UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2014

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: 001-33494

KapStone Paper and Packaging Corporation

(Exact Name of Registrant as Specified in its Charter)

Delaware	**20-2699372**
(State or Other Jurisdiction of	(I.R.S. Employer

Incorporation or Organization)	Identification No.)

KapStone Paper and Packaging Corporation

1101 Skokie Blvd., Suite 300

Northbrook, IL 60062

(Address of Principal Executive Offices including zip code)

Registrant s Telephone Number, including area code **(847) 239-8800**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company 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

There were 95,878,370 shares of the Registrant s Common Stock, $0.0001 par value, outstanding at April 23, 2014.

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KAPSTONE PAPER AND PACKAGING CORPORATION

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PART 1. FINANCIAL INFORMATION

ITEM 1. - FINANCIAL STATEMENTS

KAPSTONE PAPER AND PACKAGING CORPORATION

Consolidated Balance Sheets

(In thousands, except share and per share amounts)

	March 31, 2014 (unaudited)	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 23,949	$ 12,967
Trade accounts receivable, less allowance of $775 in 2014 and $682 in 2013	237,727	232,347
Other receivables	11,763	11,399
Inventories	230,840	217,382
Prepaid expenses and other current assets	13,670	6,405
Total current assets	517,949	480,500
Plant, property and equipment, net	1,395,426	1,389,609
Other assets	132,421	129,493
Intangible assets, net	120,328	123,745
Goodwill	527,896	528,515
Total assets	$ 2,694,020	$ 2,651,862
Liabilities and Stockholders Equity		
Current liabilities:		
Current portion of long-term debt	$ 15,013	$ 4,950
Other current borrowings	4,627	
Accounts payable	171,203	159,127
Accrued expenses	47,612	45,885
Accrued compensation costs	37,276	54,871
Accrued income taxes	5,009	
Deferred income taxes	5,445	5,445
Total current liabilities	286,185	270,278
Other liabilities:		
Long-term debt, net of current portion	1,182,579	1,192,413
Pension and postretirement benefits	67,225	69,611
Deferred income taxes	447,401	444,672
Other liabilities	8,504	8,808
Total other liabilities	1,705,709	1,715,504
Commitments and contingencies		
Stockholders equity:		
Preferred stock $0.0001 par value; 1,000,000 shares authorized; no shares issued and outstanding		
Common stock $0.0001 par value; 175,000,000 shares authorized; 95,872,775 shares issued and outstanding (excluding 40,000 treasury shares) at March 31, 2014 and 95,706,212 shares issued and outstanding (excluding 40,000 treasury shares) at December 31, 2013	10	10
Additional paid-in-capital	250,103	246,186
Retained earnings	444,448	412,349
Accumulated other comprehensive income	7,565	7,535
Total stockholders equity	702,126	666,080

Total liabilities and stockholders equity	$	2,694,020	$	2,651,862

See notes to consolidated financial statements.

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KAPSTONE PAPER AND PACKAGING CORPORATION

Consolidated Statements of Comprehensive Income

(In thousands, except share and per share amounts)

(unaudited)

	Three Months Ended March 31, 2014		2013	
Net sales	$	548,952	$	319,813
Cost of sales, excluding depreciation and amortization		383,248		224,946
Depreciation and amortization		32,709		17,224
Freight and distribution expenses		40,732		27,920
Selling, general, and administrative expenses		34,145		19,128
Other operating income				202
Operating income		58,118		30,797
Foreign exchange loss		24		311
Interest expense, net		9,229		2,601
Income before provision for income taxes		48,865		27,885
Provision for income taxes		16,766		9,426
Net income	$	32,099	$	18,459
Other comprehensive income, net of tax Pension and postretirement plan reclassification adjustments:				
Amortization (accretion) of prior service costs		32		(11)
Amortization of net (gain) / loss		(2)		48
Other comprehensive income, net of tax		30		37
Total comprehensive income, net of tax	$	32,129	$	18,496
Weighted average number of shares outstanding:				
Basic		95,720,328		95,004,020
Diluted		97,315,766		96,492,418
Net income per share:				
Basic	$	0.34	$	0.19
Diluted	$	0.33	$	0.19

See notes to consolidated financial statements.

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KAPSTONE PAPER AND PACKAGING CORPORATION

Consolidated Statements of Cash Flows

(In thousands)

(unaudited)

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Operating activities		
Net income	$ 32,099	$ 18,459
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	32,709	17,224
Stock-based compensation expense	2,918	2,345
Pension and postretirement	(4,080)	203
Excess tax benefit from stock-based compensation	(2,221)	(386)
Amortization of debt issuance costs	1,452	726
Loss on disposal of fixed assets	979	18
Deferred income taxes	3,323	4,906
Changes in assets and liabilities:		
Trade accounts receivable, net	(5,380)	(25,160)
Other receivables	(364)	3,798
Inventories	(13,458)	2,812
Prepaid expenses and other current assets	(5,044)	220
Other assets	(1,278)	(136)
Accounts payable	5,497	(7,605)
Accrued expenses and other liabilities	4,305	1,854
Accrued compensation costs	(17,595)	(4,087)
Accrued income taxes	5,089	446
Net cash provided by operating activities	38,951	15,637
Investing activities		
Capital expenditures	(32,420)	(16,832)
Net cash used in investing activities	(32,420)	(16,832)
Financing activities		
Proceeds from revolving credit facility	56,500	49,500
Repayments on revolving credit facility	(56,500)	(60,800)
Payment on long-term debt	(1,175)	
Proceeds from other current borrowings	6,300	3,731
Repayments on other current borrowings	(1,673)	(1,012)
Payment of withholding taxes on stock awards	(1,641)	(12)
Proceeds from exercises of stock options	214	362
Proceeds from shares issued to ESPP	205	170
Excess tax benefit from stock-based compensation	2,221	386
Net cash provided by (used in) financing activities	4,451	(7,675)
Net increase (decrease) in cash and cash equivalents	10,982	(8,870)
Cash and cash equivalents-beginning of period	12,967	16,488
Cash and cash equivalents-end of period	$ 23,949	$ 7,618

See notes to consolidated financial statements.

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KAPSTONE PAPER AND PACKAGING CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts)

(unaudited)

1. Financial Statements

The accompanying unaudited consolidated financial statements of KapStone Paper and Packaging Corporation (the Company, we, us, our or KapStone) have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of a normal recurring nature) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. For further information, refer to the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2013.

2. Recent Accounting Pronouncements

In July 2013, the FASB issued Accounting Standards Update (ASU) No. 2013-11 Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (ASU No. 2013-11). ASU No. 2013-11 amends the guidance within Accounting Standards Codification (ASC) Topic 740, Income Taxes , to require entities to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. The Company adopted ASU No. 2013-11 beginning in the first quarter of 2014 with no impact on the consolidated financial statements.

3. Longview Acquisition

On July 18, 2013, the Company acquired 100 percent of the stock of Longview Fibre Paper and Packaging, Inc., (Longview) for $1.025 billion plus $41.5 million of working capital adjustments. Longview is a leading manufacturer of high quality containerboard, kraft papers, and corrugated products. Longview s operations include a paper mill located in Longview, Washington equipped with five paper machines which have the capacity to produce 1.3 million tons of containerboard and kraft paper annually. Longview also owns seven converting facilities located in the Pacific Northwest.

The excess of the purchase price over the aggregate estimated fair value of net assets acquired was allocated to goodwill. The purchase price allocation is preliminary subject to final review of acquired asset valuations and related deferred income taxes and is expected to be finalized in the quarter ended June 30, 2014.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed as of December 31, 2013, as well as adjustments (referred to as measurement period adjustments):

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	Amounts Recognized as of Acquisition Date (as Adjusted) (1)	Measurement Period Adjustments (2)	Amounts Recognized as of Acquisition Date (as Adjusted)
Deposit for redemption of senior notes	$ 507,520	$	$ 507,520
Trade accounts receivable	104,929		104,929
Inventories	106,805		106,805
Prepaid expenses and other current assets	2,554		2,554
Plant, property and equipment	800,663	(118)	800,545
Pension asset	112,141		112,141
Other receivables and assets	11,863		11,863
Intangible assets	77,600		77,600
Accounts payable	(71,663)		(71,663)
Accrued expenses	(17,630)	80	(17,550)
Accrued compensation costs	(19,385)	61	(19,324)
Debt	(507,520)		(507,520)
Pension and post retirement benefits	(68,105)	--	

			1,581,105	--	1,581,105
Net loss	--	--	--	(4,424,247)	(4,424,247)
Balance as at December 31, 2009	72,805,756	58,214	88,153,778	(28,770,423)	59,441,569
Common stock issued for private placements	9,941,177	9,941	8,440,059	--	8,450,000
Share issuance costs	--	--	(463,804)	--	(463,804)
Stock-based compensation	--	--	969,964	--	969,964
Net loss	--	--	--	(18,788,624)	(18,788,624)
Balance as at December 31, 2010	82,746,933	68,155	97,099,997	(47,559,047)	49,609,105
Stock-based compensation (note 7)	--	--	791,588	--	791,588
Net loss	--	--	--	(4,386,564)	(4,386,564)
Balance as at September 30, 2011	82,746,933	68,155	97,891,585	(51,945,611)	46,014,129

