APPLIED GENETIC TECHNOLOGIES CORP
Form 8-K
July 31, 2018

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D)

OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): July 25, 2018

APPLIED GENETIC TECHNOLOGIES CORPORATION

(Exact Name of Registrant as Specified in Charter)

Delaware	**001-36370**	**59-3553710**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification Number)**

14193 NW 119th Terrace

Suite 10

Alachua, Florida, 32165

(Address of principal executive offices) (Zip Code)

(386) 462-2204

(Registrant s telephone number, including area code)

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below).

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On July 25, 2018, the compensation committee of our board of directors approved bonus payments for fiscal year 2018 and salary changes for fiscal year 2019 for Susan Washer, our president and chief executive officer, Mark Shearman, our chief scientific officer, William Sullivan, our chief financial officer, Stephen Potter, our vice president and chief business officer, and Andrew Ashe, our general counsel. The following table sets forth for each individual the amount of their bonus for fiscal year 2018 and their salary for fiscal year 2019.

Name	**Fiscal Year 2018 Bonus**	**Fiscal Year 2019 Salary**
Susan Washer	$ 200,000.00	$ 514,150.00
Mark Shearman	$ 136,000.00	$ 402,097.00
William Sullivan	$ 120,000.00	$ 353,600.00
Stephen Potter	$ 110,000.00	$ 352,862.00
Andrew Ashe	$ 108,290.00	$ 340,000.00

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.

APPLIED GENETIC TECHNOLOGIES CORPORATION

By: /s/ Andrew Ashe
Andrew Ashe
General Counsel

Date: July 31, 2018

ize="2" face="Times New Roman" style="font-size:10.0pt;">*

Lucy Hoffman(69)

15,000

5,000

15,000

*

Thomas P. Hogan(70)

167,715

57,335

146,987

*

Deborah Howe Revocable Living Trust(71)

22,285

7,428

22,285

*

Luther & Carol Hunnicutt(72)

15,000

5,000

15,000

*

Elizabeth A. Innis Living Trust(73)

13,500

4,500

13,500

*

Rodger Jensen(74)

7,500

2,500

7,500

*

Roy Jura(75)

8,250

2,750

8,250

*

Stephen A. Kalthoff Rev Trust Dated 03/25/1987(76)

22,500

7,500

22,500

*

H. Arnold Kela(77)

15,500

8,500

10,500

*

H. Arnold Kela Farms(78)

47,000

21,000

39,000

*

Shamm Kelly

37,393

7,059

30,334

*

K&B Development Inc. Profit Sharing Trust FBO R. Kent Kunz(79)

7,500

2,500

7,500

*

La Madera(80)

20,714

13,571

10,714

*

Donald C. & Ellen J. Laines(81)

7,500

2,500

7,500

*

Landon Inv. Co. Inc.(82)

20,000

20,000

0

*

Dan & Louise Landon(83)

45,000

15,000

45,000

*

Chris A. Larson, DDS

72,000

37,000

62,000

*

Chris A. Larson DDS Inc. Pension Plan(84)

147,500

5,000

142,500

*

Robert M. Lee & Wendy A. Lee

14,243

6,743

7,500

*

Linda R. Lemmon Trust(85)

3,700

750

3,700

*

Paul H. Lemmon Trust(86)

3,700

750

3,700

*

Betty Lo(87)

9,250

7,750

2,250

*

John P. and Erika Lockridge Trust dated November 15, 2000(88)

688,572

428,572

260,000

*

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Name	Number of Shares of Common Stock Beneficially Owned Before Offering	Number of Shares of Common Stock Offered Hereunder	Number of Shares of Common Stock Beneficially Owned Following the Offering	Percentage of Class Beneficially Owned After Offering(1)	
Jack and Joanne Loperena(89)	140,000	80,000	60,000		*
Larry J. Loperena	15,000	15,000	0		*
Laurie M. Loperena	10,000	10,000	0		*
Linda A. Loperena(90)	65,000	35,000	45,000		*
Lindsey J. Loperena	30,000	30,000	0		*
Carina Lu(91)	4,000	10,000	4,000		*
M. J. J. Ventures LLC(92)	1,559,136	1,221,538	344,731	1.17	%
Frank T. MacInnis(93)	45,000	15,000	45,000		*
Steven J. Malesardi	121,000	20,000	101,000		*
McGuiness Family Trust DTD 12-18-1992(94)	42,857	14,286	42,857		*
Marvin Melikian(95)	16,250	8,750	11,250		*
Brian V. Murray(96)	28,333	5,000	28,333		*
Douglas & Cynthia Myovich(97)	7,500	4,500	4,500		*
New Limited Partnership(98)	6,429	2,143	6,429		*
Nishkian Trust(99)	22,500	7,500	22,500		*
One & Co.(100)	404,359	10,000	394,359	1.34	%
Paul P. Ortner & Paul P. Ortner DDS Pension Plan(101)	611,429	86,429	525,000	1.79	%
Frank J. Parr(102)	85,000	35,000	75,000		*
Pine Hill Capital LLC(103)	150,000	150,000	150,000		*
William & Karen Podolsky(104)	11,000	5,000	9,000		*
Price Family Trust DTD 06-09-1994(105)	14,500	5,500	13,500		*
Kermit M. Radke	730,028	71,429	658,599	2.24	%
Gerald Raphael(106)	11,904	3,968	11,904		*
David A. Reeves(107)	2,000	10,000	2,000		*
Walter R. Reinhardt(108)	63,645	25,215	57,645		*
Leonard Ross(109)	204,000	204,000	204,000		*
Roytor & Co.(110)	106,900	106,900	0		*
Victor S. Sahatdjian(111)	3,000	1,000	3,000		*
Sahatdjian Family Revocable Trust(112)	2,000	2,000	0		*
San Pablo Properties(113)	10,000	10,000	0		*
Fahmie Sanders	3,000	3,000	0		*
Stanley Sanders Trust	3,000	3,000	0		*
George Sarantos(114)	42,877	14,292	42,877		*
James L. Schooley M.D. Inc. IRA Plan(115)	30,927	13,642	25,927		*
James L. Schooley	5,000	5,000	0		*
Daniel F. Selleck(116)	43,214	21,071	33,214		*
Robert & Laurie Selleck(117)	80,000	40,000	60,000		*
Billy K. Skelton	10,000	10,000	0		*
Slater & Co. 401(K) Pension Plan(118)	11,750	7,250	6,750		*
Dominik Slonek IRA Acct#FG67745(119)	22,500	7,500	22,500		*
Jim Smitherman III(120)	45,250	45,250	45,250		*
South Coast Marine Services Defined Benefit Plan(121)	21,428	7,143	21,428		*
Joseph D. Spino & Shirley J. Spino(122)	3,550	1,850	2,550		*
Theodore E. Staahl	98,572	98,572	0		*
Bryan T. Sugahara	30,000	25,000	5,000		*
Byron M. Sugahara	25,000	25,000	0		*
Kaytaro G. Sugahara	25,000	25,000	0		*
Virginia Sy(123)	65,000	65,000	65,000		*
John P. Tatum(124)	50,000	20,000	45,000		*
Temple Family Trust u/a 4/14/98(125)	40,150	20,050	30,150		*
Miles Thomas Family Trust U/A 04/22/1983(126)	22,500	7,500	22,500		*

Tolfree Family Trust(127)	25,500	10,500	22,500	*
Tooker & Antz HR-10 PSP(128)	15,000	5,000	15,000	*
Tooker 2003 Trust dated March 27, 2003(129)	47,999	3,500	47,999	*
Total Benefit Services, Inc. 401(K) Profit Sharing Plan(130)	13,500	4,500	13,500	*
Charles & Mary Alice Townsend Family Trust(131)	197,750	32,250	197,750	*
Daniele Upp(132)	58,375	58,375	58,375	*
Donna J. Walker IRA(133)	7,500	7,500	0	*

Name	Number of Shares of Common Stock Beneficially Owned Before Offering	Number of Shares of Common Stock Offered Hereunder	Number of Shares of Common Stock Beneficially Owned Following the Offering	Percentage of Class Beneficially Owned After Offering(1)	
William R. Weeks Revocable Trust u/d/t dated 04/10/03(134)	70,601	45,887	37,071		*
Dale P. & Terri Weigand(135)	6,450	2,150	6,450		*
Frank C. Wheeler	360,197	23,530	336,667	1.15	%
Phyllis K. Witesman(136)	4,500	1,500	4,500		*
John L. Woolf & Bernice M. Woolf(137)	16,250	8,750	11,250		*
Desmond Survivors Trust(138)	33,608	14,536	28,608		*
Norman C. Tanner & Barbara L. Tanner(139)	22,500	7,500	22,500		*
TOTAL	21,132,233	13,315,308	13,341,284		

* Indicates less than 1%

(1) Assumes the sale by the selling stockholders of all of the shares of common stock available for resale under this prospectus except for 1,750,498 shares issuable upon exercise of warrants and 3,960,000 shares issuable upon exercise of options.

