**	**--**	**240,000**
Net loss and comprehensive loss for the period	**--**	**--**	**(1,446,759)**	**(1,446,759)**
	5,997	**30,295,298**	**(2,766,759)**	**27,534,536**
Balance as at September 30, 2007	**57,614**	**77,373,125**	**(5,757,433)**	**71,673,306**

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

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GEOGLOBAL RESOURCES INC.
(a development stage enterprise)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three months ended Sept 30, 2007 US $	Three months ended Sept 30, 2006 US $	**Nine months ended Sept 30, 2007 US $**	Nine months ended Sept 30, 2006 US $	Period from Inception, Aug 21, 2002 to Sept 30, 2007 US $ (note 12a)
Cash flows provided by (used in) operating activities					
Net loss	**(599,131)**	(368,527)	**(1,446,759)**	(526,126)	(4,437,433)
Adjustment to reconcile net loss to net cash used in operating activities:					
Depreciation	**14,941**	12,975	**39,285**	33,974	250,595
Gain on sale of equipment	**--**	--	**--**	--	(42,228)
Stock-based compensation (note 6b)	**389,999**	419,509	**1,060,206**	632,550	2,250,382
2005 Compensation option & warrant modification (note 5g)	**240,000**	--	**240,000**	--	240,000
Changes in operating assets and liabilities:					
Accounts receivable	**(232,529)**	(41,044)	**(228,514)**	(40,478)	(356,335)
Prepaids and deposits	**(42,350)**	(10,190)	**(122,982)**	(11,793)	(154,214)
Accounts payable	**13,382**	13,980	**102,958**	43,140	137,609
Accrued liabilities	**30,000**	(17,500)	**(3,487)**	(35,000)	30,000
Due to related companies	**24,678**	1,114	**19,140**	(118,168)	10,989
	(161,010)	10,317	**(340,153)**	(21,901)	(2,070,635)
Cash flows provided by (used in) investing activities					
Oil and gas interests	**(5,479,467)**	(1,168,813)	**(7,860,425)**	(5,149,439)	(16,816,474)
Property and equipment	**(317,255)**	(24,782)	**(791,792)**	(85,765)	(1,227,101)
Proceeds on sale of equipment	**--**	--	**--**	--	82,800
Cash acquired on acquisition (note 7)	**--**	--	**--**	--	3,034,666
Restricted cash (note 11a)	**(1,347,532)**	(1,879,984)	**(954,379)**	(3,089,820)	(4,545,148)
Changes in investing assets and liabilities:					
Cash call receivable	**62,547**	21,620	**--**	(12,265)	--
Accounts payable	**485,641**	(958,159)	**(916,597)**	197,356	887,847
Accrued liabilities	**833,360**	217,000	**1,046,319**	739,427	1,046,319
	(5,762,706)	(3,793,118)	**(9,476,874)**	(7,400,506)	(17,537,091)
Cash flows provided by (used in) financing activities					
Proceeds from issuance of common shares	**--**	1,949,979	**28,720,675**	4,667,878	74,952,165
Share issuance costs	**(112,226)**	(15,457)	**(2,015,272)**	(74,008)	(4,181,143)
Changes in financing liabilities:					
Note payable (note 8a)	**--**	--	**--**	--	(2,000,000)
Accounts payable	**(63,840)**	--	**4,450**	(10,800)	65,528
Due to related companies	**--**	--	**--**	--	26,980

	(176,066)	1,934,522	**26,709,853**	4,583,070	68,863,530
Net increase (decrease) in cash and cash equivalents	**(6,099,782)**	(1,848,279)	**16,892,826**	(2,839,337)	49,255,804
Cash and cash equivalents, beginning of period	**55,355,586**	35,046,330	**32,362,978**	36,037,388	--
Cash and cash equivalents, end of period	**49,255,804**	33,198,051	**49,255,804**	33,198,051	49,255,804
Cash and cash equivalents					
Current bank accounts	**1,065,149**	700,029	**1,065,149**	700,029	1,065,149
Term deposits	**48,190,655**	32,498,022	**48,190,655**	32,498,022	48,190,655
	49,255,804	33,198,051	**49,255,804**	33,198,051	49,255,804

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

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GeoGlobal Resources Inc.
(a development stage enterprise)
Notes to the Consolidated Financial Statements
(Unaudited)
September 30, 2007

1. 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 ("PSC") with the Gujarat State Petroleum Corporation ("GSPC"), Oil India Limited ("OIL") among others, and the Government of India ("GOI") and the development thereof. To date, the Company has not earned revenue from these operations and is considered to be in the development stage. The recoverability of the costs incurred to date is uncertain and dependent upon achieving commercial production or sale, the ability of the Company to obtain sufficient financing to fulfill its obligations under the PSCs in India and upon future profitable operations and upon finalizing agreements.

On August 29, 2003, all of the issued and outstanding shares of GeoGlobal Resources (India) Inc. ("GeoGlobal India") were acquired by GeoGlobal Resources Inc., formerly Suite101.com, Inc. As a result of the transaction, the former shareholder of GeoGlobal India held approximately 69.3% of the issued and outstanding shares of GeoGlobal Resources Inc. This transaction is considered an acquisition of GeoGlobal Resources Inc. (the accounting subsidiary and legal parent) by GeoGlobal India (the accounting parent and legal subsidiary) and has been accounted for as a purchase of the net assets of GeoGlobal Resources Inc. by GeoGlobal India. Accordingly, this transaction represents a recapitalization of GeoGlobal India, the legal subsidiary, effective August 29, 2003. These consolidated financial statements are issued under the name of GeoGlobal Resources Inc. but are a continuation of the financial statements of the accounting acquirer, GeoGlobal India. The assets and liabilities of GeoGlobal India are included in the consolidated financial statements at their historical carrying amounts. As a result, the stockholders' equity of GeoGlobal Resources Inc. is eliminated and these consolidated financial statements reflect the results of operations of GeoGlobal Resources Inc. only from the date of the acquisition.

GeoGlobal Resources Inc. changed its name from Suite101.com, Inc. after receiving shareholder approval at the Annual Shareholders Meeting held on January 8, 2004. Collectively, GeoGlobal Resources Inc., GeoGlobal India and its other wholly-owned direct and indirect subsidiaries, are referred to as the "Company" or "GeoGlobal".

2. Significant Accounting Policies

a) Basis of presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with the accounting principles generally accepted in the United States for interim financial information and with Regulation S-X and the instructions to Form 10-Q under the U.S. Securities and Exchange Act of 1934, as amended. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine months ended September 30, 2007 are not necessarily indicative of the results that may be expected for the year ended December 31, 2007.

These consolidated financial statements include the accounts of (i) GeoGlobal Resources Inc., from the date of acquisition, being August 29, 2003, (ii) GeoGlobal Resources (India) Inc., incorporated under the *Business Corporations Act* (Alberta), Canada on August 21, 2002 and continued under the *Companies Act of Barbados*, West Indies on June 27, 2003, which is a wholly-owned subsidiary of GeoGlobal Resources Inc., (iii) GeoGlobal Resources

(Canada) Inc., incorporated under the *Business Corporations Act* (Alberta), Canada on September 4, 2003, which is a wholly-owned subsidiary of GeoGlobal Resources Inc., (iv) GeoGlobal Resources (Barbados) Inc. incorporated under the *Companies Act of Barbados*, West Indies on September 24, 2003, which is the wholly-owned subsidiary of GeoGlobal Resources (Canada) Inc., and (v) GeoGlobal Oil & Gas (India) Private Limited, incorporated under the *Companies Act, 1956,* Maharashtra, India on May 5, 2006.

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GeoGlobal Resources Inc.
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2. Basis of presentation (continued)

b) Stock-based compensation plan

In prior periods, reporting on the impact of stock-based compensation, such as employee stock options, on the Company's net loss and net loss per share was required only on a pro-forma basis.

In December, 2004, the Financial Accounting Standards Board issued a revision to Standard 123, *Accounting for Stock-Based Compensation.* The Statement of Financial Accounting Standards 123(R), *Share-Based Payment* ("FAS 123(R)"), requires the recognition of compensation cost for stock-based compensation arrangements with employees, consultants and directors based on their grant date fair value using the Black-Scholes option-pricing model. Compensation expense is recorded over the awards' respective requisite service, with corresponding entries to paid-in capital.

The Company adopted FAS 123(R) using the modified-prospective-transition method on January 1, 2006. The impact of this adoption required the Company to recognize a charge for past stock-based compensation options granted of US$367,596 over the subsequent 3 years in accordance with their respective vesting periods (see note 6).

