

COASTAL CARIBBEAN OILS & MINERALS LTD

Form 10-Q

October 31, 2014

[Table of Contents](#)

**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**

.. **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 001-04668**

**COASTAL CARIBBEAN OILS & MINERALS, LTD.**

**(Exact name of registrant as specified in its charter)**

**BERMUDA**  
**(State or other jurisdiction of**  
**incorporation or organization)**

**NONE**  
**(I.R.S. Employer**  
**Identification No.)**

**Clarendon House, Church Street, Hamilton, Bermuda**  
**(Address of principal executive offices)**  
**(850) 576-5982**

**HM 11**  
**(Zip Code)**

**(Registrant's telephone number, including area code)**

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate 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  No

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if smaller reporting company) Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

The number of shares outstanding of the issuer's single class of common stock as of October 31, 2014 was 97,734,617.

**Table of Contents**

**COASTAL CARIBBEAN OILS & MINERALS, LTD.**

**FORM 10-Q**

**March 31, 2014**

**Table of Contents**

	Page
<b><u>PART I - FINANCIAL INFORMATION</u></b>	
ITEM 1 <u>Financial Statements</u>	
<u>Consolidated balance sheets at March 31, 2014 and December 31, 2013</u>	3
<u>Consolidated statements of operations for the three month periods ended March 31, 2014 and 2013</u>	4
<u>Consolidated statements of cash flows for the three month periods ended March 31, 2014 and 2013</u>	5
<u>Notes to consolidated financial statements</u>	6
ITEM 2 <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	10
ITEM 3 <u>Quantitative and Qualitative Disclosure About Market Risk</u>	14
ITEM 4 <u>Controls and Procedures</u>	14
<b><u>PART II - OTHER INFORMATION</u></b>	
ITEM 1 <u>Legal Proceedings</u>	15
ITEM 5 <u>Other Information</u>	15
ITEM 6 <u>Exhibits</u>	16
<u>Signatures</u>	17

Table of Contents

## COASTAL CARIBBEAN OILS &amp; MINERALS, LTD.

## FORM 10-Q

## PART I - FINANCIAL INFORMATION

ITEM 1 - Financial Statements

## CONSOLIDATED BALANCE SHEETS

(Expressed in U.S. dollars)

(A Bermuda Corporation)

	March 31, 2014 (Unaudited)	December 31, 2013 (Note)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,861	\$ 11,222
Total Current Assets	4,861	11,222
Certificates of deposit - Restricted	86,630	86,630
Total Assets	\$ 91,491	\$ 97,852
<b>Liabilities and Shareholders Equity (Deficit)</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 86,831	\$ 91,194
Amounts due to related parties	1,370,037	1,363,787
Total current liabilities	1,456,868	1,454,981
Shareholders' equity (deficit)		
Common stock, par value \$.12 per share:		
Authorized - 250,000,000 shares		
Outstanding 96,138,153 and 95,121,486 shares, respectively	11,536,579	11,414,579
Discount on common stock par value	(4,069,854)	(3,978,354)
Capital in excess of par value	32,139,311	32,139,311
	39,606,036	39,575,536
Accumulated deficit	(40,971,413)	(40,932,665)
Total shareholders' equity (deficit)	(1,365,377)	(1,357,129)

Total liabilities and shareholders equity (deficit)	\$ 91,491	\$ 97,852
---	-----------	-----------

Note: The balance sheet at December 31, 2013 has been derived from the audited consolidated financial statements at that date.

See accompanying notes.

Table of Contents

## COASTAL CARIBBEAN OILS &amp; MINERALS, LTD.

## FORM 10-Q

## PART I - FINANCIAL INFORMATION

ITEM 1 - Financial Statements (Continued)

## CONSOLIDATED STATEMENTS OF OPERATIONS

(Expressed in U.S. dollars)

(A Bermuda Corporation)

(Unaudited)

	Three months ended March 31,	
	2014	2013
<b>Interest and other income</b>	\$	\$ 2
		2
<b>Expenses:</b>		
Administrative expenses	34,448	12,495
Salaries		20,833
Shareholder communications	4,300	4,000
	38,748	37,328
<b>Net loss</b>	\$ (38,748)	\$ (37,326)
<b>Average number of shares outstanding (basic &amp; diluted)</b>	95,510,190	79,670,752
<b>Net loss per share (basic &amp; diluted)</b>	\$ (.00)	\$ (.00)

See accompanying notes.