(2) Mr. Doshi is our President, CEO and Chairman. Shares of common stock beneficially owned before and after the offering for Mr. Doshi includes 2,300,000 shares issuable upon exercise of options. Number of shares offered hereby includes 200,000 shares issuable upon exercise of unvested options.

(3) Mr. Creel is our Vice President of Exploration and a Director. Shares of common stock beneficially owned before and after the offering for Mr. Creel includes 220,000 shares issuable upon exercise of options. Number of shares offered hereby includes 30,000 shares issuable upon exercise of unvested options.

(4) Mr. Steinhauser is our Chief Financial Officer and a Director. Shares of common stock beneficially owned before and after the offering for Mr. Steinhauser includes 170,000 shares issuable upon exercise of options and 100,000 shares issuable upon exercise of warrants. Number of shares offered hereby includes 30,000 shares issuable upon exercise of unvested options.

(5) Mr. Anderson is a director. Shares of common stock beneficially owned before and after the offering for Mr. Anderson includes 15,000 shares issuable upon exercise of options. Number of shares offered hereby includes 60,000 shares issuable upon exercise of unvested options.

(6) Mr. Cunningham is a Director. Shares of common stock beneficially owned before and after the offering for Mr. Cunningham includes 130,000 shares issuable upon exercise of options and 10,000 shares issuable upon exercise of warrants. Number of shares offered hereby includes 20,000 shares issuable upon exercise of unvested options.

(7) Mr. Delehanty is a Director. Shares of common stock beneficially owned before and after the offering for Mr. Delehanty includes 430,000 shares issuable upon exercise of options. Number of shares offered hereby includes 45,000 shares issuable upon exercise of unvested options.

(8) Mr. DeMare, a Director, is the President of DNG Capital Corp. and has sole voting and investment control over the securities held by DNG Capital Corp. Shares of common stock beneficially owned before and after the offering for Mr. DeMare includes 15,000 shares issuable upon exercise of options. Number of shares offered hereby includes 60,000 shares issuable upon exercise of unvested options.

(9) Includes 285,714 shares of common stock owned by the Friedman 2004 Trust dated 11/11/04. Mr. Friedman has sole voting and investment control over the securities owned by the Friedman 2004 Trust.

(10) Shares of common stock beneficially owned before and after the offering includes 6,000 shares issuable upon exercise of warrants. Number of shares offered hereby includes 6,000 shares issuable upon exercise of warrants.

(11) Shares of common stock beneficially owned before and after the offering includes 1,750 shares issuable upon exercise of warrants. Number of shares offered hereby includes 1,750 shares issuable upon exercise of warrants.

(12) Shares of common stock beneficially owned before and after the offering includes 50,000 shares issuable upon exercise of options. Arline C. Barker has sole voting and investment control over the securities owned by the Lawrence Barker Jr. 2005 Revocable Trust. Number of shares offered hereby includes 50,000 shares issuable upon exercise of options.

(13) Shares of common stock beneficially owned before and after the offering 5,193 shares issuable upon exercise of warrants. Number of shares offered hereby includes 5,193 shares issuable upon exercise of warrants.

(14) This footnote is intentionally omitted.

(15) Shares of common stock beneficially owned before and after the offering includes 3,500 shares issuable upon exercise of warrants owned by the Bender Trust. Jeanne Bender and Arthur Bender have shared voting and investment control over the securities owned by the Bender Trust. Number of shares offered hereby includes 3,500 shares issuable upon exercise of warrants.

(16) Shares of common stock beneficially owned before and after the offering includes 6,000 shares issuable upon exercise of warrants. Number of shares offered hereby includes 6,000 shares issuable upon exercise of warrants.

(17) Shares of common stock beneficially owned before and after the offering includes 8,600 shares issuable upon exercise of warrants owned by the Blaine Investments Partnership. Mr. Jensen has sole voting and investment control over the securities held by Blaine Investments Partnership. Number of shares offered hereby includes 8,600 shares issuable upon exercise of warrants.

(18) Includes 5,000 shares of common stock owned by the Laura Bliss 2002 Trust. Laura Bliss has sole voting and investment control over the securities owned by the Laura Bliss 2002 Trust.

(19) Shares of common stock beneficially owned before and after the offering includes 750 shares issuable upon exercise of warrants. Number of shares offered hereby includes 750 shares issuable upon exercise of warrants.

(20) Shares of common stock beneficially owned before and after the offering includes 13,000 shares issuable upon exercise of warrants owned by the Boyd Trust dated 12/23/99. Ken Boyd and Susan Boyd have shared voting and investment control over the securities held by Boyd Trust dated 12/23/99. Number of shares offered hereby includes 13,000 shares issuable upon exercise of warrants.

(21) Shares of common stock beneficially owned before and after the offering includes 10,000 shares issuable upon exercise of warrants owned by the Robert M. Bragg Trust. Mr. Bragg has sole voting and investment control over the securities held by Robert M. Bragg Trust. Number of shares offered hereby includes 10,000 shares issuable upon exercise of warrants.

(22) Includes 10,000 shares of common stock owned by the Marjorie Brand Trust. Roger Jensen has sole voting and investment control over the securities owned by the Marjorie Brand Trust.

(23) Shares of common stock beneficially owned before and after the offering includes 19,785 shares issuable upon exercise of warrants owned by the Brenner Exception Trust dated 2-26-05. Mr. Brenner has sole voting and investment control over the securities held by Brenner Exception Trust dated 2-26-05. Number of shares offered hereby includes 19,785 shares issuable upon exercise of warrants.

(24) Shares of common stock beneficially owned before and after the offering includes 10,000 shares issuable upon exercise of warrants owned by the Brenner Family Trust 03-08-96. Hoby Brenner and Alexis Brenner have shared voting and investment control over the securities held by the Brenner Family Trust 03-08-96. Number of shares offered hereby includes 10,000 shares issuable upon exercise of warrants.

(25) Shares of common stock beneficially owned before and after the offering includes 1,000 shares issuable upon exercise of warrants owned by the Robert A. Buckenberger Family Trust. Robert A. Buckenberger & Shirley A. Buckenberger have shared voting and investment control over the securities held by the Robert A. Buckenberger Family Trust. Number of shares offered hereby includes 1,000 shares issuable upon exercise of warrants.

(26) Shares of common stock beneficially owned before and after the offering includes 3,642 shares issuable upon exercise of warrants. Number of shares offered hereby includes 3,642 shares issuable upon exercise of warrants.

(27) Shares of common stock beneficially owned before and after the offering includes 1,500 shares issuable upon exercise of warrants owned by the Fred H. Carlisle, Jr. Living Trust. Fred H. Carlisle has sole voting and investment control over the securities held by the Fred H. Carlisle, Jr. Living Trust. Number of shares offered hereby includes 1,500 shares issuable upon exercise of warrants.

(28) Shares of common stock beneficially owned before and after the offering includes 3,750 shares issuable upon exercise of warrants. Number of shares offered hereby includes 3,750 shares issuable upon exercise of warrants.

(29) Shares of common stock beneficially owned before and after the offering includes 500 shares issuable upon exercise of warrants. Number of shares offered hereby includes 500 shares issuable upon exercise of warrants.

(30) Shares of common stock beneficially owned before and after the offering includes 5,250 shares issuable upon exercise of warrants owned by the Mason Case Trust. Mason Case has sole voting and investment control over the securities held by the Mason Case Trust. Number of shares offered hereby includes 5,250 shares issuable upon exercise of warrants.

(31) Shares of common stock beneficially owned before and after the offering includes 500 shares issuable upon exercise of warrants. Number of shares offered hereby includes 500 shares issuable upon exercise of warrants.

(32) Shares of common stock beneficially owned before and after the offering includes 2,500 shares issuable upon exercise of warrants owned by the Cherry Family Trust. Robert Cherry has sole voting and investment control over the securities held by the Cherry Family Trust. Number of shares offered hereby includes 2,500 shares issuable upon exercise of warrants.

(33) Shares of common stock held by the Colbert Enterprises Profit Sharing Plan. Floyd O. Colbert has sole voting and investment control over the securities held by the Colbert Enterprises Profit Sharing Plan.

(34) Shares of common stock beneficially owned before and after the offering includes 6,000 shares issuable upon exercise of warrants owned by the Charles & Charlene Curtis Family Trust. Charles & Charlene Curtis have shared voting and investment control over the securities held by the Charles & Charlene Curtis Family Trust. Number of shares offered hereby includes 6,000 shares issuable upon exercise of warrants.

(35) Shares of common stock beneficially owned before and after the offering includes 9,350 shares issuable upon exercise of warrants owned by the Cutting Edge Supply 401(K) & P/S Plan & Trust . Franklin J. Brenner has sole voting and investment control over the securities held by the Cutting Edge Supply 401(K) & P/S Plan & Trust. Number of shares offered hereby includes 9,350 shares issuable upon exercise of warrants.

(36) Includes 166,944 shares of common stock owned by D. B. Zwirn Special Opportunities Fund Ltd. Dan Zwirn, Managing Partner, has sole voting and investment control over these securities owned by D. B. Zwirn Special Opportunities Funds Ltd.