3. Property and Equipment

	September 30, 2007 US$	December 31, 2006 US$
Computer and office equipment	**370,672**	324,419
Accumulated depreciation	**(208,367)**	(169,082)
	162,305	155,337
Office condominium - India	**773,629**	28,090
	935,934	183,427

4. Oil and Gas Interests

	September 30, 2007 US$	December 31, 2006 US$
Exploration costs incurred in:		
2002	21,925	21,925
2003	156,598	156,598
2004	460,016	460,016
2005	1,578,124	1,578,124
2006	7,506,075	7,506,075
	9,722,738	9,722,738
2007	**8,836,111**	--
	18,558,849	9,722,738

a) Exploration costs

The exploration costs incurred to date are not subject to depletion. These exploration costs cover six exploration blocks, known as the KG Offshore Block, the Mehsana Block, the Sanand/Miroli Block, the Ankleshwar Block, the DS 03 Block and the Tarapur Block. In addition, exploration costs include costs incurred in evaluating and bidding on other blocks in Egypt and the Middle East. It is anticipated that all or certain of the exploration costs incurred in India may be subject to depletion commencing in the year 2008.

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4. Oil and Gas Interests (continued)

b) Capitalized overhead costs

Included in the US$8,836,111 of exploration cost additions during the nine months ended September 30, 2007 (year ended December 31, 2006 – US$7,506,075) are certain overhead costs capitalized by the Company in the amount of US$2,767,239 (year ended December 31, 2006 – US$2,133,984) directly related to the exploration activities in India. The capitalized overhead amount for the nine months ended September 30, 2007 includes capitalized stock-based compensation of US$975,686 (year ended December 31, 2006 - US$766,689) (see note 6b) of which US$133,117 (year ended December 31, 2006 – US$323,283) was for the account of a related party (see note 8c). Further, the capitalized overhead amount includes US$1,506,553 (year ended December 31, 2006 - US$1,000,705) which was paid to third parties. The balance of US$285,000 was paid to and on behalf of a related party (year ended December 31, 2006 – US$366,590) (see note 8c). These capitalized overhead costs related to the exploration activities in India are incurred solely by and on behalf of the Company in providing its services under the Carried Interest Agreement ("CIA") and are therefore not reimbursable under the CIA (see note 4c).

c) Carried Interest Agreement

On August 27, 2002, GeoGlobal entered into a CIA with GSPC, which grants the Company a 10% Carried Interest ("CI") (net 5% - see note 4d) in the KG Offshore Block. The CIA provides that GSPC is responsible for GeoGlobal's entire share of any and all costs incurred during the Exploration Phase prior to the date of initial commercial production.

Under the terms of the CIA, all of GeoGlobal's and Roy Group (Mauritius) Inc.'s ("RGM"), a related party (see note 8b) proportionate share of capital costs for exploration and development activities will be recovered by GSPC without interest over the projected production life or ten years, whichever is less, from oil and natural gas produced on the Exploration Block. GeoGlobal is not entitled to any share of production until GSPC has recovered the Company's share of the costs and expenses that were paid by GSPC on behalf of the Company and RGM.

As at July 31, 2007, GSPC has incurred costs of Rs 195.77 crore (approximately US$45.5 million) (December 31, 2006 – Rs 114.96 crore (approximately US$26.1 million)) attributable to GeoGlobal under the CIA of which 50% is for the account of RGM.

GeoGlobal has been advised by GSPC, that GSPC is seeking payment of the amount by which the exploration costs attributable to GeoGlobal under the PSC relating to the KG Offshore Block exceeds the amount that GSPC deems it is obligated to pay on behalf of GeoGlobal (including the net 5% participating interest of RGM) under the terms of the CIA. GSPC asserts that the Company is required to pay 10% of the exploration expenses over and above US$59.23 million. GeoGlobal disputes this assertion of GSPC. See note 11e.

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GeoGlobal Resources Inc.
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4. Oil and Gas Interests (continued)

d) Participating Interest Agreement

On March 27, 2003, GeoGlobal entered into a Participating Interest Agreement ("PIA") with RGM, whereby GeoGlobal assigned and holds in trust for RGM subject to GOI consent, 50% of the benefits and obligations of the PSC covering the Exploration Block KG-OSN-2001/3 ("KG Offshore Block") and the CIA leaving GeoGlobal with a net 5% participating interest in the KG Offshore Block and a net 5% carried interest in the CIA. Under the terms of the PIA, until the GOI consent is obtained, GeoGlobal retains the exclusive right to deal with the other parties to the KG Offshore Block and the CIA and is entitled to make all decisions regarding the interest assigned to RGM, RGM has agreed to be bound by and be responsible for the actions taken by, obligations undertaken and costs incurred by GeoGlobal in regard to RGM's interest and to be liable to GeoGlobal for its share of all costs, interests, liabilities and obligations arising out of or relating to the RGM interest. RGM has agreed to indemnify GeoGlobal against any and all costs, expenses, losses, damages or liabilities incurred by reason of RGM's failure to pay the same. Subject to obtaining the government consent to the assignment, RGM is entitled to all income, receipts, credits, reimbursements, monies receivable, rebates and other benefits in respect of its 5% interest which relate to the KG Offshore Block. GeoGlobal has a right of set-off against sums owing to GeoGlobal by RGM. In the event that the Indian government consent is delayed or denied, resulting in either RGM or GeoGlobal being denied an economic benefit it would have realized under the PIA, the parties agreed to amend the PIA or take other reasonable steps to assure that an equitable result is achieved consistent with the parties' intentions contained in the PIA. As a consequence of this transaction the Company reports its holdings under the KG Offshore Block and CIA as a net 5% participating interest ("PI").

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GeoGlobal Resources Inc.
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Notes to the Consolidated Financial Statements
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September 30, 2007

5. Capital Stock

a) Common shares

	Number of shares	Capital stock US $	Additional paid-in capital US $
Balance at December 31, 2002	1,000	64	--
2003 Transactions			
Capital stock of GeoGlobal at August 29, 2003	14,656,687	14,657	10,914,545
Common shares issued by GeoGlobal to acquire GeoGlobal India	34,000,000	34,000	1,072,960
Share issuance costs on acquisition	--	--	(66,850)
Elimination of GeoGlobal capital stock in recognition of reverse takeover (note 7)	(1,000)	(14,657)	(10,914,545)
Options exercised for cash	396,668	397	101,253
December 2003 private placement financing (note 5d)	6,000,000	6,000	5,994,000
Share issuance costs on private placement	--	--	(483,325)
	55,052,355	40,397	6,618,038
2004 Transactions			
Options exercised for cash	115,000	115	154,785
Broker Warrants exercised for cash (note 5d)	39,100	39	58,611
	154,100	154	213,396
2005 Transactions			
Options exercised for cash	739,000	739	1,004,647
2003 Stock Purchase Warrants exercised for cash	2,214,500	2,214	5,534,036
Broker Warrants exercised for cash (note 5d)	540,900	541	810,809
September 2005 private placement financing (note 5c)	4,252,400	4,252	27,636,348
Share issuance costs on private placement (note 5c)	--	--	(1,541,686)
	7,746,800	7,746	33,444,154
2006 Transactions			
Options exercised for cash	2,284,000	2,285	2,706,895
Options exercised for notes receivable	184,500	185	249,525
2003 Stock Purchase Warrants exercised for cash (note 5e(i))	785,500	786	1,962,964
Share issuance costs	--	--	(74,010)
Stock-based compensation	--	--	1,956,865
	3,254,000	3,256	6,802,239
Balance as at December 31, 2006	66,208,255	51,617	47,077,827

2007 Transactions			
Options exercised for cash (note 6d)	**317,500**	**317**	**320,358**
June 2007 private placement financing (note 5b)	**5,680,000**	**5,680**	**28,394,320**
Share issuance costs on private placement (note 5b)	**--**	**--**	**(2,720,728)**
2007 Compensation options (note 5b)	**--**	**--**	**705,456**
Stock-based compensation (note 6b)	**--**	**--**	**2,035,892**
2005 Stock purchase warrant modification (note 5g)	**--**	**--**	**1,320,000**
2005 Compensation option & warrant modification (note 5g)		**--**	**240,000**
	5,997,500	**5,997**	**30,295,298**
Balance as at September 30, 2007	**72,205,755**	**57,614**	**77,373,125**

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GeoGlobal Resources Inc.
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5. Capital Stock (continued)

b) June 2007 Financing

During June 2007, GeoGlobal completed the sale of 5,680,000 Units of its securities at US$5.00 per Unit for aggregate gross cash proceeds of US$28,400,000.