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

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

	Nine months ended Sept 30, 2011	Nine months ended Sept 30, 2010	Period from Inception, August 21, 2002 to Sept 30, 2011
Cash flows provided by (used in) operating activities:			
Net loss	(4,386,564)	(3,280,645)	(48,871,611)
Adjustments to reconcile net loss to net cash used in operating activities:			
Accretion expense	39,369	48,135	168,479
Asset impairment	--	--	23,887,015
Depletion and depreciation	221,565	266,305	1,717,385
Gain on sale of equipment	--	--	(42,228)
Stock-based compensation (note 7)	580,915	495,022	8,129,131
Compensation option & warrant modification	--	--	504,000
Deferred income taxes (benefit) expense	(14,615)	48,500	46,385
Changes in non-cash working capital (note 13)	143,497	(648,748)	182,434
	(3,415,833)	(3,071,431)	(14,279,010)
Cash flows provided by (used in) investing activities:			
Oil and natural gas property additions	(6,556,417)	(6,578,703)	(64,649,143)
Other property and equipment additions	(18,405)	(1,585)	(1,593,729)
Proceeds on sale of equipment	--	--	82,800
Cash acquired on acquisition	--	--	3,034,666
Restricted deposits (note 4)	5,773,000	(287,000)	(2,449,000)
Investment in equity investee	(1,048,383)	--	(1,048,383)
Changes in non-cash working capital (note 13)	4,537,704	(1,006,233)	10,311,539
	2,687,499	(7,873,521)	(56,311,250)
Cash flows provided by (used in) financing activities:			
Proceeds from issuance of common stock	--	--	84,062,165
Share issuance costs	--	--	(4,537,192)
Changes in non-cash working capital (note 13)	--	--	(1,911,942)
	--	--	77,613,031
Net increase (decrease) in cash and cash equivalents	(728,334)	(10,944,952)	7,022,771
Cash and cash equivalents, beginning of the period	7,751,105	16,294,996	--
Cash and cash equivalents, end of the period	7,022,771	5,350,044	7,022,771
Cash and cash equivalents			
Current bank accounts	6,522,771	1,561,530	6,522,771
Short term deposits	500,000	3,788,514	500,000
	7,022,771	5,350,044	7,022,771
Cash taxes paid during the period	36,102	21,206	

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

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GeoGlobal Resources Inc.
(a development stage enterprise)
Notes to the Unaudited Consolidated Financial Statements
September 30, 2011

1. Organization and Nature of Operations

The Company is engaged in the pursuit of petroleum and natural gas through exploration and development in India, Israel and Colombia. The Company is a Delaware corporation with common stock listed and traded on the NYSE Amex under the symbol “GGR”.

As of September 30, 2011, the Company has not achieved its planned principal operations from its oil and gas exploration activities which commenced on August 29, 2003. Accordingly, the Company’s activities are considered to be those of a “Development Stage Enterprise”. Among the disclosures required by this status is that the Company’s financial statements be identified as those of a development stage enterprise. In addition, the statements of operations and comprehensive loss, stockholders’ equity and cash flows are required to disclose all activity since the Company’s date of inception. The Company will continue to prepare its financial statements and related disclosures as those of a development stage enterprise until such time that the Company achieves planned principal operations.

2. Going Concern

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

The Company’s ability to continue as a going concern is dependent upon obtaining the necessary financing to complete further exploration and development activities and generate profitable operations from its oil and natural gas interests in the future. The Company’s current operations are dependent upon the adequacy of its current assets to meet its current expenditure requirements and the accuracy of management’s estimates of those requirements. Should those estimates be materially incorrect, the Company’s ability to continue as a going concern will be impaired. The Company’s financial statements as at and for the period ended September 30, 2011 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. During the nine months ended September 30, 2011, the Company incurred a net loss of approximately $4.4 million, used approximately $3.4 million of cash flow in its operating activities and had an accumulated deficit of approximately $51.9 million. As at September 30, 2011, the Company has working capital deficiency of approximately $2.2 million. These matters raise doubt about the Company’s ability to continue as a going concern.

The Company expects to incur expenditures to further its exploration programs. The Company’s existing cash balance at September 30, 2011 and the anticipated cash flow from operating activities are not sufficient to satisfy its current obligations and meet its exploration commitments of $20.2 million and $31.5 million, over the twelve months ending September 30, 2012 and the two years ending September 30, 2013, respectively. The Company is considering various alternatives to remedy any future shortfall in capital. The Company deems it necessary to raise capital for continued exploration and development expenditures through equity markets, debt markets or other financing arrangements, which could include the sale of oil and gas interests or participation arrangements in oil and gas interests. There can be no assurance this capital will be available and if it is not, the Company may be forced to substantially curtail or cease exploration block acquisition and/or exploration and development expenditures.

Should the going concern assumption not be appropriate and the Company is not able to realize its assets and settle its liabilities, commitments (as described in note 11) and contingencies (as described in note 12) in the normal course of operations, these unaudited consolidated financial statements would require adjustments to the amounts and classifications of assets and liabilities, and these adjustments could be significant.

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

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GeoGlobal Resources Inc.
(a development stage enterprise)
Notes to the Unaudited Consolidated Financial Statements
September 30, 2011

3. Significant Accounting Policies

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

In the opinion of management, these unaudited consolidated financial statements reflect all of the normal and recurring adjustments necessary to present fairly the financial position at September 30, 2011 and December 31, 2010, the results of operations for the three and nine months ended September 30, 2011 and 2010 and for the period from inception of August 21, 2002 to September 30, 2011 and cash flows for the nine months ended September 30, 2011 and 2010 and for the period from inception of August 21, 2002 to September 30, 2011.

Certain information, accounting policies, and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted in this Form 10-Q pursuant to certain rules and regulations of the Securities and Exchange Commission. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

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

Use of estimates
The preparation of the unaudited consolidated financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimated amounts due to factors such as fluctuations in interest rates, currency exchange rates, inflation levels and commodity prices, changes in economic conditions and legislative and regulatory changes.

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

4. Restricted Deposits

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

Pursuant to Israeli Customs Authorities, the Company, on behalf of the Myra and Sara Joint Venture, is required to post bank guarantees which represents an 8% to 12% Israeli Custom Duty which is necessary to be posted for all imports of oil and gas equipment and supplies in order to release them from Customs. Upon providing the Custom Authorities the proper required documentation, such that these goods and supplies are exempt from Custom Duties under the Israeli Petroleum law, these bank guarantees are refundable. These bank guarantees have been secured by term deposits of the Company in the same amount. As of September 30, 2011 term deposits amounting to $545,000 (NIS – 2,024,770) (December 31, 2010 - $nil) have been provided against the bank guarantees which is expected to be released on or before September 30, 2012.

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GeoGlobal Resources Inc.
(a development stage enterprise)
Notes to the Unaudited Consolidated Financial Statements
September 30, 2011

4. Restricted Deposits (continued)

The term deposits securing these bank guarantees are as follows:

	September 30, 2011	December 31, 2010
	$	$
Exploration Blocks – India		
Sanand/Miroli	--	1,300,000
Ankleshwar	734,000	734,000
DS 03	--	330,000
DS 04	--	1,247,000
KG Onshore	--	900,000
RJ 20	--	1,100,000
RJ 21	--	1,441,000
Exploration Licenses - Israel		
Myra and Sara	545,000	--
	1,279,000	7,052,000
Less: current portion of restricted deposit	(1,279,000)	(2,034,000)
	--	5,018,000

The following term deposits are classified as current restricted deposits:

	September 30, 2011	December 31, 2010
	$	$
Exploration Blocks - India		
Sanand/Miroli	--	1,300,000
Ankleshwar	734,000	734,000
Exploration Licenses – Israel		
Myra and Sara	545,000	--
	1,279,000	2,034,000

In the second quarter of 2011, Export Development Canada (EDC) commenced providing the performance security guarantees on behalf of the Company against the bank guarantees provided to the Government of India for the period of April 1, 2011 to June 30, 2012. The performance security guarantees provided by EDC on behalf of the Company against these bank guarantees are as follows (see note 12):

	September 30, 2011	December 31, 2010
	$	$
Exploration Blocks – India		
DS 03	599,000	--
DS 04	728,000	--

KG Onshore	458,500	--
RJ 20	1,374,500	--
RJ 21	897,500	--
	4,057,500	--

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GeoGlobal Resources Inc.
(a development stage enterprise)
Notes to the Unaudited Consolidated Financial Statements
September 30, 2011

5. Property and Equipment

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

	September 30, 2011	December 31, 2010
	$	$
Oil and natural gas properties (using the full-cost method)		
Unproved properties	52,054,092	47,715,032
Proved properties	20,150,898	17,702,000
Total oil and natural gas properties	72,204,990	65,417,032
Building	889,609	889,609
Computer, office and other equipment	621,322	602,917
Total property and equipment	73,715,921	66,909,558
Accumulated impairment of oil and natural gas properties	(23,887,015)	(23,887,015)
Accumulated depletion	(1,249,700)	(1,060,700)
Accumulated depreciation	(648,708)	(586,163)
Total property and equipment, net	47,930,498	41,375,680

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

The Company has capitalized $492,958 for the nine months ended September 30, 2011 (September 30, 2010 – $449,968) of general and administrative expenses directly related to exploration activities. These amounts include $210,674 (September 30, 2010 – $164,635) of capitalized stock-based compensation expense and capitalized support equipment depreciation of $29,980 (September 30, 2010 - $45,805).

Impairment of Oil and Gas Properties
The Company performed a ceiling test calculation at September 30, 2011, to assess the ceiling limitation of its proved oil properties. At September 30, 2011, the Company's net capitalized costs of proved oil and natural gas properties did not exceed the ceiling limitation.

6. Warrants

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

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

	September 30, 2011	December 31, 2010
	Warrants	Warrants

	#	Weighted Average Exercise Price $	#	Weighted Average Exercise Price $
Outstanding warrants at the beginning of period	8,717,363	5.44	5,599,716	7.91
Granted	--	--	3,117,647	1.00
Expired	(5,599,716)	7.91	--	--
Outstanding at the end of period	3,117,647	1.00	8,717,363	5.44
Exercisable at end of period	3,117,647	1.00	5,599,716	7.91

The weighted average remaining life by exercise price as of September 30, 2011 is summarized below:

	Outstanding Warrants #	Weighted Average Remaining Life (Months)	Exercisable Warrants #	Weighted Average Exercise Price $
Stock Purchase Warrants	3,117,647	48.5	3,117,647	1.00
	3,117,647	48.5	3,117,647	1.00

The Stock Purchase Warrants enable the holder to purchase one-half of one common share callable warrant and one-half of one common share non-callable warrant at a specified price up to October 15, 2015.

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7. Stock Options

Stock-based Compensation

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

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

	Three months ended Sept 30, 2011	Three months ended Sept 30, 2010	Nine months ended Sept 30, 2011	Nine months ended Sept 30, 2010	Period from Inception August 21, 2002 to Sept 30, 2011
	$	$	$	$	$
Stock-based compensation					
Unaudited Consolidated Statements of Operations					
General and administrative	93,017	257,698	583,169	506,488	4,715,297
Consulting fees	--	33,749	(2,254)	(11,466)	3,413,834
	93,017	291,447	580,915	495,022	8,129,131
Unaudited Consolidated Balance Sheets					
Property and equipment	25,444	110,130	210,673	164,635	5,620,677
	118,461	401,577	791,588	659,657	13,749,808

At September 30, 2011, the total compensation cost related to non-vested awards not yet recognized was $171,176 (December 31, 2010 – $318,649) which will be recognized over a weighted-average period of twenty four months. During the three and nine months ended September 30, 2011 and 2010, no options were exercised.