(37) Includes 94,911 shares of common stock owned by D. B. Zwirn Special Opportunities Fund L.P. Dan Zwirn, Managing Partner has sole voting and investment control over these securities owned by D. B. Zwirn Special Opportunities Funds L.P.

(38) Includes 23,859 shares of common stock owned by D. B. Zwirn Special Opportunities Fund (TE) L.P. Dan Zwirn, Managing Partner has sole voting and investment control over these securities owned by D. B. Zwirn Special Opportunities Funds (TE) L.P.

(39) Shares of common stock held by the Dann Retirement Plan. John Dann has sole voting and investment control over the securities held by the Dann Retirement Plan.

(40) Shares of common stock beneficially owned before and after the offering includes 18,572 shares issuable upon exercise of warrants owned by the Haig Davidian 1999 Revocable Trust. Haig Davidian has sole voting and investment control over the securities held by the Haig Davidian 1999 Revocable Trust. Number of shares offered hereby includes 18,572 shares issuable upon exercise of warrants.

(41) Includes 77,500 shares of common stock owned by R. Michael Delagnes IRA Account #050061118831 at FISERV Trust Company. R. Michael Delagnes has sole voting and investment control over the securities owned by R. Michael Delagnes IRA Account #050061118831 at FISERV Trust Company.

(42) Shares of common stock beneficially owned before and after the offering includes 7,000 shares issuable upon exercise of warrants. Number of shares offered hereby includes 7,000 shares issuable upon exercise of warrants.

(43) Shares of common stock beneficially owned before and after the offering includes 750 shares issuable upon exercise of warrants. Number of shares offered hereby includes 750 shares issuable upon exercise of warrants.

(44) Shares of common stock held by the David J. Dickinson, CPA Profit Sharing Plan. David J. Dickinson & Patti A. Dickinson have shared voting and investment control over the securities held by the David J. Dickinson, CPA Profit Sharing Plan.

(45) Eric S. Doshi is an employee. Shares of common stock beneficially owned before and after the offering includes 58,375 shares issuable upon exercise of warrants. Number of shares offered hereby includes 20,000 shares issuable upon exercise of unvested options.

(46) Shares of common stock beneficially owned before and after the offering includes 58,375 shares issuable upon exercise of warrants. Number of shares offered hereby includes 58,375 shares issuable upon exercise of warrants.

(47) Shares of common stock beneficially owned before and after the offering includes 100,000 shares issuable upon exercise of warrants. Number of shares offered hereby includes 100,000 shares issuable upon exercise of warrants.

(48) Shares of common stock beneficially owned before and after the offering includes 3,250 shares issuable upon exercise of warrants. Number of shares offered hereby includes 3,250 shares issuable upon exercise of warrants.

(49) Shares of common stock beneficially owned before and after the offering includes 15,000 shares issuable upon exercise of warrants. Number of shares offered hereby includes 15,000 shares issuable upon exercise of warrants.

(50) Shares of common stock beneficially owned before and after the offering includes 1,500 shares issuable upon exercise of warrants. Number of shares offered hereby includes 1,500 shares issuable upon exercise of warrants.

(51) Shares of common stock beneficially owned before and after the offering includes 750 shares issuable upon exercise of warrants. Number of shares offered hereby includes 750 shares issuable upon exercise of warrants.

(52) Shares of common stock beneficially owned before and after the offering includes 300 shares issuable upon exercise of warrants. Number of shares offered hereby includes 300 shares issuable upon exercise of warrants.

(53) Shares of common stock beneficially owned before and after the offering includes 1,100 shares issuable upon exercise of warrants. Number of shares offered hereby includes 1,100 shares issuable upon exercise of warrants.

(54) Shares of common stock beneficially owned before and after the offering includes 3,000 shares issuable upon exercise of warrants. Number of shares offered hereby includes 3,000 shares issuable upon exercise of warrants.

(55) Shares of common stock beneficially owned before and after the offering includes 1,000 shares issuable upon exercise of warrants. Number of shares offered hereby includes 1,000 shares issuable upon exercise of warrants.

(56) Shares of common stock beneficially owned before and after the offering includes 2,500 shares issuable upon exercise of warrants owned by the Spouse s Trust Created Under Frick Family Trust DTD 1/31/92. Gary M. Frick, O.D. & Virginia M. Frick have shared voting and investment control over the securities held by the Spouse s Trust Created Under Frick Family Trust DTD 1/31/92. Number of shares offered hereby includes 2,500 shares issuable upon exercise of warrants.

(57) Shares of common stock beneficially owned before and after the offering includes 2,500 shares issuable upon exercise of warrants owned by the Bypass Trust Created Under the Frick Family Trust DTD 1/31/92. Gary M. Frick, O.D. & Virginia M. Frick have shared voting and investment control over the securities held by the Bypass Trust Created Under the Frick Family Trust DTD 1/31/92. Number of shares offered hereby includes 2,500 shares issuable upon exercise of warrants.

(58) Shares of common stock beneficially owned before and after the offering includes 5,000 shares issuable upon exercise of warrants owned by the Gary & Lori Frick Family Trust. Gary & Lori Frick have shared voting and investment control over the securities held by the Gary & Lori Frick Family Trust. Number of shares offered hereby includes 5,000 shares issuable upon exercise of warrants.

(59) Shares of common stock beneficially owned before and after the offering includes 2,500 shares issuable upon exercise of warrants. Number of shares offered hereby includes 22,500 shares issuable upon exercise of warrants.

(60) Shares of common stock beneficially owned before and after the offering includes 11,250 shares issuable upon exercise of warrants owned by the Jessie Garry Trust Dtd 01-04-94. Jessie Garry has sole voting and investment control over the securities held by the Jessie Garry Trust Dtd 01-04-94. Number of shares offered hereby includes 11,250 shares issuable upon exercise of warrants.

(61) Shares of common stock beneficially owned before and after the offering includes 1,500 shares issuable upon exercise of warrants owned by the Arnold & Dianne Gazarian Family Trust u/a/d 2/19/87. Arnold & Dianne Gazarian have shared voting and investment control over the securities held by the Arnold & Dianne Gazarian Family Trust u/a/d 2/19/87. Number of shares offered hereby includes 1,500 shares issuable upon exercise of warrants.

(62) Includes 5,000 shares of common stock owned by the Retirement PS Plan. Mark A. George has sole voting and investment control over the securities owned by the Retirement PS Plan.

(63) Shares of common stock beneficially owned before and after the offering includes 3,000 shares issuable upon exercise of warrants owned by the Glasco Family Trust. Dale Glasco & Rhenda Glasco have shared voting and investment control over the securities held by the Glasco Family Trust. Number of shares offered hereby includes 3,000 shares issuable upon exercise of warrants.

(64) Shares of common stock beneficially owned before and after the offering includes 30,000 shares issuable upon exercise of warrants owned by the Gordon Industrial Supply PSP. Darol Hoffman has sole voting and investment control over the securities held by the Gordon Industrial Supply PSP. Number of shares offered hereby includes 30,000 shares issuable upon exercise of warrants.

(65) Shares of common stock beneficially owned before and after the offering includes 15,000 shares issuable upon exercise of warrants owned by the Paul L. Gould Living Trust dated 01/06/03. Paul L. Gould has sole voting and investment control over the securities held by the Paul L. Gould Living Trust dated 01/06/03. Number of shares offered hereby includes 15,000 shares issuable upon exercise of warrants.

(66) Shares of common stock beneficially owned before and after the offering includes 5,000 shares issuable upon exercise of warrants. Number of shares offered hereby includes 5,000 shares issuable upon exercise of warrants.

(67) Shares of common stock beneficially owned before and after the offering 1,000 shares issuable upon exercise of warrants. Number of shares offered hereby includes 1,000 shares issuable upon exercise of warrants.

(68) Shares of common stock beneficially owned before and after the offering includes 22,500 shares issuable upon exercise of warrants. Number of shares offered hereby includes 22,500 shares issuable upon exercise of warrants.

(69) Shares of common stock beneficially owned before and after the offering includes 5,000 shares issuable upon exercise of warrants. Number of shares offered hereby includes 5,000 shares issuable upon exercise of warrants.

(70) Shares of common stock beneficially owned before and after the offering includes 36,607 shares issuable upon exercise of warrants. Number of shares offered hereby includes 36,607 shares issuable upon exercise of warrants.

(71) Shares of common stock beneficially owned before and after the offering includes 7,428 shares issuable upon exercise of warrants owned by the Deborah Howe Revocable Living Trust. Deborah Howe has sole voting and investment control over the securities held by the Deborah Howe Revocable Living Trust. Number of shares offered hereby includes 7,428 shares issuable upon exercise of warrants.

(72) Shares of common stock beneficially owned before and after the offering includes 5,000 shares issuable upon exercise of warrants. Number of shares offered hereby includes 5,000 shares issuable upon exercise of warrants.