Each Unit is comprised of one common share and one half of one warrant. One full warrant ("2007 Stock Purchase Warrant") entitles the holder to purchase one additional common share for US$7.50, for a term of two years expiring June 20, 2009. In addition, compensation options ("2007 Compensation Options") were issued to the placement agents entitling them to purchase an aggregate of 340,800 common shares at an exercise price of US$5.00 per share until June 20, 2009. The 2007 Stock Purchase Warrants and the 2007 Compensation Options are subject to accelerated expiration in the event that the price of the Company's common shares on the American Stock Exchange is US$12.00 or more for 20 consecutive trading days, the resale of the shares included in the Units and the shares issuable on exercise of the 2007 Stock Purchase Warrants and the 2007 Compensation Options have been registered under the US Securities Act of 1933, as amended (the “Act”), and the hold period for Canadian subscribers has expired. In such events, the term will be reduced to 30 days from the date of issuance of a news release announcing such accelerated expiration of the term. At November 14, 2007 since not all such events have occurred, the accelerated expiration of the term for the 2007 Stock Purchase Warrants and the 2007 Compensation Options has not been triggered.

The proceeds from the issuance of the Units have been allocated between the common shares and the 2007 Stock Purchase Warrants based on their fair value. The fair value of the common share was determined based on the market price of the stock the day the financing closed. The fair value of the 2007 Stock Purchase Warrants was based on a Black-Scholes option-pricing model and the following weighted average assumptions as at the date of the financing closing as follows:

Risk-free interest rate	4.97%
Expected life	2.0 years
Contractual life	2.0 years
Expected volatility	69%
Expected dividend yield	0%

The resulting allocation of the fair value to the common shares and the 2007 Stock Purchase Warrants (included as additional paid-in capital) was US$24,992,000 and US$3,408,000 respectively.

Costs of US$2,720,728 were incurred in issuing shares in these transactions which included a fee paid to the placement agents of US$1,704,000 along with the 2007 Compensation Options with a fair value of US$705,456 with respect to the sale of the 5,680,000 Units. The Company assigned a fair value to the 2007 Compensation Options based on the same Black-Scholes option-pricing model and the same weighted average assumptions as used for the valuation of the 2007 Stock Purchase Warrants above.

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5 Capital Stock (continued)

The total issuance costs of US$2,720,728 associated with the private placement financing were allocated to the common shares and the 2007 Stock Purchase Warrants on the same basis utilized for the allocation of the private placement financing proceeds as follows:

	Common Shares US$	2007 Stock Purchase Warrants US$	Total US$
Proceeds from private placement financing	24,992,000	3,408,000	28,400,000
Issuance costs from private placement financing	(2,394,241)	(326,487)	(2,720,728)
Balance September 30, 2007	22,597,759	3,081,513	25,679,272

Also, pursuant to the terms of the transaction, GeoGlobal entered into a Registration Rights Agreement with the placement agents whereby the Company agreed to prepare and file at its expense with the United States Securities and Exchange Commission ("SEC") as promptly as practicable and in any event prior to 5:00 pm eastern time on August 17, 2007 a registration statement under the US Securities Act of 1933, as amended (the "Act"), for an offering on a continuous shelf basis of the shares of Common Stock included in the Units and issuable on exercise of the 2007 Purchase Warrants included in the Units and the shares of Common Stock issuable to the placement agents on exercise of the 2007 Compensation Options. Such registration statement was filed on August 17, 2007.

c) September 2005 Financing

During September 2005, GeoGlobal completed the sale of 3,252,400 Units of its securities at US$6.50 per Unit, together with a concurrent sale of an additional 1,000,000 Units on the same terms, for aggregate gross cash proceeds of US$27,640,600.

Each Unit is comprised of one common share and one half of one warrant. One full warrant ("2005 Stock Purchase Warrant") entitles the holder to purchase one additional common share for US$9.00, for a term of two years expiring September 2007. The 2005 Stock Purchase Warrants are subject to accelerated expiration in the event that the price of the Company's common shares on the American Stock Exchange is US$12.00 or more for 20 consecutive trading days, the resale of the shares included in the Units and issuable on exercise of the 2005 Stock Purchase Warrants has been registered under the Act, and the hold period for Canadian subscribers has expired. In such events, the warrant term will be reduced to 30 days from the date of issuance of a news release announcing such accelerated expiration of the warrant term. At November 14, 2007 since not all such events have occurred, the accelerated expiration of the warrant term was not triggered.

Costs of US$1,541,686 were incurred in issuing shares in these transactions which included a fee of US$1,268,436 paid to Jones Gable & Company Limited with respect to the sale of the 3,252,400 Units, and, in addition, compensation options ("2005 Compensation Options") were issued to Jones Gable & Company Limited entitling it to purchase an additional 195,144 Units at an exercise price of US$6.50 per Unit through their expiration in September 2007. The 2005 Compensation Options are also subject to accelerated expiration on the same terms and conditions as the warrants issued in the transaction.

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5. Capital Stock (continued)

d) December 2003 Financing

On December 23, 2003, GeoGlobal completed a brokered private placement of 5,800,000 units at US$1.00 each, together with a concurrent private placement of an additional 200,000 units on the same terms, for aggregate gross cash total proceeds of US$6,000,000.

Each unit is comprised of one common share and one half of one warrant. One full warrant ("2003 Stock Purchase Warrant"), entitles the holder to purchase one additional common share for US$2.50, for a term of two years from date of closing. The 2003 Stock Purchase Warrants are subject to accelerated expiration 30 days after issuance of a news release to that effect in the event that the common shares trade at US$4.00 or more for 20 consecutive trading days and if the resale of the shares has been registered under the Act and the hold period for Canadian subscribers has expired. Also issued as additional consideration for this transaction were 580,000 Broker Warrants.

The 580,000 Broker Warrants described above entitled the holder to purchase 580,000 common shares at an exercise price of US$1.50 per share which were fully exercised before they expired on December 23, 2005 for gross proceeds of US$870,000.

e) Warrants and Compensation Options

i) 2003 Stock Purchase Warrants

During the three months ended March 31, 2006, all remaining Purchase Warrants issued in December 2003 were exercised which resulted in the issuance of 785,500 common shares for gross proceeds of US$1,963,750. As at September 30, 2007, none of such 2003 Stock Purchase Warrants remain to be exercised.

ii) 2005 Stock Purchase Warrants

As at September 30, 2007, none of the 2005 Stock Purchase Warrants have been exercised. If all of the 2005 Stock Purchase Warrants were exercised, it would result in the issuance of 2,126,200 common shares for gross proceeds of US$19,135,800.

On September 6, 2007, the Company extended the expiration date of all outstanding 2005 Stock Purchase Warrants which were to expire on September 9, 2007, to June 20, 2009 (see note 5g).

iii) 2005 Compensation Options

As at September 30, 2007, none of the 195,144 2005 Compensation Options were exercised. If fully exercised, the 2005 Compensation Options would result in the issuance of 195,144 Units at an exercise price of US$6.50 resulting in gross proceeds of US$1,268,436.

On September 6, 2007, the Company extended the expiration date of all outstanding 2005 Compensation Options and associated 2005 Compensation Option Warrants which were to expire on September 9, 2007, to June 20, 2009 (see note 5g).

iv) 2005 Compensation Option Warrants

As at September 30, 2007, none of the 97,572 2005 Compensation Option Warrants have been issued as a result of the 2005 Compensation Options not being exercised. If the 2005 Compensation Options are exercised and the 2005

Compensation Option Warrants issued, such Warrants if exercised, would result in the issuance of 97,572 common shares for gross proceeds of US$878,148.

v) 2007 Stock Purchase Warrants

As at September 30, 2007, none of the 2,840,000 2007 Stock Purchase Warrants were exercised. If fully exercised, the 2007 Stock Purchase Warrants would result in the issuance of 2,840,000 common shares for gross proceeds of US$21,300,000.