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

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

	Three months ended Sept 30, 2011	Three months ended Sept 30, 2010	Nine months ended Sept 30, 2011	Nine months ended Sept 30, 2010
Fair value of stock options granted (per option)	$0.21	$0.75	$0.56	$0.93
Risk-free interest rate	1.9%	2.5%	3.2%	2.5%
Volatility	116%	130%	120%	130%
Expected life	9.3 years	9.8 years	9.7 years	8.3 years
Dividend yield	0%	0%	0%	0%

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7. Stock Options (continued)

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

	September 30, 2011		September 30, 2010	
	Shares #	Weighted Average Exercise Price $	Shares #	Weighted Average Exercise Price $
Outstanding options at beginning of period	4,550,000	2.72	4,440,000	3.69
Granted	1,280,000	1.04	1,280,000	1.58
Expired	(50,000)	1.18	(30,000)	5.09
Forfeitures and cancellations	--	--	(110,000)	1.72
Outstanding at the end of the period	5,780,000	2.36	5,580,000	3.14
Outstanding aggregate intrinsic value	$--		$42,500	
Exercisable at the end of the period	5,013,501	2.54	4,282,500	3.52
Exercisable aggregate intrinsic value	$--		$--	

The weighted average remaining life by exercise price as of September 30, 2011 is summarized below:

Range of Exercise Prices $	Outstanding Shares #	Weighted Average Remaining Life Months	Exercisable Shares #	Weighted Average Exercise Price $
0.01 - 0.99	774,800	98.5	591,467	0.67
1.00 - 1.99	2,559,000	52.0	1,975,834	1.52
2.00 - 2.99	323,800	104.0	323,800	2.25
3.00 - 4.99	1,672,400	60.4	1,672,400	3.67
5.00 - 5.99	400,000	28.9	400,000	5.07
6.00 - 6.99	50,000	39.1	50,000	6.81
	5,780,000	61.9	5,013,501	2.36

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.

Roy Group (Mauritius) Inc.

In March 2003, the Company entered into a Participating Interest Agreement with Roy Group (Mauritius) Inc. (a corporate entity controlled by a director and principal stockholder of the Company), whereby the Company assigned and holds in trust for Roy Group (Mauritius) Inc. 50% of the benefits and obligations of the production sharing contract covering the KG Offshore Block leaving the Company with a net 5% participating interest in the KG Offshore Block. The assignment of interest is subject to approval by the Government of India.

Under the terms of the Participating Interest Agreement and until approval by the Government of India, the Company retains the exclusive right to deal with Roy Group (Mauritius) Inc. with regard to the KG Offshore Block and is entitled to make all decisions regarding the interest assigned to Roy Group (Mauritius) Inc. The Company has a right of set-off against sums owing to the GeoGlobal by Roy Group (Mauritius) Inc. In the event that the Indian government consent is delayed or denied, resulting in either Roy Group (Mauritius) Inc. or the Company being denied an economic benefit it would have realized under the Participating Interest Agreement, the parties have agreed to amend the Participating Interest Agreement or take other reasonable steps to assure that an equitable result is achieved consistent with the parties' intentions contained in the Participating Interest Agreement.

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8. Related Party Transactions (continued)

Roy Group (Barbados) Inc. (RGB)
RGB is a corporate entity controlled by a director and principal stockholder of the Company. Effective August 18, 2010, RGB charges consulting fees based on the time expended to provide technical services to the Company as assigned by the Company and to bring new oil and gas opportunities to the Company. From the period of August 29, 2003 to August 17, 2010, RGB provided services under a Technical Services Agreement for consideration of $350,000 per year. Consulting fees paid to RGB are as outlined and recorded below:

	Three months ended Sept 30, 2011	Three months ended Sept 30, 2010	Nine months ended Sept 30, 2011	Nine months ended Sept 30, 2010	Period from Inception, August 21, 2002 to Sept 30, 2011
	$	$	$	$	$
Unaudited Consolidated Statements of Operations					
Consulting fees	92,150	59,059	216,050	190,309	1,131,396
Unaudited Consolidated Balance Sheets					
Property and equipment	52,211	18,852	138,384	62,602	1,591,584
	144,361	77,911	354,434	252,911	2,722,980

At September 30, 2011, the Company owed RGB $119,244 (December 31, 2010 - $16,200) for services provided and expenses incurred on behalf of the Company. These amounts bear no interest and have no set terms of repayment.

The compensation cost for stock-based compensation arrangements is outlined and recorded below:

Unaudited Consolidated Balance Sheets					
Property and equipment	(9,739)	--	32,584	--	32,584

D.I. Investments Ltd. (DI)
DI is a corporate entity controlled by an officer of the Company. DI charged consulting fees to the Company up to August 17, 2010 for management, financial and accounting services rendered. Subsequent to August 17, 2010, the officer's compensation is included in general and administrative expenses. Consultancy fees paid to DI are as outlined and recorded below:

	Three months ended Sept 30, 2011	Three months ended Sept 30, 2010	Nine months ended Sept 30, 2011	Nine months ended Sept 30, 2010	Period from Inception, August 21, 2002 to Sept 30, 2011

	$	$	$	$	$
Unaudited Consolidated Statements of Operations					
Consulting fees	--	27,452	--	133,827	1,261,042

At September 30, 2011, the Company owed DI $nil (December 31, 2010 – $nil) 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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8. Related Party Transactions (continued)

Amicus Services Inc. (Amicus)
Amicus is related to the Company by virtue of being controlled by a brother of a director and principal stockholder of the Company. Amicus charged consulting fees to the Company for IT and computer related services rendered, as outlined and recorded below:

	Three months ended Sept 30, 2011	Three months ended Sept 30, 2010	Nine months ended Sept 30, 2011	Nine months ended Sept 30, 2010	Period from Inception, August 21, 2002 to Sept 30, 2011
	$	$	$	$	$
Unaudited Consolidated Statements of Operations					
Consulting fees	21,148	10,446	54,825	41,312	447,301

The compensation cost (recovery) for stock-based compensation arrangements is outlined and recorded below:

Unaudited Consolidated Statements of Operations					
Consulting fees	--	14,463	(967)	14,948	651,378

At September 30, 2011, the Company owed Amicus $22,206 (December 31, 2010 - $11,355) 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.

9. Per Share Amounts

The following table presents the reconciliation between basic and diluted income per share:

	Three months ended Sept 30, 2011	Three months ended Sept 30, 2010	Nine months ended Sept 30, 2011	Nine months ended Sept 30, 2010
	$	$	$	$
Net loss available to common stockholders	(1,255,464)	(1,167,928)	(4,386,564)	(3,280,645)
Weighted average number of common stock outstanding:				
Basic	82,746,933	72,805,756	82,746,933	72,805,756
Impact of securities convertible into common stock	--	61,250	21,340	163,023
Diluted	82,746,933	72,867,006	82,768,273	72,968,779

Per share amounts				
Basic and diluted	(0.02)	(0.02)	(0.05)	(0.04)
Securities excluded from denominator as anti-dilutive:				
Stock options	5,780,000	5,330,000	5,630,000	5,050,000
Warrants	3,117,647	4,966,200	3,117,647	4,966,200
Compensation options	--	535,944	--	535,944
Compensation option warrants	--	97,572	--	97,572
	8,897,647	10,929,716	8,747,647	10,649,716

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10. Segmented Information

The majority of the Company's oil and natural gas exploration activities is conducted in India. All of the oil and gas sales are generated from India and are sold within Indian markets. 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, 2011	December 31, 2010
	$	$
Property and equipment, net		
India	43,292,748	39,693,301
Israel	4,404,861	1,459,476
Colombia and Canada	232,889	222,903
	47,930,498	41,375,680

11. Commitments

Pursuant to current production sharing contracts, the Company is required to perform minimum exploration activities that include various types of surveys, acquisition and processing of seismic data and drilling of exploration wells. In the event that the Company fails to fulfill minimum exploration activities by the end of the relevant exploration phase or early termination of the contract by the Government of India, the Company is liable to pay to the Government of India the amount which would be required to complete the unfinished portion of the minimum exploration activities. These obligations have not been provided for in the financial statements.

The anticipated payments due under these agreements in effect are as follows:

	Operating Leases	Production Sharing Contracts
	$	$
2011 (remainder)	69,000	8,060,000
2012	241,000	9,289,000
2013	16,000	7,412,000
2014 and thereafter	--	--
	326,000	24,761,000

In June 2010, Oil India Limited, the operator of the KG Onshore Block approved an increase of the Company's participating interest from 10% to 20%, subject to Government of India approval. Upon Government of India approval, the Company's commitments would increase by $1.0 million in the remainder of 2011, $2.3 million in 2012 and $5.2 million in 2013. To date, the approval has not been granted.

Pursuant to licenses relating to the Company's Israeli interests, the Company's commitment is approximately $5.18 million for the remainder of 2011 and $1.54 million in 2012.

The Company has office lease commitments in Calgary, Alberta, Canada and Herzliya, Israel which expire January 2013 and July 2012, respectively.

12. Contingencies

GSPC Dispute

GSPC, the operator of the KG Offshore Block in which the Company has a net 5% carried interest, has been seeking from the Company, payment of its pro rata portion of the amount by which the sums expended by GSPC under all phases for the minimum work program as set forth in the PSC for the KG Offshore Block in carrying out exploration activities on the block exceeds the amount that GSPC deems to be the Company's pro rata portion of a financial commitment under all phases included in the parties' joint bid for the award of the KG Offshore Block by the Government of India.

GSPC contends that this excess amount is not within the terms of the Carried Interest Agreement and asserts that the Company is required to pay 10% of the exploration expenses over and above gross costs of $109.7 million (10% being $10.97 million) (including the net 5% interest of Roy Group (Mauritius) Inc.) plus interest.