(73) Shares of common stock beneficially owned before and after the offering includes 4,500 shares issuable upon exercise of warrants owned by the Elizabeth A. Innis Living Trust. Elizabeth A. Innis has sole voting and investment control over the securities held by the Elizabeth A. Innis Living Trust. Number of shares offered hereby includes 4,500 shares issuable upon exercise of warrants.

(74) Shares of common stock beneficially owned before and after the offering includes 2,500 shares issuable upon exercise of warrants. Number of shares offered hereby includes 2,500 shares issuable upon exercise of warrants.

(75) Shares of common stock beneficially owned before and after the offering includes 2,750 shares issuable upon exercise of warrants. Number of shares offered hereby includes 2,750 shares issuable upon exercise of warrants.

(76) Shares of common stock beneficially owned before and after the offering includes 7,500 shares issuable upon exercise of warrants owned by the Stephen A. Kalthoff Rev Trust dated 03/25/1987. Stephen A. Kalthoff has shared voting and investment control over the securities held by the Stephen A. Kalthoff Rev Trust dated 03/25/1987. Number of shares offered hereby includes 7,500 shares issuable upon exercise of warrants.

(77) Shares of common stock beneficially owned before and after the offering includes 3,500 shares issuable upon exercise of warrants. Number of shares offered hereby includes 3,500 shares issuable upon exercise of warrants.

(78) Shares of common stock beneficially owned before and after the offering includes 13,000 shares issuable upon exercise of warrants owned by H. Arnold Kela Farms. H. Arnold Kela has sole voting and investment control over the securities held by H. Arnold Kela Farms. Number of shares offered hereby includes 13,000 shares issuable upon exercise of warrants.

(79) Shares of common stock beneficially owned before and after the offering includes 2,500 shares issuable upon exercise of warrants owned by the K&B Development Inc. Profit Sharing Trust FBO R. Kent Kunz. Kent Kunz has sole voting and investment control over the securities held by the K&B Development Inc. Profit Sharing Trust FBO R. Kent Kunz. Number of shares offered hereby includes 2,500 shares issuable upon exercise of warrants.

(80) Shares of common stock beneficially owned before and after the offering includes 3,571 shares issuable upon exercise of warrants owned by La Madera. Rodger Jensen has sole voting and investment control over the securities held by La Madera. Number of shares offered hereby includes 3,571 shares issuable upon exercise of warrants.

(81) Shares of common stock beneficially owned before and after the offering includes 2,500 shares issuable upon exercise of warrants. Number of shares offered hereby includes 2,500 shares issuable upon exercise of warrants.

(82) Includes 20,000 shares of common stock owned by the Landon Inv. Co. Inc. Dan Landon has sole voting and investment control over the securities owned by the Landon Inv. Co. Inc.

(83) Shares of common stock beneficially owned before and after the offering includes 15,000 shares issuable upon exercise of warrants. Number of shares offered hereby includes 15,000 shares issuable upon exercise of warrants.

(84) Includes 147,500 shares of common stock owned by the Chris A. Larson DDS Inc. Pension Plan. Chris A. Larson has sole voting and investment control over the securities owned by the Chris A. Larson DDS Inc. Pension Plan.

(85) Shares of common stock beneficially owned before and after the offering includes 750 shares issuable upon exercise of warrants owned by the Linda R. Lemmon Trust. Linda R. Lemmon has sole voting and investment control over the securities held by the Linda R. Lemmon Trust. Number of shares offered hereby includes 750 shares issuable upon exercise of warrants.

(86) Shares of common stock beneficially owned before and after the offering includes 750 shares issuable upon exercise of warrants owned by the Paul H. Lemmon Trust. Paul H. Lemmon has sole voting and investment control over the securities held by the Paul H. Lemmon Trust. Number of shares offered hereby includes 750 shares issuable upon exercise of warrants.

(87) Shares of common stock beneficially owned before and after the offering includes 750 shares issuable upon exercise of warrants. Number of shares offered hereby includes 750 shares issuable upon exercise of warrants.

(88) Includes 688,572 shares of common stock owned by the John P. and Erika Lockridge Trust dated November 15, 2000. John P. and Erika Lockridge have shared voting and investment control over the securities owned by the John P. and Erika Lockridge Trust dated November 15, 2000.

(89) This footnote is intentionally omitted.

(90) Shares of common stock beneficially owned before and after the offering includes 15,000 shares issuable upon exercise of warrants. Number of shares offered hereby includes 15,000 shares issuable upon exercise of warrants.

(91) Carina Lu is an employee. Shares of common stock beneficially owned before and after the offering includes 4,000 shares issuable upon exercise of options. Number of shares offered hereby includes 6,000 shares issuable upon exercise of unvested options.

(92) Includes 1,537,738 shares of common stock owned by M.J.J. Ventures LLC. James W. Fisher has sole voting and investment control over the securities owned by M.J.J. Ventures LLC. Number of shares offered hereby includes 7,133 shares issuable upon exercise of warrants.

(93) Shares of common stock beneficially owned before and after the offering includes 15,000 shares issuable upon exercise of warrants. Number of shares offered hereby includes 15,000 shares issuable upon exercise of warrants.

(94) Shares of common stock beneficially owned before and after the offering includes 14,286 shares issuable upon exercise of warrants owned by the McGuinness Family Trust dated 12-18-1992. J. William McGuinness has sole voting and investment control over the securities held by the McGuinness Family Trust dated 12-18-1992. Number of shares offered hereby includes 14,286 shares issuable upon exercise of warrants.

(95) Shares of common stock beneficially owned before and after the offering includes 3,750 shares issuable upon exercise of warrants. Number of shares offered hereby includes 3,750 shares issuable upon exercise of warrants.

(96) Shares of common stock beneficially owned before and after the offering includes 5,000 shares issuable upon exercise of warrants. Number of shares offered hereby includes 5,000 shares issuable upon exercise of warrants.

(97) Shares of common stock beneficially owned before and after the offering includes 1,500 shares issuable upon exercise of warrants. Number of shares offered hereby includes 1,500 shares issuable upon exercise of warrants.

(98) Shares of common stock beneficially owned before and after the offering includes 2,143 shares issuable upon exercise of warrants owned by New Limited Partnership. Dorothy Bearden has sole voting and investment control over the securities held by New Limited Partnership. Number of shares offered hereby includes 2,143 shares issuable upon exercise of warrants.

(99) Shares of common stock beneficially owned before and after the offering includes 7,500 shares issuable upon exercise of warrants owned by the Nishkian Trust. Richard A. Nishkian has sole voting and investment control over the securities held by the Nishkian Trust. Number of shares offered hereby includes 7,500 shares issuable upon exercise of warrants.

(100) Includes 404,359 shares of common stock owned by One & Co. Richard F. Young, President, Richard Olney III, Executive Vice President, and Lynn Brennan, Executive Vice President, individually, have voting and investment control over these securities owned by One & Co.

(101) Includes 85,000 shares of common stock owned by the Paul P. Ortner DDS Pension Plan. Paul P. Ortner has sole voting and investment control over these securities owned by the Paul P. Ortner DDS Pension Plan.

(102) Shares of common stock beneficially owned before and after the offering includes 25,000 shares issuable upon exercise of warrants. Number of shares offered hereby includes 25,000 shares issuable upon exercise of warrants.

(103) Includes 150,000 shares of common stock beneficially owned before and after the offering issuable upon exercise of warrants owned by Pine Hill Capital LLC. James W. Fisher has sole voting and investment control over the securities owned by Pine Hill Capital LLC. Number of shares offered hereby includes 150,000 shares issuable upon exercise of warrants.

(104) Shares of common stock beneficially owned before and after the offering includes 3,000 shares issuable upon exercise of warrants. Number of shares offered hereby includes 3,000 shares issuable upon exercise of warrants.

(105) Shares of common stock beneficially owned before and after the offering includes 4,500 shares issuable upon exercise of warrants owned by the Price Family Trust DTD 06-09-1994. Robert F. Price & Kathryn S. Price have shared voting and investment control over the securities held by the Price Family Trust DTD 06-09-1994. Number of shares offered hereby includes 4,500 shares issuable upon exercise of warrants.

(106) Shares of common stock beneficially owned before and after the offering includes 3,968 shares issuable upon exercise of warrants. Number of shares offered hereby includes 3,968 shares issuable upon exercise of warrants.

(107) David Reeves is an employee. Shares of common stock beneficially owned before and after the offering includes 2,000 shares issuable upon exercise of options. Number of shares offered hereby includes 8,000 shares issuable upon exercise of unvested options.

(108) Shares of common stock beneficially owned before and after the offering includes 19,215 shares issuable upon exercise of warrants. Number of shares offered hereby includes 19,215 shares issuable upon exercise of warrants.

(109) Shares of common stock beneficially owned before and after the offering includes 204,000 shares issuable upon exercise of warrants. Mr. Ross is the President of Western Pacific Securities Inc., a registered broker dealer. Number of shares offered hereby includes 204,000 shares issuable upon exercise of warrants. The shares being registered on Mr. Ross s behalf underly warrants which were issued to Mr. Ross as compensation for investment banking services.

(110) Includes 106,900 shares of common stock owned by Roytor & Co. Olivier Couriol, Director, has sole voting and investment control over the securities owned by Roytor & Co.