Table of Contents

## COASTAL CARIBBEAN OILS &amp; MINERALS, LTD.

## FORM 10-Q

## PART I - FINANCIAL INFORMATION

ITEM 1 - Financial Statements (Continued)

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in U.S. Dollars)

(A Bermuda Corporation)

(Unaudited)

	Three months ended March 31,	
	2014	2013
<b>Operating activities:</b>		
Net loss	\$ (38,748)	\$ (37,326)
Adjustments to reconcile net loss to net cash used in operating activities:		
Net change in:		
Accounts payable and accrued liabilities	1,887	35,802
Net cash used in operating activities	(36,861)	(1,524)
<b>Investing activities:</b>		
Purchase of certificate of deposit		(2)
Net cash used in investing activities		(2)
<b>Financing activities:</b>		
Sale of common stock, net of expenses	30,500	
Net cash provided by financing activities	30,500	
Net decrease in cash and cash equivalents	(6,361)	(1,526)
Cash and cash equivalents at beginning of period	11,222	1,577



Cash and cash equivalents at end of period	\$ 4,861	\$ 51
--	----------	-------

See accompanying notes.

Table of Contents

**COASTAL CARIBBEAN OILS & MINERALS, LTD.**

**FORM 10-Q**

**PART I - FINANCIAL INFORMATION**

**March 31, 2014**

**ITEM 1 Financial Statements** (Continued)

Notes to Consolidated Financial Statements

Note 1. Basis of Presentation

The accompanying unaudited consolidated financial statements include Coastal Caribbean Oils & Minerals, Ltd. ( the Company ) and its wholly owned subsidiary, Coastal Petroleum Company ( Coastal Petroleum ) and have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal recurring nature. Operating results for the three month period 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 footnotes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2013.

Effects of Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09 (Revenue from Contracts with Customers (Topic 606)), which requires an entity to recognize revenue from the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance addresses in particular contracts with more than one performance obligation as well as the accounting for some costs to obtain or fulfill a contract with a customer and provides for additional disclosures with respect to revenues and cash flows arising from contracts with customers. With respect to public entities, this update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016 and early adoption is not permitted. We believe that our implementation of this guidance will have no material impact on our consolidated financial statements.

Note 2. Going Concern

The Company has no recurring revenues, had recurring losses since 2006 and prior to 2005, and has an accumulated deficit. The Company s current cash position is not adequate to fund existing operations or exploration and development. The Company has an agreement in place with a director pursuant to which the director may further fund the Company to continue operations and exploration. There is no assurance that the Company will be able to obtain any funding, that sufficient funding can be obtained, or that the Company will be able to raise necessary funds.

These situations raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classification of liabilities, which may result from the outcome of this uncertainty.

**Table of Contents**

**COASTAL CARIBBEAN OILS & MINERALS, LTD.**

**FORM 10-Q**

**PART I - FINANCIAL INFORMATION**

**March 31, 2014**

**ITEM 1 Financial Statements** (Continued)

Note 3. Net loss per share

Net loss per share is based upon the weighted average number of common and common equivalent shares outstanding during the period. The Company's basic and diluted calculations of earnings per share (EPS) are the same because the exercise of options is not assumed in calculating diluted EPS, as the result would be anti-dilutive. The Company has included common shares to be issued to Robert J. Angerer, Sr. for advances made through March 31, 2014.

Note 4. Income Taxes

For the three month periods ending March 31, 2014 and 2013, the Company reported a loss for both financial statement reporting and income tax purposes. The Company has provided a 100% valuation allowance on its deferred tax asset as a result of its net operating loss carry-forwards. The Company had approximately \$11,585,000 in net operating loss carry-forwards at December 31, 2013.

Note 5. Related Party Transactions

See Note 7 also.

**Services**

Through May 2009, the Company paid a monthly retainer to the law firm of Angerer & Angerer which had been litigation counsel to the Company for more than twenty-five years and also served the Company in that capacity as well as others including general counsel services, management services, public relations, shareholder relations and representing the Company before state and federal agencies for permitting. The principals of the law firm included two individuals who are collectively shareholders, officers and a director of the Company. No amounts were paid or accrued in the three month periods ending March 31, 2014 or 2013. The Company owes \$150,000 to Angerer & Angerer at March 31, 2014.