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5. Capital Stock (continued)

vi) 2007 Compensation Options

As at September 30, 2007, none of the 340,800 2007 Compensation Options were exercised. If fully exercised, the 2007 Compensation Options would result in the issuance of 340,800 common shares for gross proceeds of US$1,704,000

f) Weighted-average number of shares

In calculating the net loss per share – basic and diluted, the incremental fair value of $1,320,000 associated with the 2005 Stock Purchase Warrants modification has been included in the determination of income attributable to common stockholders (see note 5g). As all other warrants and options are anti-dilutive, they have been excluded from the net loss per share – diluted calculation. For purposes of the determination of net loss per share, the basic and diluted weighted-average number of shares outstanding for the three and nine months ended September 30, 2007 was 67,205,756 and 63,440,573 respectively (three and nine months ended September 30, 2006 – 59,147,997 and 58,841,639 respectively). The numbers for the three and nine months ended September 30, 2007 and the three and nine months ended September 30, 2006, exclude the 5,000,000 shares currently held in escrow (see note 7).

g) Extended warrants and compensation modification

On September 6, 2007, GeoGlobal passed a Board of Directors resolution extending the expiration date of its outstanding 2005 Stock Purchase Warrants, 2005 Compensation Options and 2005 Compensation Option Warrants from September 9, 2007 to June 20, 2009.

The Company has recorded the incremental difference in the fair value of these instruments immediately prior to and after the modification. The fair value of the instruments was determined using a Black-Scholes option-pricing model using the following assumptions prior to and as at the date of extension:

	September 6, 2007	September 9, 2007
Risk-free interest rate	4.28%	4.08%
Expected life	4 days	22 months
Contractual life	4 days	22 months
Expected volatility	134%	75%
Expected dividend yield	0%	0%

The resulting incremental fair value of $1,320,000 associated with the 2005 Stock Purchase Warrants held by shareholders was recorded as a charge to the deficit, with a corresponding entry to additional paid-in capital.

The resulting incremental fair value of the 2005 Compensation Options and the 2005 Compensation Option Warrants of $180,000 and $60,000, respectively, were recorded as charge to general and administrative expense, with a corresponding entry to additional paid-in capital.

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6. Stock Options

a) The Company's 1998 Stock Incentive Plan

Under the terms of the 1998 Stock Incentive Plan (the "Plan"), as amended, 12,000,000 common shares have been reserved for issuance on exercise of options granted under the Plan. As at September 30, 2007, the Company had 3,305,697 (December 31, 2006 – 3,650,697) common shares remaining for the grant of options under the Plan. The Board of Directors of the Company may amend or modify the Plan at any time, subject to any required stockholder approval. The Plan will terminate on the earliest of: (i) 10 years after the Plan Effective Date, being December 2008; (ii) the date on which all shares available for issuance under the Plan have been issued as fully-vested shares; or, (iii) the termination of all outstanding options in connection with certain changes in control or ownership of the Company.

b) Stock-based compensation

The Company adopted FAS 123(R), using the modified-prospective-transition method on January 1, 2006. Under this method, the Company is required to recognize compensation cost for stock-based compensation arrangements with employees, consultants and directors based on their grant date fair value using the Black-Scholes option-pricing model, such cost to be expensed over the compensations' respective vesting periods.

	Three months ended Sept 30, 2007 US $	Three months ended Sept 30, 2006 US $	**Nine months ended Sept 30, 2007** US $	Nine months ended Sept 30, 2006 US $	Period from Inception, Aug 21, 2002 to Sept 30, 2007 US $
Stock based compensation					
Consolidated Statements of Operations					
General and administrative	**215,552**	167,419	**547,449**	380,460	1,111,000
Consulting fees	**174,447**	252,090	**512,757**	252,090	1,139,382
	389,999	419,509	**1,060,206**	632,550	2,250,382
Consolidated Balance Sheets					
Oil and gas interests					
Exploration costs - India	**498,645**	326,385	**975,686**	393,810	1,742,375
	888,644	745,894	**2,035,892**	1,026,360	3,992,757

i) At January 1, 2006, the impact of the adoption of FAS123(R) required the Company to recognize a charge for past stock-based compensation options granted of US$367,596 over the next 3 years in accordance with their respective vesting periods. In the period from inception August 21, 2002 to September 30, 2007 US$343,247; (three and nine months ended September 30, 2007, US$14,073 and US$42,219, respectively; and for the three and nine months ended September 30, 2006, US$49,340 and US$286,955, respectively) of this charge was recognized in the Consolidated Statement of Operations as general and administrative expense. This resulted in an increase in the net loss and comprehensive loss for the respective periods in the same amount and no impact on the net loss per share – basic and diluted for the periods.

ii) At September 30, 2007, the total compensation cost related to non-vested awards not yet recognized was US$2,283,389 (December 31, 2006 – US$1,577,286) which will be recognized over the remaining vesting period of the options. The total fair value of all options vested during the three and nine months ended September 30, 2007 was US$1,549,275 and US$1,965,475, respectively (year ended December 31, 2006 - US$1,046,490).

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GeoGlobal Resources Inc.
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6. Stock Options (continued)

c) Black-Scholes Assumptions

During the nine months ended September 30, 2007 and 2006 options of 1,455,000 and 2,225,000, respectively were granted to the Company's directors, employees and consultants under the terms of the 1998 Stock Incentive Plan. 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 Sept 30, 2007	Three months ended Sept 30, 2006	**Nine months ended Sept 30, 2007**	Nine months ended Sept 30, 2006
Fair value of stock options granted (per option)	**US$1.76**	US$1.08	**US$1.89**	US$1.19
Risk-free interest rate	**4.93%**	4.17%	**4.84%**	4.17%
Volatility	**65%**	70%	**67%**	70%
Expected life	**1.6 years**	1.3 years	**1.7years**	1.3 years
Dividend yield	**0%**	0%	**0%**	0%

i) The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant.
ii) Expected volatilities are based on historical volatility of the Company's stock and other factors.
iii) The expected life of options granted represents the period of time that the options are expected to be outstanding and is derived from historical exercise behavior and current trends.

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6. Stock Options (continued)

d) Stock option table

During the nine months ended September 30, 2007, the options as set out below were granted for services provided to the Company:

Grant date mm/dd/yy	Option exercise price US$	Fair Value at Original Grant Date US$	Expiry date mm/dd/yy	Vesting date mm/dd/yy	Balance Dec 31/06 #	Granted during the period ii) #	Cancelled (c) Expired (x) Exercised (e) during the period iv) #	Balance Sept 30/07 iii) #	Balance Exercisable Sept 30/07 #
12/09/03	1.18	0.24	08/31/06	Vested	--	--	--	--	--
12/30/03	1.50	0.32	08/31/06	Vested	--	--	--	--	--
01/17/05	1.01	0.38	i) 06/30/07	Vested	352,500	--	317,500 (e) 35,000 (x)	--	--
01/18/05	1.10	0.62	08/31/08	Vested	600,000	--	--	600,000	600,000
01/25/05	1.17	0.43	08/31/06	Vested	--	--	--	--	--
06/14/05	3.49	1.55	06/14/15	Vested	150,000	--	--	150,000	150,000
08/24/05	6.50	2.38	08/24/08	Vested	110,000	--	--	110,000	110,000
10/03/05	6.81	3.07	10/03/15	Vested	16,666	--	-	16,666	16,666
10/03/05	6.81	3.83	10/03/15	10/03/07	16,667	--	--	16,667	--
10/03/05	6.81	4.38	10/03/15	10/03/08	16,667	--	--	16,667	--
06/14/06	5.09	2.06	06/14/16	Vested	200,000	--	--	200,000	20,000
07/25/06	3.95	1.14	12/31/09	Vested	100,000	--	--	100,000	100,000
07/25/06	3.95	1.39	12/31/09	Vested	660,000	--	--	660,000	660,000
07/25/06	3.95	1.60	12/31/09	12/31/07	50,000	--	--	50,000	--
07/25/06	3.95	1.78	12/31/09	07/25/08	145,000	--	--	145,000	--
07/25/06	3.95	2.01	12/31/09	07/25/09	70,000	--	--	70,000	--
07/25/06	3.95	1.14	07/25/16	Vested	500,000	--	--	500,000	500,000
07/25/06	3.95	1.14	07/25/16	Vested	500,000	--	--	500,000	500,000
11/24/06	7.52	2.47	11/24/09	Vested	10,000	--	--	10,000	10,000
11/24/06	7.52	2.92	11/24/09	12/31/07	10,000	--	--	10,000	--
11/24/06	7.52	3.70	11/24/09	12/31/08	10,000	--	--	10,000	--
03/30/07	6.11	2.02	03/30/10	12/31/07	--	50,000	--	50,000	--
03/30/07	6.11	2.69	03/30/10	12/31/08	--	50,000	--	50,000	--
03/30/07	6.11	2.82	03/30/10	03/30/09	--	50,000	--	50,000	--
05/16/07	5.09	1.51	05/16/10	12/31/07	--	10,000	--	10,000	--
05/16/07	5.09	2.09	05/16/10	12/31/08	--	10,000	--	10,000	--
05/16/07	5.09	2.09	05/16/10	05/31/09	--	10,000	--	10,000	--
06/20/07	5.06	2.08	06/20/17	06/20/08	--	200,000	--	200,000	--
07/03/07	5.03	1.70	12/31/10	Vested	--	35,000	--	35,000	35,000

