

TIDELANDS OIL & GAS CORP/WA  
Form 10-Q  
November 19, 2007

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

\_\_\_\_\_  
**Form 10-Q**  
\_\_\_\_\_

(MARK ONE)

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended September 30, 2007**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

*Commission File Number: 0-29613*

**TIDELANDS OIL & GAS CORPORATION**

(Exact name of small business issuer as specified in its charter)

**Nevada**  
(State of incorporation)

**66-0549380**  
(IRS Employer ID Number)

**1862 West Bitters Rd., San Antonio, TX 78248**  
(Address of principal executive offices)

**(210) 764-8642**  
(Issuer's telephone number)

Securities registered under Section 12 (b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock - \$0.001 par value

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Check whether the issuer has (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes  No

**APPLICABLE ONLY TO CORPORATE ISSUERS**

As of November 14, 2007, there were 107,941,748 shares of Common Stock issued and outstanding.

Transitional Small Business Disclosure Format: Yes  No

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CONDENSED CONSOLIDATED BALANCE SHEETS****ASSETS**

	<b>September 30, 2007 (Unaudited)</b>	<b>December 31, 2006</b>
Current Assets:		
Cash	\$ 818,173	\$ 367,437
Accounts and Other Receivable	422,462	388,754
Inventory	102,315	84,030
Prepaid Expenses	329,608	148,551
Total Current Assets	1,672,558	988,772
Property Plant and Equipment, Net	9,718,681	12,364,359
Investment in Affiliate	210,980	-
Other Assets:		
Deposits	252,762	56,708
Cash Restricted	54,120	52,642
Deferred Charges	-	565,221
Goodwill	1,158,937	1,158,937
Total Other Assets	1,465,819	1,833,508
Total Assets	\$ 13,068,038	\$ 15,186,639

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Current Liabilities:		
Current Maturities - Note Payable	\$ 7,410,514	\$ 225,000
Accounts Payable and Accrued Expenses	2,554,299	1,624,752
Customer Deposits	10,350	-
Reserve for Litigation	2,250,000	2,250,000
Total Current Liabilities	12,225,163	4,099,752
Long-Term Debt	-	8,934,294
Total Liabilities	12,225,163	13,034,046
Commitments and Contingencies	-	-
Stockholders' Equity:		
Common Stock, \$.001 Par Value per Share, 250,000,000 Shares Authorized, 107,941,748		

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and 86,457,922 Shares Issued and Outstanding at

September 30, 2007 and December 31, 2006, Respectively	107,942	86,459
Additional Paid-in Capital	55,814,216	46,703,202
Subscriptions Receivable	-	(220,000)
Minority Interest	-	-
Accumulated Deficit	(55,079,283)	(44,417,068)
Total Stockholders' Equity	842,875	2,152,593
Total Liabilities and Stockholders' Equity	\$ 13,068,038	\$ 15,186,639

See Accompanying Notes to Consolidated Financial Statements

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**TIDELANDS OIL & GAS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

	<b>Three Months Ended September 30, 2007</b>	<b>Three Months Ended September 30, 2006</b>
Revenues:		
Gas Sales and Pipeline Fees	\$ 332,693	\$ 355,937
Construction Services	59,903	13,289
<b>Total Revenues</b>	<b>392,596</b>	<b>369,226</b>
Costs and Expenses:		
Cost of Sales	272,083	272,631
Operating Expenses	85,144	102,010
Depreciation	24,564	18,129
Impairment Loss	-	-
Stock-Based Compensation – Related Parties	139,265	348,000
Selling, General and Administrative	586,053	881,528
<b>Total Costs and Expenses</b>	<b>1,107,109</b>	<b>1,622,298</b>
<b>Loss From Operations</b>	<b>(714,513)</b>	<b>(1,253,072)</b>
Other Income (Expenses)		
Loss on Sale of Assets	(172,555)	(4,500)
Interest Expense	(245,749)	(2,572,249)
Interest and Dividend Income	3,077	53,500
Gain on Sale of Subsidiary	156,480	-
Miscellaneous	95,485	(743)
<b>Total Other Income (Expenses)</b>	<b>(163,262)</b>	<b>(2,523,992)</b>
<b>Net Loss</b>	<b>\$ (877,775)</b>	<b>\$ (3,777,064)</b>
Net Loss Per Common Share:		
<b><u>Basic and Diluted</u></b>	<b>\$ (0.01)</b>	<b>\$ (0.05)</b>
Weighted Average Number of Common Shares Outstanding	106,425,048	82,551,543