The Company has been accruing compensation and related benefits to its former president and CEO (see Note 8). During the three months ended March 31, 2014, the Company did not accrue compensation or retirement benefits. During the three months ended March 31, 2013, the Company accrued compensation and retirement benefits of \$25,552. At March 31, 2014, the Company owes its former president and CEO compensation and related benefits of \$708,334 and \$186,703, respectively.

The Company has also been accruing directors' fees. During the three months ended March 31, 2014 and 2013, the Company accrued \$6,250 of fees to directors. At March 31, 2014, the Company owes \$325,000 in directors' fees.

Table of Contents

**COASTAL CARIBBEAN OILS & MINERALS, LTD.**

**FORM 10-Q**

**PART I - FINANCIAL INFORMATION**

**March 31, 2014**

Note 6. Certificates of Deposit Restricted

The Company has pledged certificates of deposit for pollution bond requirements under three previous well permits.

Note 7. Stock Transactions

Beginning in 2010, the Company has entered into various agreements to sell and sold restricted shares of its common stock for cash or in return for payment of certain Company expenses that have allowed the Company to pay lease rentals and other administrative costs necessary to keep the Company viable through the current period.

On May 20, 2011, the Company entered into an agreement with Robert J. Angerer, Sr., for the sale of 857,142 restricted and unregistered shares of common stock of the Company for \$60,000, in order to cover certain Company expenses. Mr. Angerer also exercised an option under the agreement for 142,857 shares of common stock for \$10,000. The Company plans to issue Mr. Angerer a total of 999,999 restricted and unregistered shares of common stock for investments made under this agreement. This agreement has concluded.

In October 2011, in order to fund immediate cash needs at that time, the Company entered into another agreement with Robert J. Angerer, Sr., for an immediate infusion of \$30,000 cash and the commitment to spend \$130,000 in operational costs to complete the Federal 1-19A well. The agreement also provided options for Mr. Angerer to provide additional funding. In return, the Company will issue 4,444,444 restricted and unregistered shares of common stock to Mr. Angerer. Under the agreement, Mr. Angerer provided a total of \$90,000 in cash to the Company; he provided \$55,000 in 2011 and an additional \$35,000 through August of 2012. Mr. Angerer also paid directly \$70,000 for expenses related to the Federal 1-19A well. The Company plans to issue Mr. Angerer a total of 4,444,444 restricted and unregistered shares of common stock for investments made under this agreement. The agreement was completed and all other options under the agreement expired. At March 31, 2014, 4,444,444 shares have been reflected as issued under the October 2011 agreement and remain to be issued to Mr. Angerer.

In September 2012, the Company entered into a new agreement with Robert J. Angerer, Sr., to provide additional funding in return for shares of restricted and unregistered shares of common stock of the Company at \$.03 per share. Mr. Angerer agreed to provide up to \$1,000,000 to perform a nitrogen fracturing operation on the Federal 1-19A well, to abandon two existing wells, to pay existing liabilities, and to allow the Company to cure its delinquent legal and regulatory filings. In conjunction with this agreement, the Company entered into a separation agreement with its then president and CEO, Phillip W. Ware. Mr. Angerer completed the nitrogen fracturing operation on the Federal 1-19A well at a cost of \$171,501 in 2012. The Company plans to issue 3,564,705 shares of restricted and unregistered shares of common stock to Mr. Angerer for transactions conducted in 2012. In 2013, Mr. Angerer paid \$60,000 to the Company in order for the Company to pay legal compliance costs and paid \$343,988 of existing liabilities of the Company. During 2014, Mr. Angerer paid \$78,394 for regulatory compliance costs and other general and administrative costs on behalf of the Company. The Company plans to issue Mr. Angerer 18,063,865 shares of

restricted and unregistered shares of common stock in exchange for the funds paid into the Company during 2013 and through September 30, 2014, pursuant to the 2012 agreement.

**Table of Contents**

**COASTAL CARIBBEAN OILS & MINERALS, LTD.**

**FORM 10-Q**

**PART I - FINANCIAL INFORMATION**

**March 31, 2014**

**ITEM 1 Financial Statements** (Continued)

Note 7. Stock Transactions (Continued)

As of the date of this report, the Company plans to issue Mr. Angerer 27,073,013 shares of restricted and unregistered shares of common stock in exchange for the funds paid into the Company through the various agreements described above that were entered into and performed from 2011 through September 30, 2014.