GSPC advised the Company on November 5, 2008 that the minimum work program for the KG Offshore Block had been completed in September 2008. Further, GSPC elected to undertake an additional work program over and above the minimum work program as either Joint Operations or as Exclusive Operations under the terms of the PSC and advised that the Company must elect whether to participate in these additional exploration activities as a Joint Operation or alternatively, GSPC would conduct these drilling activities as Exclusive Operations, as defined in the PSC.

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12. Contingencies (continued)

On November 13, 2008 the Company advised GSPC that it exercised its right to participate in the drilling operations proposed in the November 5, 2008 GSPC letter as a Joint Operation under the terms of the PSC and Joint Operating Agreement and pursuant to the terms of our Carried Interest Agreement with GSPC. As such, the Company continues to be of the view that it is carried for 100% of its entire share of any and all costs during the additional exploration phase prior to the start of initial commercial production and that the Carried Interest Agreement extends through the exploration period of the PSC.

In August 2010 GSPC advised the Company that it is of the view that the technical and other advice provided by the Company in the preparation of the parties' original bid document submitted to the Government of India in 2002 under NELP-III has proven to be incorrect causing GSPC's costs in the project to exceed its estimate. GSPC asserts that by reason of the foregoing the Carried Interest Agreement between the parties is void and consequently the PSC to which the Government of India is party and the Joint Operating Agreement are also void.

The Company has advised GSPC that under the terms of the Carried Interest Agreement (the terms of which are also incorporated into the PSC and the Joint Operating Agreement) they have no right to such payment under the Carried Interest Agreement. The Company has advised GSPC that the Company fulfilled its obligations under the Carried Interest Agreement to provide extensive technical assistance without any further remuneration other than the carried interest, all in accordance with the terms of the Carried Interest Agreement. The Company obtained the opinion of Indian legal counsel who has advised that under the terms of the agreements between the parties, and in particular the Carried Interest Agreement, the Company is not liable to pay any amount to GSPC for costs or expenses incurred or otherwise before reaching the stage of commercial production.

The Company disputes these positions of GSPC and the conclusions reached by GSPC and continues to state that the Company holds a gross 10% interest in the KG Offshore Block (including the 5% interest of Roy Group (Mauritius) Inc.). In a KG Offshore Block Management Committee meeting held in October, 2010, the Management Committee (of which the Government of India is a member) advised GSPC to resolve these issues with the Company at the earliest and requested GSPC to maintain the status quo until the issues are resolved.

Based upon the audited accounts of the joint venture for the KG Offshore Block, the total costs incurred to March 31, 2010 were $1.447 billion (10% being $144.7 million of which 50% is for the account of Roy Group (Mauritius) Inc.). Further, based upon the budget for the fiscal year April 1, 2010 to March 31, 2011 and fiscal year April 1, 2011 to March 31, 2012, total costs projected for the period April 1, 2010 to September 30, 2011 were $1.008 billion (10% being $100.8 million). Therefore, management estimates that the amount of GSPC's claim as of September 30, 2011 to be approximately $245.5 million plus interest of which 50% is for the account of Roy Group (Mauritius) Inc. The Company disputes this assertion of GSPC.

The Company intends to vigorously protect its contractual rights in accordance with the dispute resolution process under the Carried Interest Agreement, the PSC and the Joint Operating Agreement as may be appropriate. In September 2007, the Company commenced discussions with GSPC in an effort to reach an amicable resolution. A number of draft settlement proposals have been put forward by the Company to GSPC seeking to settle this dispute amicably. Subsequent to the October 2010 Management Committee meeting the Company's management has again met with senior management of GSPC to continue its effort to reach an amicable resolution. However, no settlement agreement has been reached as of November 14, 2011 and there can be no assurance that this matter will be settled amicably.

Export Development Canada

In the second quarter of 2011, Export Development Canada (EDC) commenced providing the performance security guarantees on behalf of the Company against the bank guarantees provided to the Government of India for the period of April 1, 2011 to June 30, 2012. These bank guarantees are in the form of irrevocable letters of credit and are provided to the Government of India in the amount of 35% of the participant's share of the minimum work program for a particular phase and serve as guarantees for the performance of such minimum work programs.

In consideration of EDC providing the performance security guarantees, the Company has agreed to fully indemnify EDC against all claims and demands made in respect of these performance security guarantees.

13. Supplemental Disclosure of Cash Flow Information

Changes in non-cash working capital were as follows:

	Nine months ended September 30, 2011	Nine months ended September 30, 2010
	$	$
(Increase) decrease in non-cash working capital		
Accounts receivable	1,432,589	16,844
Prepaid expenses and deposits	(91,355)	(127,819)
Accounts payable	4,415,849	(3,235,820)
Accrued liabilities	(1,189,777)	1,820,097
Due to related companies	113,895	(128,283)
Net change in non-cash working capital	4,681,201	(1,654,981)
Relating to:		
Operating activities	143,497	(648,748)
Investing activities	4,537,704	(1,006,233)
	4,681,201	(1,654,981)

14. Supplemental Disclosure of Joint Venture Working Capital

Current assets and current liabilities related to the Myra and Sara joint venture, to which the Company has a 5% participating interest and is the operator are included in the following caption of consolidated balance sheet:

	September 30, 2011	December 31, 2010
	$	$
Cash and cash equivalents	4,362,000	--
Restricted deposits	545,000	--
Prepaid expenses and deposits	216,000	--
Accounts payable	5,123,000	--

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ITEM2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are engaged, through our subsidiaries, in the exploration for and development of oil and natural gas reserves. At September 30, 2011, we have not yet achieved our planned principal operations from our oil and gas exploration activities which commenced on August 29, 2003. Accordingly, our activities are considered to be those of a "Development Stage Enterprise". The recoverability of the costs we have incurred to date is uncertain and dependent upon achieving commercial production and sale of hydrocarbons, our ability to obtain sufficient financing to fulfill our obligations under the production sharing or other contracts we are a party to with respect to oil and natural gas exploration and development activities in India, Israel and Colombia and upon future profitable operations. At present, our activities are being undertaken in four geological basins located offshore and onshore in India, one geological basin located offshore Israel and one geological basin located onshore in Colombia where reserves of oil or natural gas are believed by our management to exist.

The exploration rights pursuant to PSCs we have entered into with the Government of India are located in the following areas:

- The Krishna Godavari Basin offshore and onshore in the State of Andhra Pradesh in south eastern India;
- The Cambay Basin onshore in the State of Gujarat in western India;
- The Deccan Syneclise Basin onshore in the State of Maharashtra in west central India; and
- The Bikaner-Nagaur Basin onshore in the State of Rajasthan in north western India.

The exploration rights pursuant to licenses we have been granted in Israel are located in the Levantine Basin located off the coast of Israel with the licenses varying in distances between 6 and 25 miles offshore.

We have entered into a Memorandum of Understanding (MOU) with respect to two exploration blocks located in the Putumayo Basin onshore in southwest Colombia.

All of the exploration activities in which we are a participant should be considered highly speculative.

Unless the context should otherwise require, references to "we," "us" and "our" in this Quarterly Report on Form 10-Q refer to GeoGlobal Resources Inc. and our wholly-owned consolidated subsidiaries. GeoGlobal Resources (Barbados) Inc. is our wholly-owned subsidiary incorporated under the Companies Act of Barbados that is the contracting party under our four PSCs covering four blocks in the Cambay Basin, our two PSCs covering two blocks in the Deccan Syneclise Basin, our two PSCs covering two blocks in the Bikaner-Nagaur Basin and our PSC covering the KG Onshore Block in the Krishna Godavari Basin, all of which are located in India. GeoGlobal Resources (India) Inc. is our wholly-owned subsidiary continued under the Companies Act of Barbados that is the contracting party under our PSC covering our KG Offshore Block in the Krishna Godavari Basin in India and the Sara, Myra and Samuel licenses in the Levantine Basin in Israel.

The following management's discussion and analysis of our financial condition and results of operation should be read in conjunction with, and is qualified in its entirety by, the more detailed information including our unaudited 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" in our Annual Report on Form 10-K for the year ended December 31, 2010 as well as those discussed elsewhere in this Quarterly Report. For further information, refer to the Consolidated Financial Statements and related Notes and the Management's Discussion and Analysis thereto included in our Annual Report on Form 10-K for the year ended December 31, 2010.

Glossary of Certain Defined Terms:
All dollar amounts are stated in United States dollars
All meterage of drilled wells are measured depths unless otherwise stated

MBbls	-	thousand barrels
MMcf	-	million cubic feet
BOE	-	barrels of oil equivalent
GSPC	-	means Gujarat State Petroleum Corporation Limited of India
OIL	-	means Oil India Limited of India
ONGC	-	means Oil & Natural Gas Corporation Limited of India
PSC	-	means Production Sharing Contract
NELP	-	means National Exploration Licensing Policy
NIS	-	means New Israeli Shekels

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Results of Operations for the three and nine months ended September 30, 2011 and 2010

We started our first production as non-operator from one field in the Tarapur block in May 2009. Our interest in the proved reserves in this field is 55 MBbls of oil and 155 MMcf of natural gas and probable reserves of 409 MBbls of oil and 595 MMcf of natural gas as at December 31, 2010 based upon an independent reserve report dated January 1, 2011 by Chapman Petroleum Engineering Ltd., Calgary, Alberta, Canada.

For the three months ended September 30, 2011, we incurred a net loss of $1.3 million compared with a net loss of $1.2 million for the three months ended September 30, 2010.

For the nine months ended September 30, 2011, we incurred a net loss of $4.4 million compared with a net loss of $3.3 million for the nine months ended September 30, 2010

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Oil Production (barrels)	1,262	1,864	3,606	7,729
Oil Sales (barrels)	1,575	2,394	3,481	7,453
Gas Sales (Mcf)	2,850	5,739	7,995	11,480
Oil Sales	$ 170,000	$ 174,000	$ 375,000	$ 547,000
Gas Sales	$ 25,000	$ 46,000	$ 71,000	$ 99,000
Average Oil Price per Barrel	$ 108.31	$ 72.70	$ 107.85	$ 73.47
Average Gas Price per Mcf	$ 8.67	$ 8.08	$ 8.87	$ 8.60
Operating Costs	$ 36,000	$ 36,000	$ 104,000	$ 139,000
Operating Costs per BOE	$ 19.95	$ 13.82	$ 20.47	$ 13.82
Depletion	$ 36,000	$ 55,000	$ 189,000	$ 222,000
Depletion per BOE	$ 20.21	$ 20.89	$ 37.29	$ 22.11

The calculation of barrels of oil equivalent (BOE) is based on a conversion ratio of six thousand cubic feet (Mcf) of natural gas to one barrel (bbl) of crude oil to estimate relative energy content. Readers are cautioned that this conversion may be misleading, particularly when used in isolation, since the 6Mcf:1 bbl ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent the value equivalency at the wellhead.