See Accompanying Notes to Condensed Consolidated Financial Statements



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**TIDELANDS OIL & GAS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

	<b>Nine Months Ended</b>	<b>Nine Months Ended</b>
	<b>September 30, 2007 (Restated - Note 8)</b>	<b>September 30, 2006</b>
Revenues:		
Gas Sales and Pipeline Fees	\$ 1,739,947	\$ 1,420,551
Construction Services	240,619	157,693
Total Revenues	1,980,566	1,578,244
Costs and Expenses:		
Cost of Sales	1,237,620	1,047,377
Operating Expenses	261,247	286,128
Depreciation	79,368	58,464
Impairment Loss	2,605,061	-
Stock-Based Compensation – Related Parties	5,011,763	1,535,400
Selling, General and Administrative	2,757,058	3,136,873
Total Costs and Expenses	11,952,117	6,064,242
Loss From Operations	(9,971,551)	(4,485,998)
Other Income (Expenses)		
Loss on Sale of Assets	(179,443)	(4,500)
Interest Expense	(774,175)	(3,057,258)
Interest and Dividend Income	10,951	115,239
Gain on Sale of Subsidiary	156,480	-
Miscellaneous	95,523	(743)
Total Other Income (Expenses)	(690,664)	(2,947,262)
Net Loss	\$ (10,662,215)	\$ (7,433,260)
Net Loss Per Common Share:		
<u>Basic and Diluted</u>	\$ (0.11)	\$ (0.09)
Weighted Average Number of Common		
Shares Outstanding	97,199,835	81,516,543

See Accompanying Notes to Condensed Consolidated Financial Statements



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**TIDELANDS OIL & GAS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	<b>Nine Months Ended September 30, 2007 (Restated)</b>	<b>Nine Months Ended September 30, 2006</b>
Cash Flows Provided From		
Operating Activities:		
Net Loss	\$ (10,662,215)	\$ (7,433,260)
Adjustments to Reconcile Net Loss		
To Net Cash Used In		
Operating Activities:		
Depreciation	333,214	345,887
Loss on Disposal of Equipment	179,443	4,500
Gain on Sale of Affiliate	(156,480)	-
Impairment Loss	2,605,061	-
Issuance of Common Stock:		
For Services Provided – Related Parties	5,011,763	1,535,400
For Services Provided – Other	1,049,791	375,400
For Payment of Interest	-	1,696,982
Changes in:		
Accounts Receivable	(33,708)	177,490
Inventory	(18,285)	67,615
Prepaid Expenses	(153,974)	(128,980)
Deferred Charges	565,221	(880,256)
Deposits	(65,438)	(50,000)
Accounts Payable and Accrued Expenses	1,272,791	219,622
Customer Deposits	10,350	-
Net Cash Used In Operating Activities	(62,466)	(4,069,600)
Cash Flows From		
Investing Activities:		
Investment in Affiliate	(62,601)	-
(Increase) Decrease in Restricted Cash	(1,478)	24,644
Proceeds from Sale of Assets	1,310,236	21,500
Acquisitions of Property, Plant and Equipment	(1,774,175)	(2,556,439)
Net Cash Used In Investing Activities	(528,018)	(2,510,295)

See Accompanying Notes to Condensed Consolidated Financial Statements



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**TIDELANDS OIL & GAS CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(CONTINUED)**

**(UNAUDITED)**

	<b>Nine Months Ended September 30, 2007 (Restated)</b>	<b>Nine Months Ended September 30, 2006</b>
Cash Flows From		
Financing Activities:		
Proceeds from Stock Subscriptions Receivable	-	220,000
Proceeds from Exercise of Stock Options	790,000	-
Proceeds from Long-Term Loans	-	6,737,276
Proceeds from Short-Term Loans	251,220	-
Repayment of Long-Term Loans	-	(608,750)
Proceeds from Repayment of Loan by Related Party	-	4,652
Net Cash Provided by Financing Activities	1,041,220	6,353,178
Net Increase (Decrease) in Cash	450,736	(226,717)
Cash at Beginning of Period	367,437	1,113,911
Cash at End of Period	\$ 818,173	\$ 887,194
Supplemental Disclosures of Cash Flow Information:		
Cash Payments for Interest	\$ 125,817	\$ 1,153,116
Cash Payments for Income Taxes	\$ -	\$ -
Non-Cash Operating, Investing and Financing Activities:		
Issuance of Common Stock:		
Payments of Accrued Expenses & Accounts Payable	\$ 343,244	\$ -