Note 8. Commitments, Contingencies and Subsequent Events

See Note 7 regarding subsequent stock transactions.

The Company is delinquent in filing its periodic reports required under the Securities Exchange Act of 1934 due to lack of funding. The Company is currently preparing its delinquent reports and plans to file all delinquent reports in 2014. The previous inaction to bring the Company's filings current may result in de-registration of the Company with the Securities Exchange Commission ( SEC ). Loss of this status may limit the Company's ability to access capital markets. The Company is working to file the delinquent reports, but there is no assurance that the Company will be able to file its delinquent reports.

In September 2012, the Company entered into a separation agreement and release with Phillip Ware, formerly the president and CEO of the Company, in connection with the September 2012 agreement with Robert J. Angerer, Sr. as disclosed in Note 7. Mr. Ware agreed that his existing options for 450,000 shares of common stock would expire within 90 days of the termination date, which was February 28, 2013. The options were not exercised and have expired. The Company agreed to pay Mr. Ware \$200,000 and issue him an option to purchase 1,000,000 shares of restricted and unregistered shares of common stock for \$.03 per share. This option expires on December 31, 2017. The Company has not paid Mr. Ware or issued the stock option as of the date of this report. Mr. Ware resigned from the Company effective February 28, 2013.



**Table of Contents**

**COASTAL CARIBBEAN OILS & MINERALS, LTD.**

**FORM 10-Q**

**PART I - FINANCIAL INFORMATION**

**March 31, 2014**

**ITEM 2 Management's Discussion and Analysis of Financial Condition and Results of Operations**  
**Forward Looking Statements**

Statements included in Management's Discussion and Analysis of Financial Condition and Results of Operations, which are not historical in nature, are intended to be forward looking statements. The Company cautions readers that forward looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated in the forward looking statements. Among the risks and uncertainties are: the uncertainty of securing additional funding through the sale of shares of Coastal Petroleum and/or Coastal Caribbean; changes in the income tax laws relating to tax loss carry forwards; the failure of the Company to locate oil or gas reserves or the failure to locate oil or gas reserves which are economically feasible to recover; reductions in worldwide oil or gas prices; adverse weather conditions; or mechanical failures of equipment used to explore the Company's leases.

**Critical Accounting Policies**

The Company follows the full cost method of accounting for its oil and gas properties. All costs associated with property acquisition, exploration and development activities whether successful or unsuccessful are capitalized.

The capitalized costs are subject to a ceiling test which basically limits such costs to the aggregate of the estimated present value discounted at a 10% rate of future net revenues from proved reserves, based on current economic and operating conditions, plus the lower of cost or fair market value of unproved properties.

The Company assesses whether its unproved properties are impaired on a periodic basis. This assessment is based upon work completed on the properties to date, the expiration date of its leases and technical data from the properties and adjacent areas.

**General**

We are an independent oil and gas exploration company. The Company's future growth will be driven primarily by exploration and development activities. Our business strategy is to increase shareholder value by acquiring and drilling reasonably priced prospects that have good potential, with the goal of shaping the Company into a highly productive independent oil and gas firm. We will continue to seek high quality exploration projects with potential for providing long-term drilling inventories that generate high returns.

During 2014 and 2013 we have been primarily focussed on bringing the Company current with its SEC filings and in other administrative areas. In addition, as described below, we have been looking, through consultants, for new oil and gas opportunities now feasible through technological advances. We have also been focused on and engaged in raising capital to fund the Company, in part to allow for additional operations in Montana should we be successful in

maintaining the remaining Montana lease. Due to the recession and the fragile state of the country's financial market, capital was a scarce commodity to obtain. We do not plan any further operations or expenditures on the former drilling program in Montana and North

**Table of Contents**

**COASTAL CARIBBEAN OILS & MINERALS, LTD.**

**FORM 10-Q**

**PART I - FINANCIAL INFORMATION**

**March 31, 2014**

**ITEM 2 Management's Discussion and Analysis of Financial Condition and Results of Operations** (Continued)

Dakota if the U.S. Bureau of Land Management ( BLM ) prevails on the claim that the lease with the Federal 1-19A well has expired. The combination of: no parties being located that were interested in working with the Company; and the state of the economy; left the Company with no other viable alternative other than to sell shares of its common stock to raise capital necessary to remain a viable public company, as described in Note 7 to the consolidated financial statements.