Oil and Gas Sales

All of our oil and gas sales are derived from production in India. With the approval of the Tarapur 1 field development plan by the Management Committee, three wells began production in mid-May 2009, two in September 2009 and one in January 2010. There are ten additional wells which are drilled, tested and awaiting tie-in to the oil tank storage facilities. Further, associated natural gas from one gas well is being contained and sold while awaiting approval of a development plan for completion of a pipeline.

Oil and gas sales for the three months ended September 30, 2011 were $195,000 as compared to $220,000 for the three months ended September 30, 2010. This decrease is mainly attributable to a decrease in the oil and gas production for the three months ended September 30, 2011 offset by an increase in the commodity price when compared to the same quarter for 2010.

Oil and gas sales for the nine months ended September 30, 2011 were $446,000 as compared to $646,000 for the nine months ended September 30, 2010. This decrease is mainly attributable to a decrease in the oil and gas production for the nine months ended September 30, 2011 offset by an increase in the commodity price when compared to the same period for 2010.

Oil sales are currently based on the spot price based on discount to the Nigeria Bonny Light Crude bench mark. To date, none of our production has been hedged. All our associated natural gas is sold to local markets at a firm contract price of $7.00 per Mcf adjusted for rebate/premium on account of calorific value.

Operating

Operating costs for the three months ended September 30, 2011 are $36,000 or $19.95 per BOE compared to $36,000 or $13.82 per BOE for the three months ended September 30, 2010. While the operating costs remained constant, the price per BOE increased as a direct result of a decrease in oil and gas production for the three months ended September 30, 2011 when compared to the same quarter for 2010. The operating costs include handling and processing charges, transportation costs and utilities, maintenance and tank rental charges and contain a fixed and variable portion.

Operating costs for the nine months ended September 30, 2011 are $104,000 or $20.47 per BOE compared to $139,000 or $13.82 per BOE for the nine months ended September 30, 2010. This decrease is mainly attributable to a decrease in oil and gas production for the nine months ended September 30, 2011 when compared to the same period for 2010. The operating costs include handling and processing charges, transportation costs and utilities, maintenance and tank rental charges and contain a fixed and variable portion.

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General and Administrative

For the three months ended September 30, 2011, our general and administrative expenses decreased to $826,000 compared to $863,000 for the three months ended September 30, 2010. These general and administrative expenses include costs related to the corporate head office including administrative salaries and services, directors' fees, rent and office costs, insurance, bank guarantee fees, NYSE Amex listing and filing fees, investor relation services and transfer agent fees and services. This decrease is mostly attributable to a decrease in Stock-based compensation costs by $165,000 to $93,000 for the three months ended September 30, 2011 from $258,000 for the comparative three months in 2010. These compensation costs are for stock-based compensation arrangements with employees and directors which are being expensed over their respective vesting periods of the related option grants. These decreases are offset by an increase in the Directors' and Special Committee fees by $47,000 combined with an increase in salaries and benefits of $113,000 mostly related to restructuring of our management team which was previously included in consulting fees. Further, there was a general increase in our general and administrative costs due to our increased activity in Israel, offset by overhead recoveries of $99,000 for the three months ended September 30, 2011 as compared to nil in the prior period.

For the nine months ended September 30, 2011, our general and administrative expenses increased to $3,125,000 compared to $2,459,000 for the nine months ended September 30, 2010. These general and administrative expenses include costs related to the corporate head office including administrative salaries and services, directors' fees, rent and office costs, insurance, bank guarantee fees, NYSE Amex listing and filing fees, investor relation services and transfer agent fees and services. This increase is mostly attributable to the following: Directors' and Special Committee fees increased by $158,000; salaries and benefits increased by $420,000 mostly related to restructuring of our management team which was previously included in consulting fees and the inclusion of a new executive officer in March 2010; and rent costs increased by $72,000; stock-based compensation costs increased by $77,000 to $583,000 for the nine months ended September 30, 2011 from $506,000 for the comparative nine months in 2010. These compensation costs are for stock-based compensation arrangements with employees and directors which are being expensed over their respective vesting periods of the related option grants. Further, there was a general increase in our general and administrative costs due to our increased activity in Israel, offset by overhead recoveries of $204,000 for the nine months ended September 30, 2011 as compared to nil in the prior period.

Consulting Fees

Consulting fees for the three months ended September 30, 2011 were $225,000, an increase of $67,000 from $158,000 when compared to the three months ended September 30, 2010. Consulting fees include costs incurred in employing various technical and corporate consultants who advised us on a variety of matters.

This increase is mostly a result of an increase in fees paid to consultants to assist in our financing efforts offset by the restructuring of a member of our management team whose fees are now paid as salary versus consulting fees.

Consulting fees for the nine months ended September 30, 2011 were $653,000, an increase of $124,000 from $529,000 when compared to the nine months ended September 30, 2010. Consulting fees include costs incurred in employing various technical and corporate consultants who advised us on a variety of matters.

This increase is mostly a result of fees paid to consultants to assist in our financing efforts offset by the restructuring of a member of our management team whose fees are now paid as salary versus consulting fees.

Professional Fees

Professional fees for the three months ended September 30, 2011 were $279,000 compared with $242,000 for the three months ended September 30, 2010. This increase is mostly a result of professional fees incurred during the three months ended September 30, 2011 paid to our advisors assisting in the restructuring of the corporate entities. Professional fees include general counsel, audit and review costs and tax advisors to assist with compliance.

Professional fees for the nine months ended September 30, 2011 were $668,000 compared with $422,000 for the nine months ended September 30, 2010. This increase is mostly a result of professional fees incurred during the nine months ended September 30, 2011 paid to our legal advisors due to increased activity in Israel combined with amounts paid to our advisors assisting in the restructuring of the corporate entities. Professional fees include general counsel, audit and review costs and tax advisors to assist with compliance.

Depletion and depreciation

Depletion and depreciation decreased to $47,000 during the three months ended September 30, 2011 from $68,000 during the three months ended September 30, 2010. As a result of our production from the Tarapur 1 field we had depletion of $36,000 or $20.21 per BOE and depreciation of $11,000 for the three months ended September 30, 2011, as compared to depletion of $55,000 or $20.89 per BOE and depreciation of $13,000 for the same three months in 2010. The decrease in depletion is a result of a decrease in the oil production for the three months ended September 30, 2011 as compared to the three months ended September 30, 2010 and an increase in proved reserves which is offset by an increase in the amortization base as at September 30, 2011 as compared to proved reserves as at September 30, 2010.

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Depletion and depreciation decreased to $222,000 during the nine months ended September 30, 2011 from $266,000 during the nine months ended September 30, 2010. As a result of our production from the Tarapur 1 field we had depletion of $189,000 or $37.29per BOE and depreciation of $33,000 for the nine months ended September 30, 2011, as compared to depletion of $222,000 or $22.11 per BOE and depreciation of $44,000 for the same nine months in 2010. The increase in depletion rate per BOE for the nine months ended September 30, 2011 from the nine months ended September 30, 2010 is mostly a result of a decrease in oil production to 3,606 barrels for the nine months ended September 30, 2011 compared to production of 7,729 barrels for the same period in 2010.

Other

We capitalized certain overhead costs directly related to our exploration activities. During the three months ended September 30, 2011, we capitalized overhead costs totaling $119,000 as compared to $205,000 during the three months ended September 30, 2010. Included in the amounts above are stock-based compensation costs capitalized of $25,000 for the three months ended September 30, 2011 compared with $110,000 for the three months ended September 30, 2010.

During the nine months ended September 30, 2011, we capitalized overhead costs totaling $493,000 as compared to $450,000 during the nine months ended September 30, 2010. Included in the amounts above are stock-based compensation costs capitalized of $211,000 for the nine months ended September 30, 2011 compared with $165,000 for the nine months ended September 30, 2010.

The treatment of capitalized overhead costs remained consistent with the comparable quarter and includes costs relating to personnel, consultants, their travel and stock-based compensation directly associated with the advancement of our oil and gas interests.

Reserve Report

As a result of the approval of the Tarapur 1 field development plan by the Management Committee in April 2009 and based on internal reserve evaluation conducted by qualified reserves evaluators, we estimate reserves in the Tarapur 1 field as at September 30, 2011 as follows:

Reserves Category	Oil (MBbls)	Natural Gas (MMcf)
PROVED		
Developed	51	147
Undeveloped	261	145
TOTAL PROVED	312	292
Probable		
Developed	53	143
Undeveloped	356	452
Possible		
Developed	--	--
Undeveloped	--	--

Proved Reserves

Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward from known reservoirs, and under existing economic conditions, operating methods and government regulations prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether determinable or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

Probable Reserves

Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.

Possible Reserves

Possible reserves include those additional reserves that are less certain to be recovered than probable reserves.

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Liquidity

Liquidity is a measure of a company's ability to meet potential cash requirements. We have historically met our capital requirements through the issuance of common stock as well as proceeds from the exercise of warrants and options to purchase common equity.

Our ability to continue as a going concern is dependent upon obtaining the necessary financing to complete further exploration and development activities and generate profitable operations from our oil and natural gas interests in the future. Our current operations are dependent upon the adequacy of our current assets to meet our current expenditure requirements and the accuracy of management's estimates of those requirements. Should those estimates be materially incorrect, our ability to continue as a going concern will be impaired. Our unaudited consolidated financial statements as at and for the three and nine months ended September 30, 2011 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. We have a history of incurring operating losses and negative cash flows from operations. These matters may raise doubt about our ability to continue as a going concern.

At September 30, 2011, our cash and cash equivalents were $7.0 million (December 31, 2010 - $7.8 million). The majority of this balance is being held in U.S. funds, of which $0.5 million is held in term deposits. At September 30, 2011, we had current assets of $9.7 million and current liabilities of $11.9 million, or a working capital deficiency of $2.2 million. Our current assets as of September 30, 2011 include $734,000 of restricted deposits which we expect will be released from escrow on or before December 31, 2011.