07/03/07	5.03	1.70	12/31/10	10/03/07	--	10,000	--	10,000	--
07/03/07	5.03	1.70	12/31/10	12/31/07	--	42,500	--	42,500	--
07/03/07	5.03	1.70	12/31/10	07/03/08	--	847,500	--	847,500	--
07/03/07	5.03	1.98	12/31/10	12/31/08	--	20,000	--	20,000	--
07/03/07	5.03	2.25	12/31/10	07/03/09	--	120,000	--	120,000	--
					3,517,500	1,455,000	352,500	4,620,000	2,701,666

i) On August 30, 2006, the Board of Directors of the Company passed a resolution with respect to the remaining stock options issued on January 17, 2005 to (a) extend the expiry date of all then outstanding options from August 31, 2006 to the earlier of June 30, 2007 or 60 days following the date of a "Commercial Discovery" as defined under the terms of the PSC on Block KG-OSN-2001/3 and (b) to extend the vesting date of certain of these options to the earlier of the date of a "Commercial Discovery" as defined under the terms of the PSC on Block KG-OSN-2001/3 or May 31, 2007, as long as drilling operations are continuing on the KG Offshore Block. This resolution resulted in an added incremental stock-based compensation cost of $11,440 with respect to the seven employees. At September 30, 2007, none of these options remain to be exercised.

ii) During the nine months ended September 30, 2007, the Company granted options to purchase 1,455,000 shares exercisable at various prices between $5.03 and $6.11 and expire on dates between March 30, 2010 and June 20, 2017, which vest in their entirety on vesting dates between July 25, 2007 and July 3, 2009.

iii) As at September 30, 2007, there were 4,620,000 options outstanding at various prices which, if exercised, would result in gross proceeds of US$18,969,800.

iv) During the three and nine months ended September 30, 2007, there were nil and 317,500 options exercised respectively, at $1.01 per share for gross proceeds of US$nil and US$320,675 respectively. During the three and nine months ended September 30, 2007, nil and 35,000 options respectively, expired.

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7. Acquisition

On August 29, 2003, pursuant to an agreement dated April 4, 2003 and amended August 29, 2003, the Company completed a transaction with Mr. Roy and GeoGlobal Resources (India) Inc. ("GeoGlobal India"), a corporation then wholly-owned by Mr. Roy, whereby the Company acquired from Mr. Roy all of the outstanding capital stock of GeoGlobal India. In exchange for the outstanding capital stock of GeoGlobal India, the Company issued 34.0 million shares of our Common Stock. Of the 34.0 million shares, 14.5 million shares were delivered to Mr. Roy at the closing of the transaction on August 29, 2003 and an aggregate of 19.5 million shares were held in escrow by an escrow agent. The terms of the escrow provide for the release of the shares upon the occurrence of certain developments relating to the outcome of oil and natural gas exploration and development activities conducted on the KG Offshore Block. On August 27, 2004, 14.5 million shares were released to Mr. Roy from escrow upon the commencement of a drilling program on the KG Offshore Block. The final 5.0 million shares remaining in escrow will be released only if a commercial discovery is declared on the KG Offshore Block. In addition to the shares of Common Stock, the Company delivered to Mr. Roy a US$2.0 million promissory note, of which US$500,000 was paid on the closing of the transaction on August 29, 2003, US$500,000 was paid on October 15, 2003, US$500,000 was paid on January 15, 2004 and US$500,000 was paid on June 30, 2004. The note did not accrue interest. The note was secured by the outstanding stock of GeoGlobal India which has subsequently been released. As a consequence of the transaction, Mr. Roy held as of the closing of the transaction an aggregate of 34.0 million shares of our outstanding Common Stock, or approximately 69.3% of the shares outstanding, assuming all shares held in escrow are released to him. The terms of the transaction provide that Mr. Roy is to have the right to vote all 34.0 million shares following the closing, including the shares during the period they are held in escrow. Shares not released from the escrow will be surrendered back to GeoGlobal.

As discussed in note 1, the acquisition of GeoGlobal India by GeoGlobal was accounted for as a reverse takeover transaction. As a result, the cost of the transaction was determined based upon the net assets of GeoGlobal deemed to have been acquired. These consolidated financial statements include the results of operations of GeoGlobal from the date of acquisition. The net identifiable assets acquired of GeoGlobal were as follows:

	US $
Net assets acquired	
Cash	3,034,666
Other current assets	75,000
Current liabilities	(2,706)
Net book value of identifiable assets acquired	3,106,960
Consideration paid	
Promissory note issued	2,000,000
34,000,000 common shares issued par value $0.001	34,000
Additional paid-in capital	1,072,960
	3,106,960

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8. Related Party Transactions

Related party transactions are measured at the exchange amount which is the amount of consideration established and agreed by the related parties.

a) Note payable

On August 29, 2003, as part of the Acquisition (see note 7), a US$2,000,000 promissory note was issued to the sole shareholder of GeoGlobal India. On each of August 29, 2003, October 15, 2003, January 15, 2004 and June 30, 2004, US$500,000 of the note was repaid. The promissory note was non-interest bearing and the capital stock of GeoGlobal India collateralized the repayment of the note. The collateral has been released.

b) Roy Group (Mauritius) Inc.

Roy Group (Mauritius) Inc. is related to the Company by common management and is controlled by a director of the Company who is also a principal shareholder of the Company. On March 27, 2003, the Company entered into a Participating Interest Agreement (see note 4d) with the related party.

c) Roy Group (Barbados) Inc. ("Roy Group")

Roy Group is related to the Company by common management and is controlled by an officer and director of the Company who is also a principal shareholder of the Company. On August 29, 2003, the Company entered into a Technical Services Agreement ("TSA") with Roy Group to provide services to the Company as assigned by the Company and to bring new oil and gas opportunities to the Company. On January 31, 2006, the terms of the agreement were amended to extend the term of the agreement from August 31, 2006 to December 31, 2007. Roy Group receives consideration of US$350,000 per year, as outlined and recorded below:

	Three months ended Sept 30, 2007 US $	Three months ended Sept 30, 2006 US $	**Nine months ended Sept 30, 2007** US $	Nine months ended Sept 30, 2006 US $	Period from Inception, Aug 21, 2002 to Sept 30, 2007 US $
Consolidated Statements of Operations					
Consulting fees	**17,500**	17,500	**52,500**	52,500	251,167
Consolidated Balance Sheets					
Oil and gas interests					
Exploration costs - India (note 4b)	**70,000**	70,000	**210,000**	210,000	1,004,666
	87,500	87,500	**262,500**	262,500	1,255,833

During the three and nine months ended September 30, 2007, the Company recognized compensation cost for stock-based compensation arrangements with the principal of Roy Group as outlined and recorded below:

Consolidated Statement of Operations					
Consulting fees	**4,754**	--	**33,279**	--	114,100

Consolidated Balance Sheets

Oil and gas interests					
Exploration costs - India (note 4b)	**19,017**	--	**133,117**	--	456,400
	23,771	--	**166,396**	--	570,500

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8. Related Party Transactions (continued)

Roy Group was also reimbursed during the three and nine months ended September 30, 2007 on a cost recovery basis, for travel, hotel, meals and entertainment expenses as outlined and recorded below:

	Three months ended Sept 30, 2007 US $	Three months ended Sept 30, 2006 US $	**Nine months ended Sept 30, 2007 US $**	Nine months ended Sept 30, 2006 US $	Period from Inception, Aug 21, 2002 to Sept 30, 2007 US $
Consolidated Statements of Operations					
General and administrative	**--**	43,751	**--**	118,923	153,539
Consolidated Balance Sheets					
Accounts receivable	**--**	227	**--**	454	21,597
Oil and gas interests					
Exploration costs - India (note 4b)	**--**	62,217	**75,000**	118,310	459,387
Property and equipment	**--**	69	**--**	1,399	37,595
	--	106,264	**75,000**	239,086	672,118

At September 30, 2007 the Company owed Roy Group (Barbados) Inc. US$23,181 (December 31, 2006 - US$29,976) for services provided pursuant to the TSA and expenses incurred on behalf of the Company. These amounts bear no interest and have no set terms of repayment.