(111) Shares of common stock beneficially owned before and after the offering includes 1,000 shares issuable upon exercise of warrants. Number of shares offered hereby includes 1,000 shares issuable upon exercise of warrants.

(112) Includes 2,000 shares of common stock owned by the Sahatdjian Family Revocable Trust. Victor S. Sahatdjian & Arlyne J. Sahatdjian have shared voting and investment control over these securities owned by the Sahatdjian Family Revocable Trust.

(113) Includes 10,000 shares of common stock owned by San Pablo Properties. Rodger Jensen has sole voting and investment control over these securities owned by San Pablo Properties.

(114) Shares of common stock beneficially owned before and after the offering includes 14,292 shares issuable upon exercise of warrants. Number of shares offered hereby includes 14,292 shares issuable upon exercise of warrants.

(115) Shares of common stock beneficially owned before and after the offering includes 8,642 shares issuable upon exercise of warrants owned by the James L. Schooley M.D. Inc IRA Plan. James L. Schooley has sole voting and investment control over the securities held by the James L. Schooley M.D. Inc IRA Plan. Number of shares offered hereby includes 8,642 shares issuable upon exercise of warrants.

(116) Shares of common stock beneficially owned before and after the offering includes 11,071 shares issuable upon exercise of warrants. Number of shares offered hereby includes 11,071 shares issuable upon exercise of warrants.

(117) Shares of common stock beneficially owned before and after the offering includes 20,000 shares issuable upon exercise of warrants. Number of shares offered hereby includes 20,000 shares issuable upon exercise of warrants.

(118) Shares of common stock beneficially owned before and after the offering includes 2,250 shares issuable upon exercise of warrants owned by the Slater & Co. 401 (K) Pension Plan. John Slater has sole voting and investment control over the securities held by the Slater & Co. 401 (K) Pension Plan. Number of shares offered hereby includes 2,250 shares issuable upon exercise of warrants.

(119) Shares of common stock beneficially owned before and after the offering includes 7,500 shares issuable upon exercise of warrants. Number of shares offered hereby includes 7,500 shares issuable upon exercise of warrants.

(120) Shares of common stock beneficially owned before and after the offering includes 45,250 shares issuable upon exercise of options. Number of shares offered hereby includes 45,250 shares issuable upon exercise of options.

(121) Shares of common stock beneficially owned before and after the offering includes 7,143 shares issuable upon exercise of warrants owned by the South Coast Marine Services Defined Benefit Plan. Carl R. Dingler & Mary T. Dingler have shared voting and investment control over the securities held by the South Coast Marine Services Defined Benefit Plan. Number of shares offered hereby includes 7,143 shares issuable upon exercise of warrants.

(122) Shares of common stock beneficially owned before and after the offering includes 850 shares issuable upon exercise of warrants. Number of shares offered hereby includes 850 shares issuable upon exercise of warrants.

(123) Virginia Sy is an employee. Shares of common stock beneficially owned before and after the offering includes 55,000 shares issuable upon exercise of options. Number of shares offered hereby includes 10,000 shares issuable upon exercise of unvested options.

(124) Shares of common stock beneficially owned before and after the offering includes 15,000 shares issuable upon exercise of warrants. Number of shares offered hereby includes 15,000 shares issuable upon exercise of warrants.

(125)

Shares of common stock beneficially owned before and after the offering includes 10,050 shares issuable upon exercise of warrants owned by the Temple Family Trust u/a 4/14/98. J. Martin Temple & Bobbye S. Temple have shared voting and investment control over the securities held by the Temple Family Trust u/a 4/14/98. Number of shares offered hereby includes 10,050 shares issuable upon exercise of warrants.

(126) Shares of common stock beneficially owned before and after the offering includes 7,500 shares issuable upon exercise of warrants owned by the Miles Thomas Family Trust U/A 04/22/1983. Miles H. Thomas & Joan Thomas have shared voting and investment control over the securities held by the Miles Thomas Family Trust U/A 04/22/1983. Number of shares offered hereby includes 7,500 shares issuable upon exercise of warrants.

(127) Shares of common stock beneficially owned before and after the offering includes 7,500 shares issuable upon exercise of warrants owned by the Tolfree Family Trust. Charles & Beth Tolfree have shared voting and investment control over the securities held by the Tolfree Family Trust. Number of shares offered hereby includes 7,500 shares issuable upon exercise of warrants.

(128) Shares of common stock beneficially owned before and after the offering includes 5,000 shares issuable upon exercise of warrants owned by the Tooker & Antz HR-10 PSP. Robert Tooker has sole voting and investment control over the securities held by the Tooker & Antz HR-10 PSP. Number of shares offered hereby includes 5,000 shares issuable upon exercise of warrants.

(129) Shares of common stock beneficially owned before and after the offering includes 3,500 shares issuable upon exercise of warrants owned by the Tooker 2003 Trust dated March 27, 2003. Robert L. Tooker & Teresa A. Tooker have shared voting and investment control over the securities held by the Tooker 2003 Trust dated March 27, 2003. Number of shares offered hereby includes 3,500 shares issuable upon exercise of warrants.

(130) Shares of common stock beneficially owned before and after the offering includes 4,500 shares issuable upon exercise of warrants owned by the Total Benefit Services, Inc. 401 (K) Profit Sharing Plan. Richard E. Aune has sole voting and investment control over the securities held by the Total Benefit Services, Inc. 401 (K) Profit Sharing Plan. Number of shares offered hereby includes 4,500 shares issuable upon exercise of warrants.

(131) Shares of common stock beneficially owned before and after the offering includes 32,250 shares issuable upon exercise of warrants owned by the Charles & Mary Alice Townsend Family Trust. Charles & Mary Alice Townsend have shared voting and investment control over the securities held by the Charles & Mary Alice Townsend Family Trust. Number of shares offered hereby includes 32,250 shares issuable upon exercise of warrants.

(132) Shares of common stock beneficially owned before and after the offering includes 58,375 shares issuable upon exercise of warrants. Number of shares offered hereby includes 58,375 shares issuable upon exercise of warrants.

(133) Donna J. Walker has sole voting and investment control over the securities held by the Donna J. Walker IRA.

(134) William R. Weeks has sole voting and investment control over the securities held by the William R. Weeks Revocable Trust u/d/t dated 04/10/03.

(135) Shares of common stock beneficially owned before and after the offering includes 2,150 shares issuable upon exercise of warrants. Number of shares offered hereby includes 2,150 shares issuable upon exercise of warrants.

(136) Shares of common stock beneficially owned before and after the offering includes 1,500 shares issuable upon exercise of warrants. Number of shares offered hereby includes 1,500 shares issuable upon exercise of warrants.

(137) Shares of common stock beneficially owned before and after the offering includes 3,750 shares issuable upon exercise of warrants. Number of shares offered hereby includes 3,750 shares issuable upon exercise of warrants.

(138) Shares of common stock beneficially owned before and after the offering includes 9,536 shares issuable upon exercise of warrants owned by the Desmond Survivors Trust. Joseph Desmond has sole voting and investment control over the securities held by the Desmond Survivors Trust. Number of shares offered hereby includes 9,536 shares issuable upon exercise of warrants.

(139) Shares of common stock beneficially owned before and after the offering includes 7,500 shares issuable upon exercise of warrants. Number of shares offered hereby includes 7,500 shares issuable upon exercise of warrants.

PLAN OF DISTRIBUTION

The selling shareholders identified in this prospectus may offer and sell up to an aggregate of 16,499,991 shares of our common stock which we have issued to them, or which we may issue to them upon the exercise of certain options and warrants.

All of the shares, options and warrants described above and registered hereunder were previously issued in transactions exempt from SEC registration and were completed prior to the filing of the registration statement of which this prospectus is a part.

The selling shareholders may sell all or a portion of the shares of common stock beneficially owned by them and offered hereby from time to time directly or through one or more underwriters, broker-dealers or agents. If the shares of common stock are sold through underwriters or broker-dealers, the selling shareholders will be responsible for underwriting discounts or commissions or agent s commissions. The shares of common stock may be sold in one or more transactions at fixed prices, at prevailing market prices at the time of the sale, at varying prices determined at the time of sale, or at negotiated prices. These sales may be effected in transactions, which may involve crosses or block transactions,

- on the Toronto Stock Exchange;

- on the American Stock Exchange;

- on any national securities exchange or quotation service on which the securities may be listed or quoted at the time of sale;

- in the over-the-counter market;

- in transactions otherwise than on these exchanges or systems or in the over-the-counter market;

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- through the writing of options, whether such options are listed on an options exchange or otherwise;
- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- short sales;
- sales pursuant to Rule 144;
- broker-dealers may agree with the selling shareholders to sell a specified number of such shares at a stipulated price per share;
- a combination of any such methods of sale; and
- any other method permitted pursuant to applicable law.