We will incur exploration and other expenses under the terms of our PSCs in India and our planned drilling program in Israel to further our exploration programs. Our existing cash balance at September 30, 2011 and our anticipated cash flow from operating activities are not sufficient to satisfy our current obligations and meet our exploration commitments of $20.2 million and $31.5 million, over the twelve months ending September 30, 2012 and the two years ending September 30, 2013, respectively. We expect to continue to be dependent upon our ability to raise additional capital in order to pursue our business plan. In the event we are unable to raise sufficient capital on acceptable terms and at the times required to meet our exploration and other commitments during these respective periods, we may be forced to substantially curtail or cease exploration, appraisal and development expenditures and possibly curtail other of our activities.

We are considering various alternatives with respect to raising additional capital to remedy any future shortfall in capital but to date have made no specific plans or arrangements. We deem it necessary to raise capital through equity markets, debt markets or other financing arrangements, including participation arrangements that may be available for continued exploration expenditures. Because of the early stage of our operations and our lack of any material oil and natural gas reserves, there can be no assurance this capital will be available and if it is not, we may be forced to substantially curtail or cease exploration, appraisal and development expenditures. We believe that we will be able to raise additional capital which combined with our available cash resources will be sufficient to maintain our current level of activities through the next fiscal year.

We believe at this time that the outcome of the GSPC Carried Interest dispute as further discussed below, will not have a material effect on our liquidity.

Overall cash and cash equivalents decreased by $0.7 million from $7.7 million at December 31, 2010 to $7.0 million at September 30, 2011. The primary reason for the decrease in cash and cash equivalents can be attributed to the following activities:

Net cash used in operating activities during the nine months ended September 30, 2011 was $3.4 million as compared to $3.1 million for the nine months ended September 30, 2010. The use of cash is mainly related to general and administrative costs, consulting and professional fees and operating costs, offset by oil and gas sales and interest earned on our short-term deposits.

Net cash provided by our investing activities during the nine months ended September 30, 2011 was $2.7 million as compared to $7.9 million used in investing activities during the nine months ended September 30, 2010. This increase is attributable to the recovery of our restricted deposits of $5.7 million for the nine months ended September 30, 2011 as compared to an increase in restricted deposit of $0.3 million for the same period in 2010 which can now be used towards general working capital.

Cash provided by financing activities for the nine months ended September 30, 2011 and 2010 was $nil. There were no private placement sales or exercise of options or warrants during the nine months ended September 30, 2011 or 2010.

Should the going concern assumption not be appropriate and we are not able to realize our assets and settle our liabilities, commitments and contingencies, as more fully described in our unaudited consolidated financial statements in the normal course of operations, our unaudited consolidated financial statements would require adjustments to the amounts and classifications of assets and liabilities, and these adjustments could be significant. Our unaudited consolidated financial statements do not reflect the adjustments or reclassifications of assets and liabilities that would be necessary if we are unable to continue as a going concern.

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Capital Resources

We expect our exploration and development activities pursuant to our PSCs in India will continue through 2011 in accordance with the terms of those agreements. During the remainder of 2011 and up to March 31, 2012, we anticipate drilling two exploratory wells; drilling two core wells; acquiring, processing and interpreting 2,480 line kilometers of 2D seismic data; and acquiring, processing and interpreting 350 square kilometers of 3D seismic data as well as processing and interpreting an additional 400 square kilometers of 3D seismic data. We further expect to tie-in additional oil wells in Tarapur along with the construction of a gas pipeline for the Tarapur G gas discovery and to continue with the construction of the gas gathering and production facilities together with further development drilling on the KG Offshore Block. Additional expenditures may be incurred in connection with additional exploratory, appraisal and development wells we may participate in. Also, if the Government of India approves the increase to our participating interest in the KG Onshore Block to 20%, our obligations to fund the 3D seismic acquisition and exploratory drilling on the block will increase.

We expect our exploration activities pursuant to our licenses in Israel will continue through 2011 in accordance with the terms of those agreements. During the remainder of 2011 and up to September 30, 2012, we expect to complete the processing and interpretation of 43 square kilometers of 3D seismic data in our Samuel license as well as drill two deepwater exploration wells in our Myra and Sara Licenses.

Off-balance Sheet Arrangements

None.

Contractual Obligations

Our minimum exploration commitments under our production sharing contracts and other future lease payments at September 30, 2011 were not substantially different than at December 31, 2010.

Carried Interest Dispute on the KG Offshore Block

GSPC has advised us that it is seeking from us payment of our pro rata portion of the amount by which the sums expended by GSPC under all phases for the minimum work program as set forth in the PSC for the KG Offshore Block in carrying out exploration activities on the block exceeds the amount that GSPC deems to be our pro rata portion of a financial commitment under all phases included in the parties' joint bid for the award of the KG Offshore Block by the Government of India.

GSPC contends that this excess amount is not within the terms of the Carried Interest Agreement and that we are required to pay 10% of the exploration expenses over and above gross costs of $109.7 million (10% being $10.97 million) (including the net 5% interest of Roy Group (Mauritius) Inc.) plus interest.

GSPC advised us on November 5, 2008 that the minimum work program for the KG Offshore Block had been completed in September 2008. Further, GSPC elected to undertake an additional work program over and above the minimum work program as either Joint Operations or as Exclusive Operations under the terms of the PSC and advised us that we must elect whether to participate in these additional exploration activities as a Joint Operation or alternatively, GSPC would conduct these drilling activities as Exclusive Operations, as defined in the PSC.

On November 13, 2008 we advised GSPC that we exercised our right to participate in the drilling operations proposed in the November 5, 2008 GSPC letter as a Joint Operation under the terms of the PSC and Joint Operating Agreement and pursuant to the terms of our Carried Interest Agreement with GSPC. As such, we claim that we are carried for 100% of our entire share of any and all costs during the additional exploration phase prior to the start of initial commercial production and that the Carried Interest Agreement extends through the exploration period of the PSC.

In August 2010 GSPC advised us that it is of the view that the technical and other advice provided by us in the preparation of the parties' original bid document submitted to the Government of India in 2002 under NELP-III has proven to be incorrect causing GSPC's costs in the project to exceed its estimate. GSPC asserts that by reason of the foregoing the Carried Interest Agreement between the parties is void and consequently the PSC to which the Government of India is party and the Joint Operating Agreement are also void.

We have advised GSPC that under the terms of the Carried Interest Agreement (the terms of which are also incorporated into the PSC and the Joint Operating Agreement), it has no right to such payment under the Carried Interest Agreement. We have advised GSPC that we have fulfilled our obligations under the Carried Interest Agreement to provide extensive technical assistance without any further remuneration other than the carried interest, all in accordance with the terms of the Carried Interest Agreement. In furtherance of our position, we have obtained an opinion of prominent Indian legal counsel advising us that, among other things, under the terms of the agreements between the parties, and in particular the Carried Interest Agreement, we are not liable to pay any amount to GSPC for either costs and expenses incurred or otherwise before reaching the stage of commercial production.

We dispute these positions of GSPC and the conclusions reached by GSPC and continue to state that we hold a gross 10% interest in the KG Offshore Block (including the 5% interest of Roy Group (Mauritius) Inc.). In a KG Offshore Block Management Committee meeting held in October, 2010, the Management Committee (of which the Government of India is a member) advised GSPC to resolve these issues with us at the earliest and requested GSPC to maintain the status quo until the issues are resolved.

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Based upon the audited accounts of the joint venture for the KG Offshore Block, the total costs incurred to March 31, 2010 were $1.447 billion (10% being $144.7 million of which 50% is for the account of Roy Group (Mauritius) Inc.). Further, based upon the budget for the fiscal year April 1, 2010 to March 31, 2011 and fiscal year April 1, 2011 to March 31, 2012, total costs projected for the period April 1, 2010 to September 30, 2011 were $1.008 billion (10% being $100.8 million). Therefore, we estimate that the amount of GSPC's claim as of September 30, 2011 to be approximately $245.5 million plus interest of which 50% is for the account of Roy Group (Mauritius) Inc. We dispute this assertion of GSPC.

We intend to vigorously protect our contractual rights in accordance with the dispute resolution process under the Carried Interest Agreement, the PSC and the Joint Operating Agreement as may be appropriate. In September 2007, we commenced discussions with GSPC in an effort to reach an amicable resolution. A number of draft settlement proposals have been put forward by us to GSPC seeking to settle this dispute amicably. Subsequent to the October 2010 Management Committee meeting we have again met with senior management of GSPC to continue our effort to reach an amicable resolution. However, no settlement agreement has been reached as of November 14, 2011 and there can be no assurance that this matter will be settled amicably.

Critical Accounting Estimates

The preparation of financial statements under generally accepted accounting principles in the United States requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. On a regular basis we evaluate our assumptions, judgments and estimates. We also discuss our critical accounting estimates with the Audit Committee of the Board of Directors.

We believe that the assumptions, judgments and estimates involved in the accounting for oil and gas accounting and impairment, asset retirement obligation and share-based payment arrangements have the greatest potential impact on our unaudited consolidated financial statements. These areas are key components of our results of operations and are based on complex rules which require us to make judgments and estimates, so we consider these to be our critical accounting estimates. Historically, our assumptions, judgments and estimates relative to our critical accounting estimates have not differed materially from actual results.

Our critical accounting policies and estimates are disclosed in Item 7 of our 2010 Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 31, 2011, and have not changed materially since the filing of that document.

Recent Exploration Activities

Below is a summary description relating to certain material developments to our exploration activities. For additional information and a more complete description of the PSCs to which we are a party, reference should be made to our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q as well as our Current Reports on Form 8-K.

KG Offshore Block

During the nine months ended September 30 2011, GSPC as operator of the KG Offshore Block commenced drilling on January 1, 2011 an appraisal well (DDE-APP-1) on the Deen Dayal East Field.

The well was drilled with the objective of appraising the hydrocarbon bearing sands of the KG-16 discovery well and, in the process, to test the Cretaceous and Jurassic Rift Fill and younger sandstones that were found to be productive in other wells on the Deen Dayal structural complex. The well was drilled to 5,621 meters and encountered basement at 5,530 meters.