The Company has been sustained only through the purchases of stock by the Chairman of the Board of Directors, Robert J. Angerer, Sr. The funds that Mr. Angerer has provided allowed for the abandonment expenditures and payment of operating costs to keep the Company viable.

During the fourth quarter of 2010, the Company drilled an exploratory gas well on its Valley County, Montana Leases to test multiple zones potentially containing natural gas. The well was logged and cased and the results and information gathered from the well were evaluated in order to provide an assessment of the potential for natural gas production from the several target horizons drilled through at this location. After additional operations including a nitrogen fracturing operation in 2012, the information gathered was presented to the BLM, but the BLM, as the lessor, considered the information insufficient to show economic quantities of gas necessary to maintain the leases and on September 4, 2014, issued a final order finding that the leases had expired under their terms. The Company filed an appeal of the determination on October 9, 2014.

In North Dakota, we held the working interest on approximately 400 net acres in Slope County, however, due to lack of funds and no entity to partner with, we were not able to explore those leases prior to them expiring. Other leases that we previously held in North Dakota expired during the first quarter of 2012, because we were not able to raise the capital needed to fund drilling exploratory wells to test the Lodgepole Reef prospects on the leases.

Mr. Angerer has undertaken, pursuant to his most recent agreement, to bring the Company to a debt free operating position over the next twelve months. In addition, in light of recent technological advances in horizontal drilling and hydraulic fracturing methods, consultants are currently assessing certain areas to determine whether they are prospective for oil and gas in sufficient quantities and properties to allow the use of horizontal drilling and fracking . If, after their assessment, the consultants identify certain areas as prospective, the Company intends to seek another entity to work with to acquire leases over and to test the prospective areas for oil and gas. At this point the areas being assessed are confidential and may or may not result in the identification of any prospective areas.

Concurrently with the September 2012 agreement with Robert J. Angerer, Sr., a separation agreement and release was executed between Mr. Ware and the Company. Mr. Ware agreed that his existing options for 450,000 shares of common stock would expire within 90 days of the termination date, which was February 28, 2013. The options were

not exercised and have expired. Under the terms of the separation agreement, the Company agreed to pay Mr. Ware \$200,000 and issue him an option to purchase 1,000,000 shares of restricted and unregistered shares of common stock for \$.03 per share. This option expires on December 31, 2017. The Company has not paid Mr. Ware or issued the stock option as of the date of this report. Mr. Ware resigned from the Company effective February 28, 2013.

**Table of Contents**

**COASTAL CARIBBEAN OILS & MINERALS, LTD.**

**FORM 10-Q**

**PART I - FINANCIAL INFORMATION**

**March 31, 2014**

**ITEM 2 Management's Discussion and Analysis of Financial Condition and Results of Operations** (Continued)

**Liquidity and Capital Resources**

**Liquidity**

As more fully described in Note 2 to the consolidated financial statements, we have no significant assets or recurring revenues, have experienced recurring losses and have an accumulated deficit. We, along with various other related parties, settled several lawsuits in 2005, which were filed by the Company, our subsidiary Coastal Petroleum Company and other related parties against the State of Florida. All of these lawsuits were related to the State's actions limiting our ability to commence development activities through our subsidiary. The cost of that litigation was substantial. We leased mineral rights in Montana and North Dakota but the last of those leases expired under their terms in 2012 with the exception of the BLM contested lease. Management believes its efforts to obtain funding will allow the Company to move forward to explore and develop profitable oil and gas operations, although there is no assurance these efforts will be successful. These situations raise substantial doubt about our ability to continue as a going concern. Our consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classification of liabilities, which may result from the outcome of these uncertainties.

At March 31, 2014, we have \$4,861 in cash compared to \$11,222 at December 31, 2013. Our current liabilities exceed our current assets by \$1,452,007 at March 31, 2014. We suspended payments to our directors, general legal counsel, and employee since the second quarter of 2007 through March 31, 2014, and have accrued \$1,370,037 in expenses as of March 31, 2014. We expect to continue to suspend payments to most of these parties indefinitely until sufficient funding can be secured to resume exploration operations and cover normal operating expenses.