d) D.I. Investments Ltd. ("DI")

DI is related to the Company by common management and is controlled by an officer and director of the Company. DI charged consulting fees up to December 31, 2006 for management, financial and accounting services rendered, as outlined and recorded below:

Consolidated Statement of Operations					
Consulting fees	**--**	46,250	**--**	138,750	516,715

During the three and nine months ended September 30, 2007, the Company recognized compensation cost for stock-based compensation arrangements with the principal of the related party as outlined and recorded below:

Consolidated Statement of Operations					
Consulting fees	**--**	161,642	**--**	161,642	404,104

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8. Related Party Transactions (continued)

DI was reimbursed during the three and nine months ended September 30, 2007 on a cost recovery basis, for office costs, travel, hotel, meals and entertainment expenses incurred during the periods as outlined and recorded below:

	Three months ended Sept 30, 2007 US $	Three months ended Sept 30, 2006 US $	**Nine months ended Sept 30, 2007 US $**	Nine months ended Sept 30, 2006 US $	Period from Inception, Aug 21, 2002 to Sept 30, 2007 US $
Consolidated Statements of Operations					
General and administrative					
Office costs	**1,658**	469	**2,881**	19,973	181,951
Travel, hotel, meals and entertainment	**73,692**	181	**73,692**	1,188	122,378
Consolidated Balance Sheets					
Accounts receivable	**1,364**	3,012	**1,436**	10,451	28,826
Property and equipment	**4,909**	4,107	**4,909**	4,107	9,016
	81,623	7,769	**82,918**	35,719	342,171

At September 30, 2007, the Company owed DI US$18,565 (December 31, 2006 –US$nil) as a result of expenses incurred on behalf of the Company. These amounts bear no interest and have no set terms of repayment.

Subsequent to December 31, 2006, the services of the officer and director are provided to GeoGlobal pursuant to an oral arrangement for an annual consulting fee of US$185,000.

e) Amicus Services Inc. ("Amicus")

Amicus is related to the Company by virtue of being controlled by the brother of an officer and director of the Company. Amicus charged consulting fees for IT and computer related services rendered, as outlined below:

Consolidated Statements of Operations					
Consulting fees	**13,045**	12,890	**39,334**	42,774	176,453

Amicus was also reimbursed on a cost recovery basis, for office costs, including parking, office supplies and telephone as well as travel and hotel expenses incurred during the periods as outlined and recorded below:

Consolidated Statements of Operations

General and administrative	**--**	--	**2,841**	789	7,309
Consolidated Balance Sheets					
Accounts receivable	**783**	503	**2,437**	2,646	12,711
Property and equipment	**--**	--	**--**	--	1,599
	783	503	**5,278**	3,435	21,619

At September 30, 2007, the Company owed Amicus Services Inc. US$10,999 (December 31, 2006 – US$3,629) as a result of services provided and expenses incurred on behalf of the Company. These amounts bear no interest and have no set terms of repayment.

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9. Income Taxes

a) Income tax expense

The provision for income taxes in the consolidated financial statements differs from the result which would have been obtained by applying the combined Federal, State and Provincial tax rates to the loss before income taxes. This difference results from the following items:

	Three months ended Sept 30, 2007 US $	Three months ended Sept 30, 2006 US $	**Nine months ended Sept 30, 2007 US $**	Nine months ended Sept 30, 2006 US $	Period from Inception, Aug 21, 2002 to Sept 30, 2007 US $
Loss before income taxes	**(599,131)**	(368,527)	**(1,446,759)**	(526,126)	(4,437,433)
Expected US tax rate	**35.00%**	35.00%	**35.00%**	35.00%	
Expected income tax (recovery)	**(209,696)**	(128,984)	**(506,366)**	(184,144)	(1,657,448)
Excess of expected tax rate over tax rate of foreign affiliates	**161,200**	125,581	**437,014**	173,374	1,010,030
	(48,496)	(3,403)	**(69,352)**	(10,770)	(647,418)
Valuation allowance	**45,025**	3,159	**65,453**	9,610	633,829
Other	**3,471**	244	**3,899**	1,160	13,589
Income tax recovery	**--**	--	**--**	--	--

b) Deferred income taxes

The Company has not recognized the deferred income tax asset because the benefit is not more likely than not to be realized. The components of the net deferred income tax asset consist of the following temporary differences:

	September 30, 2007 US $	December 31, 2006 US $
Difference between tax base and reported amounts of depreciable assets	**7,393**	25,873
Non-capital loss carry forwards	**2,437,003**	2,525,363
	2,444,396	2,551,236
Valuation allowance	**(2,444,396)**	(2,551,236)
Deferred income tax asset	**--**	--

c) Loss carry forwards

At September 30, 2007, the Company has US$7,916,635 of available loss carry forwards to reduce taxable income for income tax purposes in the various jurisdictions as outlined below which have not been reflected in these consolidated financial statements.

Tax Jurisdiction	Amount US $	Expiry Dates Commence
United States	6,762,532	2023
Canada	132,599	2015
Barbados	1,021,504	2012
	7,916,635	

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10. Segmented Information

The Company's petroleum and natural gas exploration activities are conducted in India. Management of the Company considers the operations of the Company as one operating segment. The following information relates to the Company's geographic areas of operation.

	September 30, 2007 US$	December 31, 2006 US$ (note 12b)
Oil and gas interests		
India	**16,034,008**	9,640,271
Egypt and Middle East	**2,524,841**	82,467
	18,558,849	9,722,738

11. Commitments, Contingencies and Guarantees

a) Restricted cash

i) The Company's PSCs relating to exploration blocks in or offshore India contain provisions whereby the joint venture participants must provide the GOI 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 GOI and serve as guarantees for the performance of such minimum work program 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:

	September 30, 2007 US $	December 31, 2006 US $
Exploration Blocks - India		
Mehsana	**155,000**	711,445
Sanand/Miroli	**910,000**	905,000
Ankleshwar	**950,000**	600,000
Tarapur	**940,000**	1,200,000
DS 03	**175,000**	110,000
DS 04	**175,000**	--
	3,305,000	3,526,445

ii) The Company has provided to its bankers as security for credit cards issued to employees for business purposes two term deposits, one in the amount of US$30,000 (December 31, 2006 – US$30,000) and the other in the amount of US$40,148 (Cdn$40,000) (December 31, 2006 – US$34,324 (Cdn $40,000)).

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11. Commitments, Contingencies and Guarantees (continued)

iii) The Company has entered into a Joint Bidding Agreement with GSPC, and Alkor Petroo Limited relating to exploration activities in Egypt. Under the terms of the Joint Bidding Agreement, the bidders were required to submit a bank guarantee equal to 2% of the financial commitment under the minimum work program of the First Exploration Phase which has a term of 4 years. During the third quarter, the Company provided to GSPC two bank guarantees totaling US$1,170,000 secured by term deposits of the Company in the same amount, based on their 30% participating interest (see note 11c).

	September 30, 2007 US $	December 31, 2006 US $
Exploration Blocks – Egypt		
Block 6 N. Hap'y	**900,000**	--
Block 8 South Diyur	**270,000**	--
	1,170,000	--

b) Production Sharing Contracts

The Company is required to expend funds on the exploration activities to fulfill the terms of the minimum work commitment based on our participating interest for Phase I pursuant to the PSCs in respect of each of our exploration blocks as follows:

i) Mehsana - Acquire, process and interpret 75 square kilometers of 3D seismic and drill 7 exploratory wells between 1,000 and 2,200 meters.

ii) Sanand/Miroli - Acquire, process and interpret 200 square kilometers of 3D seismic and drill 12 exploratory wells between 1,500 and 3,000 meters.

iii) Ankleshwar - Acquire, process and interpret 448 square kilometers of 3D seismic and drill 14 exploratory wells between 1,500 and 2,500 meters.

iv) DS 03 Block - Gravity and geochemical surveys and a 12,000 line kilometer aero magnetic survey.

v) DS 04 Block - Gravity and magnetic and geochemical surveys; acquire, process and interpret 325 LKM of 2-D seismic; and drill 10 core holes to a depth of approximately 500 meters.

vi) Tarapur Block - The third and final phase of exploratory activities on the Tarapur Block had a term of 2 years expiring November 22, 2007 with a work commitment to drill one well to a depth of 3,000 meters or to the Deccan trap. This requirement has been completed and all areas not encompassing a commercial discovery after November 22, 2007 will be relinquished back to the GOI. Oil and Natural Gas Corporation Limited of India has the right to participate into the development of any commercial discovery on the Tarapur Block by acquiring a 30% participating interest as provided under the PSC. The exercise of this right would result in the reduction of our PI to 14%.

v) NELP-VI Blocks

On March 2, 2007, the Company along with its joint venture partners executed PSCs with the GOI covering four new exploration blocks awarded under the sixth round of the New Exploration Licensing Policy (NELP-VI).