Two Drill Stem Tests ("DST") were undertaken after logging of the lower section of the well. DST-1 was undertaken in the rift fill section with perforation between 4,957 to 4,970 meters. This test flowed water at an average rate of 1,500 barrels of water per day and carbon dioxide ranging 20% to 28% was found in the well stream. DST-2A was undertaken in a shallower section with perforation between 4,774 to 4,786.5 meters and 4,789 to 4,799.5 meters. This test flowed gas at 0.73 MMcf per day with condensate at 60 barrels per day from a 12/64 inch choke with 6% constant carbon dioxide was observed during the test. The well has been abandoned.

On September 12, 2011, the development drilling program at the Deen Dayal West gas condensate field ("DDW") commenced. The Jack-up rig Deep Sea Driller-1, which is located over the DDW Well Head Platform in a water depth of 60 meters, will drill the initial section of the first four development wells.

The completion of the wells to their target depth and the drilling of the remaining development wells will be completed by a more cost efficient modular rig, expected to be installed on the well head platform by January 2012. The Field Development Plan ("FDP") envisages a total of 11 new wells, including the four wells mentioned above, and the re-completion of the four existing wells at DDW.

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KG Onshore Block

OIL as operator of the KG Onshore Block is required to complete a 3D seismic acquisition program to acquire approximately 400 square kilometers of data, of which approximately 235 square kilometers has been acquired over the past two years before the program was suspended in the third quarter of 2011 due to weather.

Part of the acquired seismic to date has been processed and interpreted. Three priority locations as proposed have been reviewed and agreed to by the Operating Committee. All of these locations have multiple prospects in both the shallower (Eocene – Miocene) and deeper (Cretaceous – Jurassic) zones.

In February 2011, a contract was awarded to RPS Energy, Canada (RPS) to provide the well engineering and wellsite supervision work associated with the planned drilling campaign on the KG Onshore Block. OIL as operator of the KG Onshore Block has invited Expression of Interests from interested and reputable contractors for the supply of both casings and surface wellheads to support a High Pressure High Temperature (HPHT) drilling campaign in an effort to commence drilling the first exploration well in 2012. Our commitment on this block is to drill twelve exploration wells to various depths between 2,000-5,000 meters.

Tarapur Block

Currently there is an approved field development plan which covers an area of approximately 2.14 square kilometers within the Tarapur 1 Discovery Mining Lease Area of approximately 9.7 square kilometers, and includes three existing exploratory/appraisal wells (Tarapur 1, Tarapur P and Tarapur 5) and three development wells (TD-1, TD-2 and TD-3).

All six wells are tied into the oil tank storage facilities by way of a gathering system and are on production. There are ten additional wells in the Tarapur 1 Discovery Mining Lease Area which are drilled, tested and awaiting tie-in to the oil tank storage facilities. The preparation and filing of the field development plan for the seven appraisal wells in the TA-6 Discovery is pending approval of a submitted Declaration of Commerciality.

Production from one gas well (Tarapur G) will commence upon approval of the field development plan which GSPC has filed, pursuant to the provisions of the PSC.

Sanand/Miroli Block

In an Operating Committee Meeting held in December 2010, it was agreed that the consortium would apply for a Petroleum Mining Lease to cover three geometrical shapes surrounding the discoveries SE-8 (11.2 square kilometers), SE-4 cluster (18.2 square kilometers) and M1M6 (10.4 square kilometers).

On April 19, 2011, the Operating Committee approved the field development plan of the M1and M6 oil discoveries.

GSPC is continuing with the process of preparing and filing the necessary declarations of commerciality and field development plans pursuant to the provisions of the PSC in order to put all these wells into production.

Ankleshwar Block

The Phase I Minimum Work commitments have been met on this block and the consortium elected not to proceed to Phase II but rather develop the existing discoveries. The consortium elected to retain a 172 square kilometer area around the two discoveries ANK-21 and ANK-40S. A gas discovery (ANK-41S) has been notified within this 172 square kilometer area. GSPC is currently in the process of preparing an appraisal plan for the ANK-41S discovery and a Declaration of Commerciality for the ANK-40S for Operating Committee approval. An Operating Committee approved field development plan for the ANK-21 has been filed pursuant to the provisions of the PSC and is awaiting Government approval. GSPC continues to prepare and file the necessary declarations of commerciality and field development plans pursuant to the provisions of the PSC in order to put all these wells into production.

Mehsana Block
The Phase I exploration and appraisal period are completed and the minimum work commitments have been met on this block. As there is no commercial discovery on this block, the Operating Committee on September 19, 2011 elected to relinquish 100% of the block area back to the Government of India.

RJ20 and RJ21 Blocks
The Phulasar-1 well commenced drilling on April 29, 2011 and was drilled to a total vertical depth of 1,525 meters to test the Jodhpur Sandstone and the Upper Carbonate group. Wireline logs could not be recorded within the Upper Carbonate group as it suffered large mud loss while drilling the 12¼ inch section and Wireline formation tests within the Jodhpur formations did not confirm the presence of hydrocarbons. OIL as operator recommended not to lower the 5½ inch casing or to conduct a drill stem test program in this well. This well has been abandoned.

The drilling rig moved approximately 11 kilometers northeast of the Phulasar-1 well and commenced drilling the second prospect in the RJ20 Block, the Godu-1 well on August 1, 2011. This well has been drilled to a total depth of 1,641 meters. Wireline logs did not show any prospective hydrocarbon bearing zones in the well. OIL as operator recommended not to lower the 5½ inch casing and abandoned the well.

We have a 25% participating interest in each of the Rajasthan blocks.

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Myra and Sara Licenses
On October 6, 2010 we commenced exploration activities in Israel by entering into a Joint Operating Agreement with a consortium involved in two existing oil and gas licenses located in deep water off the coast of Israel. We became the operator of both the Myra and Sara licenses which commenced with the processing and interpretation of 1,360 square kilometers of previously acquired 3D seismic data which has now been completed.

The Israel Petroleum Commissioner's Office granted us an extension for the planned drilling program on the Myra and Sara licenses to July 13, 2012. Under the terms of the extension the partners were to present to the Petroleum Supervisor their final prospects to the Myra and Sara licenses by August 1, 2011, which was presented timely, and further, to begin drilling the first well by no later than March 31, 2012. Drilling of the second well will commence after completion of the first well, which is to commence no later than July 1, 2012.

On July 1, 2011 we confirmed that the we have finalized the terms of the Assignment Agreement entered into with a third party whereby we took assignment of a third party's rights and obligations to an existing Drill Rig and Associated Services Contract for a Semi-submersible Drilling Rig.

The Noble Homer Ferrington is a 4th Generation Enhanced Pacesetter design Semi-submersible rig capable of drilling in water depths of up to approximately 2,100 meters (7,000 feet). The rig will be available to the Company on or after December 1, 2011.

Samuel License
On August 1, 2010 we were granted a license from the state of Israel where we became the co-operator of the Samuel license through our partnership with Adira Energy and a commonly owned Israeli company, Adira Geo Global Ltd. A 43 square kilometer 3D seismic acquisition program commenced on June 17, 2011 and was completed on July 30, 2011. Processing and interpretation of the 3D seismic data is expected to be complete by April 2012.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the potential loss arising from changes in market rates and prices. We are exposed to the impact of market fluctuations associated with the following:

Interest Rate Risk
We consider our exposure to interest rate risk to be immaterial. Interest rate exposures relate entirely to our investment portfolio, as we do not have short-term or long-term debt. Our investment objectives are focused on preservation of principal and liquidity. We manage our exposure to market risks by limiting investments to high quality bank issuers at overnight rates, or government securities of the United States or Canadian federal governments such as Guaranteed Investment Certificates or Treasury Bills. We do not hold any of these investments for trading purposes. We do not hold investments in equity securities. We do not expect any material loss from cash equivalents and therefore we believe our interest rate exposure on invested funds is not material.

Foreign Currency Exchange Risk
Substantially, all of our cash and cash equivalents are held in U.S. dollars or U.S. dollar denominated securities. Certain of our expenses are fixed or denominated by foreign currencies including the Canadian dollar and the Indian Rupees. We are exposed to market risks associated with fluctuations in foreign currency exchange rates related to our transactions denominated in currencies other than the U.S. dollar.

At September 30, 2011, we had not entered into any market risk sensitive instruments relating to our foreign currency exchange risk.

Commodity Price Risk

Oil and natural gas prices are subject to wide fluctuations and market uncertainties due to a variety of factors that are beyond our control. These factors include the level of global demand for petroleum products, international supply of oil and gas, the establishment of and compliance with production quotas by oil exporting countries, weather conditions, the price and availability of alternative fuels, overall economic conditions, both international and domestic, and possible international disruptions. We cannot predict future oil and gas prices with any degree of certainty. Sustained weakness in oil and gas prices may adversely affect our ability to obtain capital to fund our activities and could in the future require a reduction in the carrying value of our oil and gas properties. Similarly, an improvement in oil and gas prices can have a favorable impact on our financial condition, results of operations and capital resources.

At September 30, 2011, we had not entered into any market risk sensitive instruments as such term is defined in Item 305 of Regulation S-K, relating to oil and natural gas.

Trading Risks

We have no market risk sensitive instruments held for trading purposes.

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ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2011. Disclosure controls and procedures are defined under SEC rules as controls and other procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based on our evaluation of our disclosure controls and procedures, the Chief Executive Officer and Chief Financial Officer have concluded that, as of September 30, 2011, our disclosure controls and procedures were effective.

Changes in Internal Controls

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) under the Securities Exchange Act), during the nine months ended September 30, 2011 that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

ITEM 1A. RISK FACTORS

Risks relating to us are described in detail in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2010 filed on March 31, 2011. Changes or additions to certain of those risk factors, or, those which are currently deemed to be material have been included in this Quarterly Report. Reference should be made to our Annual Report as well as to the following for complete information regarding all risk factors material to investors.

We Have A History Of Losses And Our Liquidity Position Imposes Risk To Our Operations

To date, we have not achieved our planned principal operations and we are considered to be in the development stage of our operations. We have incurred negative cash flows from our operations, and at this time all exploration activities and overhead expenses are primarily financed by way of the issue and sale of equity securities with a small portion being financed from oil sales and interest income on our cash balances. The recoverability of the costs we have incurred to date is uncertain and is dependent upon achieving commercial production or sale. Our prospects must be considered in light of the risks, expenses and difficulties which are frequently encountered by companies in their early stage of operations, particularly companies in the oil and gas exploration industry.