If the selling shareholders effect such transactions by selling shares of common stock to or through underwriters, broker-dealers or agents, such underwriters, broker-dealers or agents may receive commissions in the form of discounts, concessions or commissions from the selling shareholders or commissions from purchasers of the shares of common stock for whom they may act as agent or to whom they may sell as principal (which discounts, concessions or commissions as to particular underwriters, broker-dealers or agents may be in excess of those customary in the types of transactions involved). In connection with sales of the shares of common stock or otherwise, the selling shareholders may enter into hedging transactions with broker-dealers, which may in turn engage in short sales of the shares of common stock in the course of hedging in positions they assume. The selling shareholders may also sell shares of common stock short and deliver shares of common stock covered by this prospectus to close out short positions and to return borrowed shares in connection with such short sales. The selling shareholders may also loan or pledge shares of common stock to broker-dealers that in turn may sell such shares.

The selling shareholders may pledge or grant a security interest in some or all of the options or warrants or shares of common stock owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the shares of common stock from time to time pursuant to this prospectus or any amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act of 1933, as amended, amending, if necessary, the list of selling shareholders to include the pledgee, transferee or other successors in interest as selling shareholders under this prospectus. The selling shareholders also may transfer and donate the shares of common stock in other circumstances in which case the transferees, donees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus.

The selling shareholders and any broker-dealer participating in the distribution of the shares of common stock may be deemed to be underwriters within the meaning of the Securities Act, and any commission paid, or any discounts or concessions allowed to, any such broker-dealer may be deemed to be underwriting commissions or discounts under the Securities Act. At the time a particular offering of the shares of common stock is made, a prospectus supplement, if required, will be distributed which will set forth the aggregate amount of shares of common stock being offered and the terms of the offering, including the name or names of any broker-dealers or agents, any discounts, commissions and other terms constituting compensation from the selling shareholders and any discounts, commissions or concessions allowed or reallowed or paid to broker-dealers.

Under the securities laws of some states, the shares of common stock may be sold in such states only through registered or licensed brokers or dealers. In addition, in some states the shares of common stock may not

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be sold unless such shares have been registered or qualified for sale in such state or an exemption from registration or qualification is available and is complied with.

There can be no assurance that any selling shareholder will sell any or all of the shares of common stock registered pursuant to the registration statement, of which this prospectus is a part.

The selling shareholders and any other person participating in such distribution will be subject to applicable provisions of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, including, without limitation, Regulation M of the Exchange Act, which may limit the timing of purchases and sales of any of the shares of common stock by the selling shareholders and any other participating person. Regulation M may also restrict the ability of any person engaged in the distribution of the shares of common stock to engage in market-making activities with respect to the shares of common stock. All of the foregoing may affect the marketability of the shares of common stock and the ability of any person or entity to engage in market-making activities with respect to the shares of common stock.

We will pay all expenses of the registration of the shares of common stock including, without limitation, Securities and Exchange Commission filing fees and expenses of compliance with state securities or blue sky laws; provided, however, that a selling shareholder will pay all underwriting discounts and selling commissions, if any. We will indemnify those selling shareholders with whom we have registration rights agreements against liabilities, including some liabilities under the Securities Act, in accordance with our agreement to register their shares, or such selling shareholders will be entitled to contribution. We may be indemnified by those selling shareholders against civil liabilities, including liabilities under the Securities Act, that may arise from any written information furnished to us by such selling shareholder specifically for use in this prospectus, in accordance with the related registration rights agreements, or we may be entitled to contribution.

Once sold under the registration statement, of which this prospectus is a part, the shares of common stock will be freely tradable in the hands of persons other than our affiliates.

We have notified the selling shareholders of the prospectus delivery requirements for sales made by this prospectus and that, if there are material changes to the stated plan of distribution, a post-effective amendment with current information would need to be filed before offers are made and no sales could occur until such amendment is declared effective.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In the ordinary course of our business and in connection with our financing activities, we have entered into a number of transactions with our directors, officers and 5% or greater stockholders. We believe that we have executed all of the transactions set forth below on terms no less favorable to us than we could have obtained from unaffiliated third parties.

We appointed David G. Anderson as a Director on March 30, 2006. See Management . Mr. Anderson is the Senior Vice President and a director of Dundee Securities Corporation, the lead underwriter in connection with a sale of common shares we recently completed on March 30, 2006. The sale of common shares was conducted (a) outside the United States pursuant to the exemption from registration provided by Regulation S, and (b) within the United States only in accordance with an applicable exemption from the registration requirements of the 1933 Securities Act. The decision to distribute the common shares and the determination of the terms of the distribution were made through arm s length negotiations primarily between us and Dundee Securities Corporation as lead underwriter. Mr. Anderson had some involvement in such negotiations solely in his capacity as a director and officer of Dundee Securities Corporation. Dundee Securities Corporation received an underwriters fee totaling $632,000 in connection with the offering.

On June 6, 2005 we purchased 139,396 shares of common stock from Stuart Doshi, our President and Chief Executive officer, at the estimated fair market value prices on that date of $4.25 per share for a total of $592,433. We believe the purchase price of $4.25 per share was at least as favorable to us as could have been obtained through arm s length negotiations with unaffiliated third parties since we also sold 939,194 shares of our common stock for $4.25 per share in 2005.

On August 27, 2004, Mr. Doshi exercised an option to purchase 500,000 shares of common stock at an exercise price of $1.00 per share. The option was granted to Mr. Doshi on August 30, 1999 pursuant to his services as our Chief Executive Officer.

On May 31, 2005, David Creel, an executive officer and a director, exercised options to purchase 200,000 shares of common stock at an exercise price of $2.00 per share. The options were granted to Mr. Creel pursuant to his services as an executive officer as follows: (i) 100,000 options on June 1, 1998 and (ii) 100,000 options on June 1, 2000.

On April 29, 2005, Thomas Cunningham, a director, exercised an option to purchase 100,000 shares of common stock at an exercise price of $2.00 per share. The option was granted to Mr. Cunningham on April 30, 2000 pursuant to his services as a director.

On March 25, 2004, Kevin Delehanty, a director, exercised an option to purchase 70,900 shares of common stock at an exercise price of $1.00 per share. The option was granted to Mr. Delehanty on August 30,1999 pursuant to his services as a director.

On August 25, 2004, Mr. Delehanty exercised a warrant to purchase 100,000 shares of common stock at an exercise price of $1.00 per share. The warrant was granted to Mr. Delehanty on August 30, 1999 pursuant to his services as a director.

During 2004, we paid cash finders fees of $165,670 to Mr. Delehanty in connection with our equity and debt financings as follows: (i) $86,545 relating to the private placement issuances of 350,800 shares of our common stock at $4.25 per share during July, August and September of 2004, and (ii) $79,125 relating to the conversion into common stock of certain promissory notes and warrants held by a 5% shareholder as described below.

Effective March 22, 2004, we issued 539,000 shares of common stock to G. Carter Sednaoui and Rolling Hill Investors, LLC, an entity owned by Mr. Sednaoui, a 5% shareholder, pursuant to the exercise of warrants. Concurrently, Mr. Sednaoui and Rolling Hill Investors, LLC agreed to a $1,347,500 reduction in the principal balance of certain of our promissory notes payable as consideration for the exercise of the warrants. The common stock warrants were exercisable at a price of $2.50 and had an expiration date of December 31, 2008. The largest aggregate amount of principal outstanding on these promissory notes payable during 2004 was $5,130,180. A total of $2,508,948 in principal repayments were made toward the promissory notes during 2004. A total of $334,358 of interest was paid toward the promissory notes during 2004 at interest rates between 8% and 11%. As of this date, the promissory notes have been repaid in their entirety.

Effective September 17, 2004, we issued 62,500 shares of common stock to Mr. Sednaoui pursuant to the conversion of a $250,000 convertible note payable. The convertible note was issued on September 18, 2001 at an interest rate of 8% per annum for the purposes of funding our capital expenditures in the Madisonville Project in Texas. The largest aggregate amount of principal outstanding of this convertible note payable during 2004 was $250,000. A total of $14,262 of interest was paid toward the promissory note during 2004 at an interest rate of 8%. As indicated, the note was converted in 2004.

Effective September 30, 2004, we issued 117,648 shares of common stock to Mr. Sednaoui in exchange for a $500,000 reduction in the principal balance of a promissory note payable dated July 19, 2004 as consideration. The largest aggregate amount of principal outstanding of this promissory note payable during 2004 was $2,000,000. A total of $500,000 in principal repayments were made toward the promissory note during 2004. A total of $37,145 of interest was paid toward the promissory note during 2004 at an interest rate of 8%. As of this date, the promissory note has been repaid in its entirety.

During 2004, we sold 378,448 shares of common stock at a price of $4.25 per share to Mr. Sednaoui and certain entities owned and controlled by him. We believe the purchase price of $4.25 per share was at least as favorable to us as could have been obtained through arm s length negotiations with unaffiliated third parties since we sold 939,194 shares of our common stock for $4.25 per share in the first half of 2005.

Previously, Eric Doshi, Stuart Doshi s son, was employed as our Manager of Planning. We paid Eric Doshi $37,500, $78,540 and $105,689 during 2006, 2005 and 2004, respectively, for his services. Eric Doshi s compensation, based on industry comparables, was at least as favorable to us as could have been obtained through arm s length negotiations with unaffiliated third parties.