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11. Commitments, Contingencies and Guarantees (continued)

The Company is also required to fund its participating interest for Phase I exploration and development costs incurred in fulfilling the minimum work commitments under these PSCs as outlined below. The Company's share of these costs is estimated to total approximately US$28.3 million for all four blocks over the four years of Phase I. The Production Exploration Licences ("PELs") have not yet been issued on three of these four new blocks, therefore, the Phase I work commitment has only commenced on one block, being the DS 04 Block.

1) KG Onshore Block - Reprocess 564 LKM of 2-D seismic; conduct a gravity and magnetic and geochemical survey; acquire, process and interpret 548 sq kms of 3-D seismic; and drill 12 exploratory wells between 2,000 and 5,000 meters.
2) RJ Block 20 - Reprocess 463 LKM of 2-D seismic; conduct a gravity and magnetic and geochemical survey; acquire, process and interpret 250 LKM of 2-D seismic and 700 sq kms of 3-D seismic; and drill a total of 12 exploratory wells between 2,000 and 2,500 meters.
3) RJ Block 21 - Reprocess 463 LKM of 2-D seismic; conduct a gravity and magnetic and geochemical survey; acquire, process and interpret 310 LKM of 2-D seismic and 611 sq kms of 3-D seismic; and drill a total of 8 exploratory wells between 2,000 and 2,500 meters.
4) DS 04 Block - Conduct a gravity and magnetic and geochemical survey, a seismic acquisition program consisting of 325 LKM of 2-D seismic and drill 10 core holes to a depth of approximately 500 meters.

Under the terms of all the PSCs, the Company is also required to keep in force a financial and performance guarantee, whereby the Company unconditionally and irrevocably guarantees to the GOI to fulfill or cause to be fulfilled all of its obligations under the PSCs.

c) Egyptian Blocks

The Company entered into a Joint Bidding Agreement with GSPC, as operator (50%) and Alkor Petroo Limited of Hyderabad, India (20%) to bid on certain exploration blocks in the Arab Republic of Egypt. The agreement provides that the Company is to have a 30% participating interest if any PSCs are entered into.

These blocks include offshore exploration Block 6 (also referred to as N. Hap'y) and onshore exploration Block 8 (also referred to as South Diyur) in the Arab Republic of Egypt. These blocks have been awarded to the consortium subject to certain terms and conditions which have not yet been met. As such, no definitive agreements have been entered into with the Arab Republic of Egypt.

d) KG Offshore Block

Our PSCs relating to the exploration blocks in India provide that by the end of the first phase of the exploration phases the contracting parties shall have drilled a certain number of wells. The first phase of the exploration period relating to the PSC for the KG Offshore Block expired without the required minimum of at least fourteen exploration wells being drilled during the first phase. GSPC is the operator on the KG Offshore Block.

On July 4, 2007, the Directorate General of Hydrocarbons ("DGH"), a body under the Ministry of Petroleum & Natural Gas, advised GSPC and GeoGlobal that, because of the worldwide supply and availability shortage of offshore drilling rigs, on June 27, 2007 the Government of India had issued new policy guidelines for the merger of exploration phases of PSCs granted under NELP III and NELP IV and for the substitution of additional meterage drilled in deeper wells against the total meterage commitment as part of the minimum work program in the PSCs.

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11. Commitments, Contingencies and Guarantees (continued)

On July 12, 2007, GSPC, on behalf of the contracting parties for the KG Offshore Block, notified the DGH that it was exercising the option granted under the new policies to request a merger of Phases I and II of the KG Offshore Block work program called the New Phase I with the effect of establishing a new work program phase expiring March 11, 2008 and to merge the minimum work program ("MWP") of Phase II and Phase III into a new phase to be called New Phase II. In addition, GSPC exercised the option to substitute a total meterage drilled commitment in the new work program phase that would be irrespective of the number of wells drilled. Under these new policies, any contractors who exercise this option would be required to relinquish 50% of the contract area at the end of the New Phase I.

On July 13, 2007, the Operating Committee under the KG Offshore Block PSC had approved GSPC's recommendation of exercising the option under the policy guidelines The minimum work program for the New Phase I would be to drill 33,102 meters. GSPC informed DGH in a Management Committee Meeting held on September 24, 2007 that as at September 17, 2007 a total of 33,224 meters have been drilled, and as such, the minimum work program for the New Phase I has been completed. At the end of the New Phase I on March 11, 2008, the contracting parties will be required to relinquish 50% of the Contract Area of the KG Offshore Block that is not a Discovery or Development Area as defined in the PSC. The New Phase II would have a term of 1.5 years expiring September 11, 2009 and the drilling of a further 12,250 meters would be required in order to meet the minimum work program. Approval of the merger of the Phase I and II into a New Phase I and the merger of the minimum work program of existing Phase II and Phase III as New Phase II from the GOI is currently outstanding.

Unless approval is granted by the GOI to merge Phases I and II of the work program under the new policy guidelines, we may be liable for the consequences of non-fulfillment of the minimum work commitment in a given time frame under the PSC. The PSC has provisions for termination of the PSC on account of various reasons specified therein including material breach of the contract. Termination rights can be exercised after giving ninety days written notice. This failure to timely complete the minimum work commitment, though we have been advised by GSPC there is no precedence, may be deemed by the GOI to be a failure to comply with the provisions of the contract in a material particular.

The termination of the PSC by the GOI would result in our loss of our interest in the KG Offshore Block other than areas determined to encompass "commercial discoveries". The PSC sets forth procedures whereby the operator can obtain the review of the management committee under the PSC as to whether a discovery on the exploration block should be declared a commercial discovery under the PSC. Those procedures have not been completed at present with respect to the discovery on the KG Offshore Block and, accordingly, as of November 14, 2007, no areas on the KG Offshore Block have been determined formally to encompass "commercial discoveries" as that term is defined under the PSC.

In the event the PSC for the KG Offshore Block is terminated by the GOI, or in the event the work program is not fulfilled by the end of the relevant exploration phase, the PSC provides that each party to the PSC is to pay to the GOI its participating interest share of an amount which is equal to the amount that would be required to complete the minimum work program for that phase. We are of the view that GSPC, under the terms of our CIA, would be liable for our participating interest share of the amount required to complete the minimum work program for the phase.

Certain exploration costs related to the KG Offshore Block are incurred solely by and on behalf of the Company in providing its services under the CIA and are therefore not reimbursable under the CIA. As such, these costs have been capitalized in the Company's accounts under Oil and gas interests and at September 30, 2007, amount to US$5,771,332 (December 31, 2006 - US$3,111,676).

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11. Commitments, Contingencies and Guarantees (continued)

e) Carried Interest Agreement Dispute

The Company has been advised by GSPC, that GSPC is seeking payment of the amount by which the exploration costs attributable to the Company under the PSC relating to the KG Offshore Block exceeds the amount that GSPC deems it is obligated to pay on behalf of the Company (including the net 5% participating interest of RGM) under the terms of the CIA. GSPC asserts that the Company is required to pay 10% of the exploration expenses over and above US$59.23 million. Based upon the most recent the letter dated September 6, 2007 received from GSPC, GSPC asserts that this amount payable is Rs. 195.77 crore (or approximately US$45.5 million) as of July 31, 2007.

The Company has advised GSPC that, under the terms of the CIA, the PSC, and the Joint Operating Agreement dated August 7, 2003 (the "JOA"), GSPC has no right to seek the payment and that it believes the payment GSPC is seeking is in breach of the CIA. The Company further reminded GSPC, that the Company under the terms of the CIA, shall be carried by GSPC for 100% of all of its share of any costs during the exploration phase prior to the start of commercial production. The Company obtained the opinion of external Indian legal counsel which supports management's position with respect to the dispute.

The Company intends to vigorously protect its contractual rights in accordance with the dispute resolution process under the CIA, the PSC and the JOA as may be appropriate.

Should GSPC be successful in asserting some or its entire claim, the resulting expenditures would be recorded in the Company's Balance Sheet as an increase to oil and gas interests.

f) Corporate Head Office

Our corporate head office is located at Suite #310, 605 – 1 Street SW, Calgary, Alberta, T2P 3S9 Canada. These premises are leased for a term of two years ending April 30, 2009 at an annual rental of approximately US$80,000 for base rent and operating costs. These premises include approximately 3,088 square feet which we consider adequate for our present activities.

