

CANARGO ENERGY CORP

Form 10-Q/A

February 16, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q/A
(Amendment No. 1)**

þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2005

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: 0001-32145
CANARGO ENERGY CORPORATION
(Exact name of registrant as specified in its charter)**

Delaware

91-0881481

(State or other jurisdiction of
Incorporation or organization)

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

CanArgo Energy Corporation

P.O. Box 291, St. Peter Port, Guernsey, British Isles

GY1 3RR

(Address of principal executive offices)

(Zip Code)

(44) 1481 729 980

(Registrant's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check 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 is an accelerated filer (as defined by Rule 12b-2 of the Exchange Act).

Yes No

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

Yes No

The number of shares of registrant's common stock outstanding on November 1, 2005 was 222,573,283.

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FORWARD-LOOKING STATEMENTS

The United States Private Securities Litigation Reform Act of 1995 provides a safe harbour for certain forward-looking statements. Such forward-looking statements are based upon the current expectations of CanArgo and speak only as of the date made. These forward-looking statements involve risks, uncertainties and other factors. The factors discussed elsewhere in this Quarterly Report on Form 10-Q are among those factors that in some cases have affected CanArgo's historic results and could cause actual results in the future to differ significantly from the results anticipated in forward-looking statements made in this Quarterly Report on Form 10-Q, future filings by CanArgo with the Securities and Exchange Commission, in CanArgo's press releases and in oral statements made by authorized officers of CanArgo. When used in this Quarterly Report on Form 10-Q, the words estimate, project, anticipate, expect, intend, believe, hope, may and similar expressions, as well as will, shall and other in future tense, are intended to identify forward-looking statements. Few of the forward-looking statements in this Report deal with matters that are within our unilateral control. Acquisition, financing and other agreements and arrangements must be negotiated with independent third parties and, in some cases, must be approved by governmental agencies. These third parties generally have interests that do not coincide with ours and may conflict with our interests. Unless the third parties and we are able to compromise their various objectives in a mutually acceptable manner, agreements and arrangements will not be consummated.

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-Q/A is being filed solely to revise Item 4. Controls and Procedures of CanArgo's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2005 (the Report). The revision is intended to respond to the comments of the staff of the Securities and Exchange Commission resulting from their recent review of the Company's prior Quarterly Reports on Form 10-Q. This Amendment No. 1 to the Report continues to speak as of the date of the Report, and we have not updated the disclosures contained in this Amendment No. 1 to the Report to reflect any events that occurred at a date subsequent to the filing of the Report. The filing of this Amendment No. 1 to the Report is not a representation that any statements contained in items of the Report other than that information being amended are true or complete as of any date subsequent to the date of the Report. The revision does not affect the remaining information set forth in the Report, the remaining portions of which have not been amended.

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PART 1. FINANCIAL INFORMATION:

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We reported in our Form 10-K/A filed with the Securities and Exchange Commission on May 2, 2005 that we had identified material weaknesses in our *internal control over financial reporting* which are listed below.

As of the end of the period covered by this report, and under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of these disclosure controls and procedures.

Based on this evaluation and based on the material weaknesses disclosed below our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of such date.

We have identified the following material weaknesses in internal control over financial reporting:

A number of deficiencies that were symptomatic of and contributed to the overall material weakness relating to the financial statement close process were identified by management and the independent registered accountants during the SOX 404 evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2004. Each deficiency identified fell within one of the following categories:

1. the lack of adequate review and supervision over the financial statement close process (which is primarily related to the lack of segregation of duties as a result of the Company's limited number of personnel);
2. the lack of documentation of standard processes and policies to insure a consistent and accurate closing process;
3. too much dependence on the use of spreadsheets that are not properly protected from unauthorized access and/or errors in formulas used; and
4. the number of audit adjustments required to be recorded after being identified by the independent registered auditors.

A material weakness relating to lack of sufficient controls being in place to ensure adequate review of the application of generally accepted accounting principles relating to non-routine transactions, estimates and financial statement disclosures was identified by management and the independent registered accountants during the SOX 404 evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2004.

As of September 30, 2005 the material weaknesses identified above had not been remediated.

Management believes that through its planned remediation efforts, it will correct the identified material weaknesses in our internal controls over financial reporting that have been identified, however given that our assessment as of December 31, 2004 was incomplete the Company acknowledges that more deficiencies and weaknesses may be identified resulting from our ongoing and full assessment of our internal controls as of December 31, 2005.

Changes in internal control over financial reporting

As a result of the remediation efforts described above there have been the following changes in our internal control over financial during the period covered by this Report:

We have introduced more comprehensive formal preparation and review checklists and sign-off procedures at both group and subsidiary level on key reconciliations and accounting schedules.

We have increased the level of review of the preparation of the quarterly financial statements which has significantly reduced the number of adjustments required in the post closing process.

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We have improved the documentation of procedures for closing the books and preparing financial statements.

We have improved access controls over key spreadsheets

CEO and CFO Certifications The Certifications of our CEO and CFO which are attached as Exhibits 31(1) and 31(2) to this Report include information about our disclosure controls and procedures and internal control over financial reporting. These Certifications should be read in conjunction with the information contained in this Item 4 for a more complete understanding of the matters covered by the Certifications.

PART 2. OTHER INFORMATION:

ITEM 6. EXHIBITS

(a) Exhibits

31(1)Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of CanArgo Energy Corporation.

31(2)Rule 13a-14(c)/15d-14(a) Certification of Chief Financial Officer of CanArgo Energy Corporation.

32 Section 1350 Certifications.

Filed herewith

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CANARGO ENERGY CORPORATION

Date: February 16, 2006

By: /s/ Richard J. Battey
Richard J. Battey
Chief Financial Officer

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