GeoPetro had an account payable to Stuart Doshi in the amount of $185,630 at June 30, 2001, which was paid in April 2003.

Subsequent to the above transactions, our Board of Directors adopted a written Amended and Restated Audit Committee charter which provides that the Audit Committee shall review all related-party transactions and potential conflict of interest situations involving amounts in excess of $120,000 on an ongoing basis. Related party transactions include transactions between GeoPetro and:

- Any of our directors or executive officers;
- Any nominee for election as a director;
- Any security holder who is known to us to own of record or beneficially more than five percent of any class of our voting securities; and
- Any member of the immediate family of any of the foregoing persons.

The Audit Committee shall determine whether the terms of proposed related party transactions are at least as favorable to us as could be obtained through arm s length negotiations with unaffiliated third parties. In making such determinations, the Audit Committee shall consider, where practicable, some or all of the following factors:

- Competitive bids;
- Industry or market comparables;
- Informal comparisons to similar transactions of other publicly and privately held companies similar to ours; and
- Similar transactions entered into by the Company through arm s length negotiations with unaffiliated third parties.

The above described transactions did not require review, approval or ratification by the Audit Committee since we did not have a policy requiring the Audit Committee s approval of related party transactions at the time such transactions were entered into.

MATERIAL INCOME TAX CONSEQUENCES

United States Federal Income Tax Considerations

The following is a summary of the material U.S. federal income tax consequences relating to the purchase, ownership and disposition of our common shares applicable to non-U.S. holders (as defined below). This summary is based on the Internal Revenue Code of 1986 (the **Code**), and Treasury Regulations promulgated thereunder, administrative pronouncements and judicial decisions, changes to any of which, subsequent to the date of this prospectus, may affect the tax consequences described herein. We undertake no obligation to update this tax summary in the future. This summary applies only to non-U.S. holders that will hold our common shares as capital assets within the meaning of Section 1221 of the Code. This summary does not purport to be a complete analysis of all the potential tax consequences that may be material to a non-U.S. holder based on his, her or its particular tax situation. This summary also does not address tax consequences applicable to non-U.S. holders that may be subject to special tax rules, such as controlled foreign corporations, passive foreign investment companies, persons liable for the alternative minimum tax, certain former citizens and long-term residents of the United States or corporations that accumulate earnings to avoid U.S. federal income tax. Such persons should consult with their own tax advisors to determine the U.S. federal tax consequences that may be relevant to them. In addition, this discussion does not address the tax treatment of partnerships or persons who hold their common shares through partnerships or other pass-through entities. A partner in a partnership that will

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hold our common shares should consult his or her tax advisor regarding the tax consequences of the ownership and disposition of our common shares. Moreover, this discussion does not consider the effect of any applicable state, local, foreign or other tax laws, including gift and estate tax laws.

References to a non-U.S. holder mean a beneficial owner of our common shares that for U.S. federal income tax purposes is other than:

- a citizen or individual resident of the United States, as determined for U.S. federal income tax purposes;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that is subject to the primary supervision of a U.S. court and to the control of one or more U.S. persons, or that was in existence on August 20, 1996, and has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

Taxation of Distributions and Dispositions

Distributions on Common Shares

In general, if distributions are made with respect to our common shares, such distributions will be treated as dividends to the extent of our current and accumulated earnings and profits as determined under the Code and be subject to withholding as discussed in the following paragraph. Any portion of a distribution that exceeds our current and accumulated earnings and profits will first be applied to reduce the non-U.S. holder s basis in the common shares and, to the extent such portion exceeds the non-U.S. holder s basis, the excess will be treated as gain from the disposition of the common shares, the tax treatment of which is discussed below under Dispositions of Common Shares. In addition, if we are a U.S. real property holding corporation (**USRPHC**), and any distribution exceeds our current and accumulated earnings and profits, we will need to choose to satisfy our withholding requirements either by treating the entire distribution as a dividend, subject to the withholding rules in the following paragraph (and withhold at a minimum rate of 10%), or by treating only the amount of the distribution equal to our reasonable estimate of our current and accumulated earnings and profits as a dividend, with the excess portion of the distribution subject to withholding as if such excess were the result of a sale of shares in a USRPHC (discussed below under Dispositions of Common Shares).

Generally, dividends paid to a non-U.S. holder will be subject to U.S. withholding tax at a 30% rate, subject to the two following exceptions:

- Dividends effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States or, if a tax treaty applies, dividends effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States and attributable to a U.S. permanent establishment (or a fixed based in the case of an individual) maintained by the non-U.S. holder, generally will not be subject to withholding if the non-U.S. holder complies with applicable certification requirements of the Internal Revenue Service (IRS) and generally will be subject to U.S. federal income tax on a net income basis at regular graduated rates. In the case of a non-U.S. holder that is a corporation, such effectively connected dividends also may be subject to the branch profits tax at a 30% rate (or such lower rate as may be prescribed by an applicable tax treaty).
- The withholding tax might not apply, or might apply at a reduced rate, under the terms of an applicable tax treaty. In the case of a non-U.S. holder entitled to the benefits of the income tax treaty between the U.S. and Canada, the tax rate is reduced to 15%. Under applicable Treasury Regulations, to obtain a reduced rate of withholding under a tax treaty, a non-U.S. holder generally will be required to satisfy applicable certification and other requirements prescribed by such Treasury Regulations. A non-U.S. holder of our common shares eligible for a reduced rate of U.S. withholding tax may obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the IRS.

Dispositions of Common Shares

Generally, a non-U.S. holder will not be subject to U.S. federal income tax with respect to gain recognized upon the disposition of such non-U.S. holder s common shares unless:

- We are or have been a USRPHC for U.S. federal income tax purposes at any time during the five-year period ending on the date of disposition or such shorter period that such common shares were held and certain trading requirements described below are not met;

- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are met; or

- such gain is effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States or, if a tax treaty applies, the gain is effectively connected with the conduct by the non-U.S. holder of a trade or business within the United States and is attributable to a U.S. permanent establishment (or a fixed base in the case of an individual) maintained by the non-U.S. holder.

An individual non-U.S. holder described in the second bullet point above will be subject to a flat 30% tax on the gain derived from the sale, which may be offset by U.S. source capital losses (even though the individual is not considered a resident of the United States). A non-U.S. holder described in the third bullet point above will be subject to tax on the gain derived from the sale under regular graduated U.S. federal income tax rates and, if it is a corporation, may be subject to the branch profits tax at a rate equal to 30% (or such lower rate as may be prescribed by an applicable tax treaty).

As to matters described in the first bullet point above, we believe we are currently a USRPHC for U.S. federal income tax purposes. Therefore, unless certain trading requirements described below are met, the sale of our common shares by a non-U.S. holder will be subject to U.S. federal income tax at normal graduated rates with respect to gain recognized. In addition, the purchaser of our common shares will be required to withhold tax at the rate of 10% of the amount realized from the sale and to report and remit such tax to the IRS within 20 days of the purchase. Such withheld amount is not an additional tax but is a credit against the non-U.S. holder s U.S. federal income tax liability arising from the sale. If our common shares are regularly traded on an established securities market, however, the common shares will not be treated as an interest in a USRPHC (and therefore gain recognized on disposition will not be subject to U.S. federal income tax) with respect to non-U.S. holders who do not hold, actually or constructively, more than 5% of our outstanding common shares at any time during the five-year period ending on the date of disposition or such shorter period that such common shares were held. In addition, the purchaser of our common shares will not be required to withhold tax if our common shares are regularly traded on an established securities market (regardless of whether the selling non-U.S. holder held more than 5% of our outstanding common shares).

An established securities market consists of any of the following: (a) a United States national securities exchange which is registered under Sec. 6 of the Securities Exchange Act of 1934; (b) a non-United States national securities exchange which is officially recognized, sanctioned, or supervised by a governmental authority; or (c) any over-the-counter market. An over-the-counter market is any market which has an interdealer quotation system. An interdealer quotation system is any system of general circulation to brokers and dealers which regularly disseminates quotations of stocks and securities by identified brokers or dealers, other than by quotation sheets which are prepared and distributed by a broker or dealer in the regular course of business and which contain only quotations of such broker or dealer.

Under temporary Treasury Regulations, for so long as 100 or fewer persons own 50% or more of our common shares (which is the case now and which we anticipate will continue to be the case for some period of time), the common shares will be regularly traded on an established securities market for a calendar quarter only if the established securities market is located in the United States and the common shares are regularly quoted by more than one broker or dealer making a market in the common shares. A broker or dealer makes a market in a class of stock only if the broker or dealer holds himself out to buy or sell shares of such class of stock at the quoted price. In this regard, at least two broker-dealers are presently regularly quoting and making a market in our common shares on the Pink Sheets, which, as an over-the-counter market having an interdealer quotation system, is an established securities market located in the United States.