Our ability to continue as a going concern is dependent upon obtaining the necessary financing to complete further exploration and development activities and generate profitable operations from oil and natural gas interests in the future. Our financial statements as at and for the nine months ended September 30, 2011 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. We incurred a net loss of $4.4 million, used $3.4 million of cash flow in our operating activities and had an accumulated deficit of $51.9 million. As at September 30, 2011, we had working capital deficiency of approximately $2.2 million. These matters raise doubt about our ability to continue as a going concern.

We expect to incur substantial expenditures to further our exploration and development programs. The existing cash balance and any cash flow from operating activities may not be sufficient to satisfy current obligations and meet our exploration and development commitments. Development activities within our blocks and licenses that are unable to achieve production in the short term may need to be deferred or curtailed. We are considering various alternatives to remedy any future shortfall in capital. We may deem it necessary to raise capital through equity markets, debt markets or other financing arrangements, including participation arrangements that may be available. Because of the early stage of our operations and our absence of any material oil and natural gas reserves and revenues, there can be no assurance this capital will be available and if it is not, we may be forced to substantially curtail or cease exploration expenditures which could lead to our inability to meet all of our commitments.

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Should the going concern assumption not be appropriate and we are not able to realize our assets and settle our liabilities, commitments and contingencies (as more fully described in note 2 of our unaudited consolidated financial statements) in the normal course of operations, adjustments would be required to our unaudited consolidated financial statements to the amounts and classifications of assets and liabilities, and these adjustments could be significant. Our unaudited consolidated financial statements do not reflect the adjustments or reclassifications of assets and liabilities that would be necessary if we are unable to continue as a going concern.

GSPC Is Seeking a Substantial Payment From Us On Account Of GSPC's Exploration Costs On the KG Offshore Block

GSPC has advised us that it is seeking from us payment of our pro rata portion of the amount by which the sums expended by GSPC under all phases for the minimum work program as set forth in the PSC for the KG Offshore Block in carrying out exploration activities on the block exceeds the amount that GSPC deems to be our pro rata portion of a financial commitment under all phases included in the parties' joint bid for the award of the KG Offshore Block by the Government of India.

GSPC contends that this excess amount is not within the terms of the Carried Interest Agreement and that we are required to pay 10% of the exploration expenses over and above gross costs of $109.7 million (10% being $10.97 million) (including the net 5% interest of Roy Group (Mauritius) Inc.) plus interest.

For a full description of this matter, see "Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations – Carried Interest Dispute on the KG Offshore Block".

We estimate the amount of GSPC's claim as of September 30, 2011 to be approximately $245.5 million plus interest, of which 50% is for the account of Roy Group (Mauritius) Inc.

We dispute these positions of GSPC and the conclusions reached by GSPC and we intend to vigorously protect our contractual rights in accordance with the dispute resolution process under the Carried Interest Agreement, the PSC and the Joint Operating Agreement as may be appropriate. However, there can be no assurance that we will not by operation of law or through the dispute resolution process be required to pay GSPC the full amount it alleges to be owed, nor that adequate capital will be available to us to pay any such amounts, with consequent impact on our ability to continue as a going concern.

Our Activities Have Only Recently Commenced And We Have a Very Limited Operating History. Our Reserves Of Oil And Gas Are Not Material. We Anticipate Future Losses and There Is No Assurance Of Our Success

We are in the early stage of developing our operations. We have a very limited operating history and we have realized very limited revenues from our activities. We do not have material reserves of oil and gas as at September 30, 2011.

Our activities in the oil and natural gas exploration and production industry have primarily involved entering into ten PSCs with the Government of India. We also have exploration activities in Israel and Colombia however those activities are in the very early stages of development. Our exploration opportunities are highly speculative and should any of these opportunities not result in the discovery of commercial quantities of oil and gas reserves, our investment in the venture could be lost. Our current plans are to conduct the exploration and development activities on the areas offshore and onshore in accordance with the terms of the production sharing and other contracts we are a party to. There can be no assurance that the exploratory drilling to be conducted on the exploration blocks in which we hold an interest will result in any discovery of hydrocarbons or that any hydrocarbons that are discovered will be in commercially recoverable quantities. Further, the realization of any revenues from commercially recoverable hydrocarbons is substantially dependent upon the ability to deliver, store and market any hydrocarbons discovered. As of September 30, 2011 there are no or limited facilities for the delivery and storage of hydrocarbons in the areas covered by our PSCs and licenses.

As a company engaged in exploratory oil and gas activities we are exposed to a number of special risks including, among others:

- We may experience failures to discover oil and gas in commercial quantities;
- There are uncertainties as to the costs to be incurred in our exploratory drilling activities, cost overruns are possible and we may encounter mechanical difficulties and failures in completing wells;
- There are uncertain costs inherent in drilling into unknown formations, such as over-pressured zones, high temperatures and tools lost in the hole; and
- We may make changes in our drilling plans and locations as a result of prior exploratory drilling.

There can be no assurance that the ventures in which we are a participant or hold an interest will be successful in addressing these risks, and any failure to do so could have a material adverse effect on our prospects for the future.

TOC

Cautionary Statement For Purposes Of The "Safe Harbor" Provisions Of The Private Securities Litigation Reform Act Of 1995

With the exception of historical matters, the matters discussed in this Report are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. Forward-looking statements made herein include, but are not limited to:

- statements in this Report regarding our plans and objectives relating to our future operations,
- plans and objectives regarding the exploration, development and production activities conducted on the exploration blocks in India, Israel and Colombia where we have interests,
- plans regarding drilling activities intended to be conducted through the ventures in which we are a participant, the success of those drilling activities and our ability and the ability of the ventures to complete any wells on the exploration blocks, to develop reserves of hydrocarbons in commercially marketable quantities, to establish facilities for the collection, distribution and marketing of hydrocarbons, to produce oil and natural gas in commercial quantities and to realize revenues from the sales of those hydrocarbons,
- our ability to maintain compliance with the terms and conditions of licenses and our production sharing and other contracts, including the related work commitments, to obtain consents, waivers and extensions under the terms of these licenses and production sharing and other contracts as and when required, and our ability to fund those work commitments,
- our plans and objectives to join with others or to directly seek to enter into or acquire interests in additional licenses and production sharing or other contracts in India, Israel, Colombia and elsewhere,
- our assumptions, plans and expectations regarding our future capital requirements,
- our plans and intentions to raise additional capital we require and our likelihood of success in that regard,
- the costs and expenses to be incurred in conducting exploration, well drilling, development and production activities, our estimates as to the anticipated annual costs of those activities and the adequacy of our capital to meet our requirements for our present and anticipated levels of activities are all forward-looking statements.

These statements appear, among other places, in Part I under the caption "Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Part II under the caption "Item 1A - Risk Factors". If our plans fail to materialize, your investment will be in jeopardy.

- We cannot assure you that our assumptions or our business plans and objectives will prove to be accurate or be able to be attained.
- We cannot assure you that the exploratory drilling to be conducted on the exploration blocks in which we hold an interest will result in a discovery of reserves of hydrocarbons or that any hydrocarbons discovered will be in commercially recoverable quantities. In addition, the realization of any revenues from commercially recoverable hydrocarbons is dependent upon the ability to deliver, store and market any hydrocarbons discovered.
- Our ability to realize material revenues cannot be assured. Our ability to successfully drill, test and complete significant numbers of producing wells cannot be assured.
- We cannot assure you that we will have available the capital required to meet our plans and objectives at the times and in the amounts required or we will have available to us the amounts we are required to fund under the terms of the licenses or production sharing and other contracts we are a party to. We cannot assure you that we will be successful in raising the additional capital we currently require.
- We cannot assure you that we will be successful in joining any further ventures seeking to be granted licenses or production sharing or other contracts in India, Israel, Colombia or elsewhere or that we will be successful in acquiring interests in existing ventures.
- We cannot assure you that we will obtain all required consents, waivers and extensions from a governmental or regulatory body in India, Israel or Colombia as and when required to maintain compliance with the licenses or production sharing or other contracts we have entered into, that we may not be adversely affected by any delays we may experience in receiving those consents, waivers and extensions, and that we may not incur liabilities under the production sharing or other contracts for our failure to maintain compliance with the requirements of and timely complete the related work programs.

- We cannot assure you that GSPC will not be successful in its efforts to obtain payment from us on account of exploration costs it has expended on the KG Offshore Block for which it asserts we are liable or otherwise seek to hold us in breach of the PSC or commence arbitration proceedings against us and be successful in its assertion that it can terminate our contract with them or the Government of India.
- We cannot assure you of our ability to meet our goals and objectives. The consequences to us from adverse developments in general economic or capital market conditions, events having international consequences, or military or terrorist activities could have a material adverse effect on us.

An investment in shares of our common stock involves a high degree of risk. There can be no assurance that the exploratory drilling to be conducted on the exploration blocks in which we hold an interest will result in any discovery of reserves of hydrocarbons or that any hydrocarbons that are discovered will be in commercially recoverable quantities. In addition, the realization of any revenues from commercially recoverable hydrocarbons is dependent upon the ability to deliver, store and market any hydrocarbons that are discovered.

TOC

Our inability to meet our goals and objectives or the consequences to us from adverse developments in general economic or capital market conditions, events having international consequences, or military or terrorist activities could have a material adverse effect on us. We caution you that various risk factors accompany those forward-looking statements and are described, among other places, under the caption "Risk Factors" herein. They are also described in our Quarterly Reports on Form 10-Q and our Current Reports on Form 8-K. These risk factors could cause our operating results, financial condition and ability to fulfill our plans to differ materially from those expressed in any forward-looking statements made in this Report and could adversely affect our financial condition and our ability to pursue our business strategy and plans.

ITEM 6. EXHIBITS

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

31.2* Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1* Certification of President and Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2* Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* filed or furnished herewith

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

GEOGLOBAL RESOURCES INC.

November 14, 2011 By: /s/ Sunil S. Karkera

Sunil S. Karkera
Chief Financial Officer
(Signing on behalf of the registrant and as
Principal Financial and Accounting Officer)