12. Comparative figures

a) As the Company is in its development stage, these figures represent the accumulated amounts of the continuing entity for the period from inception August 21, 2002 to September 30, 2007.

b) Certain comparative figures have been reclassified to conform with the presentation adopted in the current period.

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13. Recent Accounting Standards

a) Fair Value Measurements

In September 2006, the FASB issued FAS No. 157, "Fair Value Measurements" ("FAS 157"), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years, and is applicable beginning in the first quarter of 2008. The Company is currently evaluating the impact that FAS 157 will have on its consolidated financial statements.

b) The Fair Value Option for Financial Assets and Financial Liabilities

In February 2007, the FASB issued FAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115", ("FAS 159") which permits entities to choose to measure many financial instruments and certain other items at fair value at specified election dates. A business entity is required to report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. This statement is expected to expand the use of fair value measurement. FAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years, and is applicable beginning in the first quarter of 2008. The Company is currently evaluating the impact that FAS 159 will have on its consolidated financial statements.

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Our Business Activities

We are engaged, through subsidiaries and joint ventures in which we are a participant, in the exploration for and development of oil and gas reserves. We initiated these activities in 2003. Through September 30, 2007, our activities have been undertaken in locations where we and our joint venture participants have been granted exploration rights pursuant to Production Sharing Contract's ("PSCs") entered into with the Government of India ("GOI").

At November 14, 2007, we have not reported any proved reserves of oil or natural gas. We have entered into ten PSCs as set out below. Each PSC relates to a separate drilling block onshore or offshore India and each provides for multi-year and multi-phase exploration and drilling activities. Exploration and development activities pursuant to the terms of these agreements are expected to continue throughout 2007 and 2008.

The PSCs we have entered into with respect to ten exploration blocks are as follows:

- The first of our agreements, entered into in February 2003 under NELP-III, grants exploration rights in an area offshore eastern India in the Krishna Godavari Basin in the State of Andhra Pradesh. We refer to this KG-OSN-2001/3 exploration block as the "KG Offshore Block" and we have a net 5% carried interest ("CI") under this agreement.

- We entered into two agreements which grant exploration rights in areas onshore in the Cambay Basin in the State of Gujarat in western India. These agreements were entered into in February 2004 under NELP-IV and we have a 10% participating interest ("PI") under each of these agreements. We refer to the CB-ONN-2002/2 exploration block as the "Mehsana Block" and the CB-ONN-2002/3 exploration block as the "Sanand/Miroli Block."

- Pursuant to an agreement entered into in April 2005, we purchased from Gujarat State Petroleum Corporation Limited ("GSPC"), a 20% PI in the agreement granting exploration rights granted under NELP-III to an onshore exploration block in the Cambay Basin in the State of Gujarat in western India. We refer to this CB-ON/2 exploration block as the "Tarapur Block".

- In September 2005, we entered into agreements with respect to two areas under NELP-V. One area is located onshore in the Cambay Basin located in the State of Gujarat south-east of our three existing Cambay blocks, in which we hold a 10% PI. We refer to this CB-ONN-2003/2 exploration block as the "Ankleshwar Block". The second area is located onshore in the Deccan Syneclise Basin located in the northern portion of the State of Maharashtra in west-central India for which we hold a 100% PI interest and are the operator. We refer to this DS-ONN-2003/1 exploration block as the "DS 03 Block".

- In March 2007, we signed agreements with respect to four additional locations awarded under NELP-VI. One location is onshore in the Krishna Godavari Basin in the State of Andhra Pradesh adjacent to our KG Offshore Block in eastern India in which we hold a 10% PI. We currently refer to this KG-ONN-2004/1 exploration block as the "KG Onshore Block". The second and third locations include two agreements onshore in north-west India in the Rajasthan Basin in the State of Rajasthan and we hold a 25% PI in each of these agreements. We currently refer to the RJ-ONN-2004/2 exploration block as the "RJ Block 20" and the RJ-ONN-2004/3 exploration block as the "RJ Block 21". The fourth location is onshore in the Deccan Syneclise Basin in the State of Maharashtra adjacent to our DS 03 Block in west-central India in which we hold a 100% PI and are the operator. We currently refer to this DS-ONN-2004/1 exploration block as the "DS 04 Block."

All of our exploration activities should be considered highly speculative.

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The following discussion and analysis of our financial condition and results of operations should be read in conjunction with, and is qualified in its entirety by, the more detailed information including our Consolidated Financial Statements and the related Notes appearing elsewhere in this Quarterly Report. This Quarterly Report contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the results and business plans discussed in the forward-looking statements. Factors that may cause or contribute to such differences include those discussed in "Risk Factors," as well as those discussed elsewhere in this Quarterly Report. For further information, refer to the consolidated financial statements and footnotes and management's discussion and analysis thereto included in the Company's annual report on Form 10-KSB and as amended by Form 10-KSB/A for the year ended December 31, 2006.

A COMPARISON OF OUR OPERATING RESULTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2007 TO SEPTEMBER 30, 2006

Statements of Operations

Three months ended September 30, 2007 and 2006

During the three months ended September 30, 2007, we had expenses of $1,290,990 compared with expenses of $831,979 during the three months ended September 30, 2006. This increase is primarily the result of our continuing increase in the scale of our participation in oil and gas exploration activities as further outlined in the following.

Our general and administrative expenses increased to $791,587 for the three months ended September 30, 2007 from $358,810 for the three months ended September 30, 2006. These general and administrative expenses include costs related to the corporate head office including administrative salaries and services, rent and office costs, insurance and directors' fees as well our shareholder relations costs which include the American Stock Exchange listing and filing fees and transfer agent fees and services. Also included in our general and administrative expenses are our compensation costs for stock-based compensation arrangements with employees and directors which are being expensed over their respective vesting periods. These stock-based compensation costs increased to $215,552 for the three months ended September 30, 2007 versus $167,419 for the same period in 2006 which is a result of an increase in our personnel which is consistent with our increase in the scale of our participation in oil and gas exploration activities. The balance of the increase is for compensation costs of $240,000 related to the extension of the expiry date of the 2005 Compensation Options and the related 2005 Compensation Option Warrants from September 9, 2007 to June 20, 2009.

Our consulting fees decreased to $337,038 during the three months ended September 30, 2007 from $399,155 for the three month period ended September 30, 2006. Of this amount, $174,447 is attributable to compensation costs for stock-based compensation with consultants for the three months ended September 30, 2007 versus $252,090 in the same period of 2006. These consulting fees reflect $17,500 (2006 - $17,500) paid under our Technical Services Agreement with a corporation wholly-owned by Mr. Roy and other fees and expenses we incurred in employing various technical and corporate consultants who advised us on a variety of matters. The remaining increase is a result of the costs of a consultant to model and document our internal controls as required by Section 404 of the *Sarbanes Oxley Act* which were not incurred in the same period in 2006.

Professional fees increased to $147,424 during the three months ended September 30, 2007 from $61,039 during the three months ended September 30, 2006. Professional fees include those paid to our auditors for pre-approved audit, accounting and tax services and fees paid to our legal advisors primarily for services provided with regard to filing various periodic reports and other documents and reviewing our various oil and gas and other agreements. Legal fees increased from approximately $29,000 in the three months ended September 30, 2006 to about $93,000 in the comparable period of 2007. In addition, we experienced an increase in the fees paid to our auditors for additional work incurred in providing our audit and accounting services from about $30,000 during the three month period ending September 30, 2006 to approximately $55,000 in the same three month period in 2007.

Our other expenses and income during the three months ended September 30, 2007 resulted in income of $691,859 versus $463,452 for the same period in 2006. Interest income increased substantially, being $694,292 for the three months ended September 30, 2007 as compared to $461,123 for the three months ended September 30, 2006. This improvement is directly related to the increase in US prime interest rate as compared to 2006 as well an increase in interest earned on our invested cash balances resulting from our recent share issue in June, 2007. Included in other expenses and income is a foreign exchange loss of $2,433 as compared to a gain for the same period in 2006 of $2,329.

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Reflecting the increase in expenses for our consulting and professional fees due to the increase in our overall oil and gas exploration activities, as offset by the increase in interest income, our net loss amounted to $359,131 for the three months ended September 30, 2007 as compared to a net loss of $368,527 for the same period in 2006.

We capitalized overhead costs directly rel