**Capital Resources**

Beginning in 2010, the Company has entered into various agreements to sell and sold restricted shares of its common stock for cash or in return for payment of certain Company expenses that have allowed the Company to pay lease rentals and other administrative costs necessary to keep the Company viable through the current period.

On May 20, 2011, the Company entered into an agreement with Robert J. Angerer, Sr., for the sale of 857,142 restricted and unregistered shares of common stock of the Company for \$60,000, in order to cover certain Company expenses. Mr. Angerer also exercised an option under the agreement for 142,857 shares of common stock for \$10,000. The Company plans to issue Mr. Angerer a total of 999,999 restricted and unregistered shares of common stock for investments made under this agreement. This agreement has concluded.



**Table of Contents**

**COASTAL CARIBBEAN OILS & MINERALS, LTD.**

**FORM 10-Q**

**PART I - FINANCIAL INFORMATION**

**March 31, 2014**

**ITEM 2 Management's Discussion and Analysis of Financial Condition and Results of Operations** (Continued)

In October 2011, in order to fund immediate cash needs at that time, the Company entered into another agreement with Robert J. Angerer, Sr., for an immediate infusion of \$30,000 cash and the commitment to spend \$130,000 in operational costs to complete the Federal 1-19A well. The agreement also provided options for Mr. Angerer to provide additional funding. In return, the Company will issue 4,444,444 restricted and unregistered shares of common stock to Mr. Angerer. Under this agreement, Mr. Angerer provided a total of \$90,000 in cash to the Company; he provided \$55,000 in 2011 and an additional \$35,000 through August of 2012. Mr. Angerer also paid directly \$70,000 for expenses related to the Federal 1-19A well. The Company plans to issue Mr. Angerer a total of 4,444,444 restricted and unregistered shares of common stock for investments made under this agreement. The agreement was completed and all other options under the agreement expired. At March 31, 2014, 4,444,444 shares have been reflected as issued under the October 2011 agreement and remain to be issued to Mr. Angerer.

In September 2012, the Company entered into a new agreement with Robert J. Angerer, Sr., to provide additional funding in return for shares of restricted and unregistered shares of common stock of the Company at \$.03 per share. Mr. Angerer agreed to provide up to \$1,000,000 to perform a nitrogen fracturing operation on the Federal 1-19A well, to abandon two existing wells, to pay existing liabilities, and to allow the Company to cure its delinquent legal and regulatory filings. In conjunction with this agreement, the Company entered into a separation agreement with its then president and CEO, Phillip W. Ware. Mr. Angerer completed the nitrogen fracturing operation on the Federal 1-19A well at a cost of \$171,501 in 2012. The Company plans to issue 3,564,705 shares of restricted and unregistered shares of common stock to Mr. Angerer for transactions conducted in 2012. In 2013, Mr. Angerer paid \$60,000 to the Company in order for the Company to pay legal compliance costs and paid \$343,988 of existing liabilities of the Company. During 2014, Mr. Angerer paid \$78,394 for regulatory compliance costs and other general and administrative costs on behalf of the Company. The Company plans to issue Mr. Angerer 18,063,865 shares of restricted and unregistered shares of common stock in exchange for the funds paid into the Company during 2013 and through September 30, 2014, pursuant to the 2012 agreement.

As of the date of this report, the Company plans to issue Mr. Angerer 27,073,013 shares of restricted and unregistered shares of common stock in exchange for the funds paid into the Company through the various agreements described above that were entered and performed from 2011 through September 30, 2014.

**Results of Operations**

**Three months ended March 31, 2014 vs. March 31, 2013**

We conducted limited operational activities in the first quarter of 2014 and did not conduct drilling activities in the first quarter of 2014 or 2013. We suspended substantially all of our efforts since 2011 due to lack of funding. Our

expenses are primarily administrative and our 2014 expenses remained consistent with 2013 amounts. Our former president and CEO, Phillip W. Ware resigned effective February 28, 2013.



**Table of Contents**

**COASTAL CARIBBEAN OILS & MINERALS, LTD.**

**FORM 10-Q**

**PART I - FINANCIAL INFORMATION**

**March 31, 2014**

**ITEM 3 Quantitative and Qualitative Disclosure About Market Risk**

The Company does not have any significant exposure to market risk as there were no investments in marketable securities at March 31, 2014.

**ITEM 4 Controls and Procedures**

**a. Management's report on internal control over financial reporting.**

We maintain controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Our Chief Executive Officer and Principal Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 (the Exchange Act) Rules 13a-15(e) or 15d-15(e)) as of the end of the period covered by this quarterly report, has concluded that our disclosure controls and procedures are effective based on his evaluation of these controls and procedures required by paragraph (b) of Exchange Act Rules 13a-15 or 15d-15.

**b. Changes in internal controls.** The Company made no changes in its internal control over financial reporting that occurred during the Company's first fiscal quarter that has materially affected, or which is reasonably likely to materially affect the Company's internal control over financial reporting.

**c. Limitations on the Effectiveness of Controls** Our management, including our Chief Executive and Principal Financial Officer, does not expect that our disclosure controls and internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential

future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

**Table of Contents**

**COASTAL CARIBBEAN OILS & MINERALS, LTD.**

**FORM 10-Q**

**PART II - OTHER INFORMATION**

**March 31, 2014**

**ITEM 1 Legal Proceedings**

The Company is aware of a claim of lien relating to the Evaline well (for approximately \$10,400), and another relating to the Federal 1-19A well (for approximately \$33,200). We have also stipulated with surveyors in North Dakota for approximately \$40,000 in order to avoid suit over work conducted there.

As of the date of this report, to the best knowledge of our management, there are no material litigation matters pending or threatened against us.

**ITEM 5 Other Information**

The Internal Revenue Code of 1986, as amended, provides special rules for distributions received by U.S. holders on stock of a passive foreign investment company (PFIC), as well as amounts received from the sale or other disposition of PFIC stock. Under the PFIC rules, a non-U.S. corporation will be classified as a PFIC for U.S. federal income tax purposes in any taxable year in which, after applying certain look-through rules, either (1) at least 75 percent of its gross income is passive income or (2) at least 50 percent of the gross value of its assets is attributable to assets that produce passive income or are held for the production of passive income.

The Company believes that it may be classified as a PFIC for the year 2014, because it derived the majority of its gross income in 2014 from the relatively small amount of interest the Company received. The determination of whether the Company will be considered a PFIC for United States federal income tax purposes is an annual determination that cannot be made until the close of the fiscal year. Also, how the Company was classified in prior years does not affect how it will be classified in the current year.

If, for any taxable year, the Company's passive income or assets that produce passive income exceed levels provided by U.S. law, the Company would be a passive foreign investment company, or PFIC, for U.S. federal income tax purposes. For the years 1987 through 2004 and in 2006, Coastal Caribbean's passive income and assets that produce passive income exceeded those levels and for those years Coastal Caribbean constituted a PFIC. If Coastal Caribbean is a PFIC for any taxable year, then the Company's U.S. shareholders potentially would be subject to adverse U.S. tax consequences of holding and disposing of shares of our common stock for that year and for future tax years. Any gain from the sale of, and certain distributions with respect to, shares of the Company's common stock, would cause a U.S. holder to become liable for U.S. federal income tax under section 1291 of the Internal Revenue Code (the interest charge regime). The tax is computed by allocating the amount of the gain on the sale or the amount of the distribution, as the case may be, to each day in the U.S. shareholder's holding period. To the extent that the amount is allocated to a year, other than the year of the disposition or distribution, in which the corporation was treated as a PFIC with respect to the U.S. holder, the income will be taxed as ordinary income at the highest rate in effect for that year, plus an interest charge.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

**Table of Contents**

**COASTAL CARIBBEAN OILS & MINERALS, LTD.**

**FORM 10-Q**

**PART II - OTHER INFORMATION**

**March 31, 2014**

**ITEM 6 Exhibits**

- 31.1 Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
- 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definitions Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

Table of Contents

**COASTAL CARIBBEAN OILS & MINERALS, LTD.**

**FORM 10-Q**

**PART II - OTHER INFORMATION**

**March 31, 2014**

**SIGNATURES**

Pursuant to 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.

**COASTAL CARIBBEAN OILS & MINERALS, LTD.**

Registrant

Date: October 31, 2014

By */s/ Robert J. Angerer, Sr.*  
Robert J. Angerer, Sr.,  
Chief Executive Officer,  
President and Principal Financial Officer