For each calendar quarter during which our common shares are regularly quoted on the Pink Sheets, our common shares would be regularly traded on an established securities market and, accordingly, gain on sales of our common shares would not be subject to U.S. federal income tax for non-U.S. holders of 5% or less of our outstanding common shares and the purchaser of our common shares would not be required to withhold tax. Investors are cautioned that there can be no assurance that there will be at least two brokers or dealers regularly quoting our common shares on the Pink Sheets in any particular calendar quarter. In addition, neither the Code, the applicable Treasury Regulations, administrative pronouncements or judicial decisions provide guidance as to the frequency or duration with which our common shares must be quoted during a calendar quarter to be regularly quoted. We believe that it is reasonable to interpret this exemption to the effect that, from and after the date during a calendar quarter that our common shares are quoted, and so long as the broker-dealers continue thereafter to regularly quote our common shares, a purchaser after such date would not be subject to any withholding requirements, regardless of the amount owned by the seller of our common shares, and any gain from sale would not be subject to U.S. federal income taxation for non U.S. holders of 5% or less of our outstanding common shares. Due to the lack of guidance from the IRS, however, investors are cautioned that there can be no assurance the IRS would concur in this interpretation. If broker-dealers cease to regularly quote our common shares during the same calendar quarter as, but after, a sale of our common shares, the IRS may take the position that the purchaser was subject to the withholding obligation described above and such sellers would be subject to tax on any gain from the sale.

At such time that it is no longer the case that 100 or fewer persons own 50% or more of our common shares, under temporary Treasury Regulations, our common shares would also be regularly traded on an established securities market for a calendar quarter if: (a) our common shares trade, other than in de minimis quantities, on at least 15 days during the calendar quarter; (b) the aggregate number of our common shares traded during the calendar quarter is at least 7.5% of the average number of our common shares outstanding during such calendar quarter (reduced to 2.5% if there are 2,500 or more record shareholders); and (c) in the event that our common shares are traded on an established securities market located outside the United States, either (x) the common shares are registered under Sec. 12 of the Securities Exchange Act of 1934, or (y) we attach a statement to our U.S. federal income tax return providing the following information:

- a caption stating The following information concerning certain shareholders of this corporation is provided in accordance with the requirements of § 1.897-9T ;
- the name and state in which we are incorporated, our principal place of business, and our employer identification number;
- the identity of each person who, at any time during our tax year, was the beneficial owner of more than 5% of our common shares;
- the total number of common shares issued; and
- with respect to each beneficial owner of more than 5% of our common shares, the number of our common shares owned, the percentage of our common shares represented thereby, and the nature of the beneficial ownership of our common shares so owned.

Because the determination of whether we are a USRPHC depends on the fair market value of our U.S. real property interests relative to the fair market value of our foreign real property interests and other business assets, we may not be a USRPHC in the future. Even if and when we are no longer a USRHPC, however, generally only after we have not been a USRPHC for five consecutive years will the income tax and withholding requirements terminate.

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Information Reporting and Backup Withholding

Information Reporting

We must report annually to the IRS and to each non-U.S. holder the entire amount of any distribution irrespective of any estimate of the portion of the distribution that represents a taxable dividend paid to such non-U.S. holder, and the tax withheld with respect to such distribution. Copies of the information returns reporting such distributions and withholding may also be made available to the tax authorities in the country in which the non-U.S. holder resides under the provisions of an applicable income tax treaty.

The payment of proceeds from the sale of our common shares by a broker to a non-U.S. holder which is not subject to the USRPHC withholding and reporting rules discussed above is generally not subject to information reporting if:

- the beneficial owner of our common shares certifies its non-U.S. status under penalties of perjury, or otherwise establishes an exemption; or

- the sale of our common shares is effected outside the United States by a foreign office, unless the broker is:

- a U.S. person as defined in the Code;

- a foreign person that derives 50% or more of its gross income for certain periods from activities that are effectively connected with the conduct of a trade or business in the United States;

- a controlled foreign corporation for U.S. federal income tax purposes; or

- a foreign partnership, if, at any time during its tax year, one or more of its partners are U.S. persons as defined in Treasury Regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership or if, at any time during its tax year, the foreign partnership is engaged in a U.S. trade or business.

Backup Withholding

Dividends paid to a non-U.S. holder of our common shares generally will be exempt from backup withholding if the non-U.S. holder provides a properly executed IRS Form W-8BEN or otherwise establishes an exemption. The payment of proceeds from a disposition of our common shares effected by a non-U.S. holder outside the United States by or through a foreign office of a broker generally will not be subject to backup withholding. Payment of the proceeds from a disposition by a non-U.S. holder of our common shares made by or through the U.S. office of a broker is generally not subject to backup withholding if the non-U.S. holder provides a properly executed IRS Form W-8BEN or otherwise establishes an exemption. Notwithstanding the foregoing, backup withholding may apply if either we, our paying agent or the broker had actual knowledge, or reason to know, that the non-U.S. holder is a U.S. person.

Backup withholding is not an additional tax. Any amount withheld under these rules from a payment to a non-U.S. holder will be allowed as a credit against such non-U.S. holder s U.S. federal income tax liability and may entitle such non-U.S. holder to a refund provided the required information is furnished timely to the IRS.

The U.S. federal income tax discussion set forth above is included for general information only and may not be applicable depending upon a non-U.S. holder s particular situation. Anything contained in this summary concerning any U.S. federal tax issue is not intended or written to be used, and it cannot be used, for the purpose of avoiding federal tax penalties under the Code. This summary was written to support the promotion or marketing of the transactions or matters addressed by this prospectus. Potential investors should consult their own tax advisors with respect to the tax consequences to them of the purchase, ownership and disposition of our common shares, including the tax consequences under U.S. federal, state, local, foreign and other tax laws, including gift and estate tax laws, and the possible effects of changes in federal or other tax laws.

DESCRIPTION OF SECURITIES

Our articles of incorporation authorize the issuance of up to 100,000,000 common shares, and 50,000,000 shares of blank check convertible preferred stock, which may be issued from time to time in one or more series and with such rights, preferences and limitations as the Board of Directors may designate.

Common Shares

The holders of our common shares, no par value per shares, are entitled to one vote per share. The holders of common stock are entitled to cumulative voting rights with respect to the election of directors. Subject to the dividend preferences on outstanding preferred stock, the holders of our common shares are entitled to receive ratably on a share-for-share basis such dividends as may be declared by the Board of Directors. In the event of a liquidation, the holders of our common shares are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock.

Series AA Stock

On March 28, 2007, all 1,890,710 of our outstanding shares of Series AA Stock 8% Convertible Preferred automatically converted into 1,890,710 shares of our common stock, no par value per share. Under our Amended and Restated Articles of Incorporation the Series AA (Series AA Stock) stock automatically converted into common shares on a one-for-one share basis effective the first trading day after the reported high selling price for our common shares was at least $5.25 per share for any consecutive ten trading days, which condition was met on March 27, 2007. Dividends accrued on the Series AA Stock at a rate of $0.28 per annum, per share, while the Series AA Stock was outstanding. In 2006, dividends paid on the Series AA Stock totaled $529,400. Pursuant to the terms of the Series AA Stock, no dividends are payable for the first quarter of 2007.

Shareholder Action

According to our Articles of Incorporation and Bylaws, concerning any act or action required of or by the shareholders, the affirmative vote of the holders of a majority of the issued and outstanding common stock is sufficient to authorize, affirm, ratify or consent to such act or action, except as otherwise provided by law. Officers, directors and holders of 5% or more of our outstanding common stock do not constitute a majority and thus do not control the voting upon all actions required or permitted to be taken by our shareholders, including the election of directors.

Possible Anti-Takeover Effects of Authorized but Unissued Stock

Our authorized but unissued capital stock consists of 70,452,925 shares of common stock. One of the effects of the existence of authorized but unissued capital stock may be to enable the Board of Directors to render more difficult or to discourage an attempt to obtain control of GeoPetro by means of a merger, tender offer, proxy contest or otherwise, and to protect the continuity of GeoPetro s management. If in the due exercise of its fiduciary obligations, for example, the Board of Directors were to determine that a takeover proposal was not in GeoPetro s best interests, such shares could be issued by the Board of Directors without shareholder approval in one or more private placements or other transactions that might prevent or render more difficult or costly the completion of the takeover transaction by diluting the voting or other rights of the proposed acquiring or insurgent shareholder or shareholder group, by creating a substantial voting block in institutional or other hands that might undertake to support the position of the incumbent Board of Directors, by effecting an acquisition that might complicate or preclude the takeover, or otherwise.

Undesignated Preferred Stock. Our undesignated preferred stock enables the board of directors to render more difficult or to discourage an attempt to obtain control of our company by means of a tender offer, proxy contest, merger or otherwise, and thereby to protect the continuity of management. The issuance of shares of the preferred stock pursuant to the board of directors authority described above may adversely affect the rights of the holders of common stock. For example, preferred stock that we may rank prior to the common stock as to dividend rights, liquidation preference or both, may have full or limited voting rights and may be convertible into shares of common stock. Accordingly, the issuance of shares of preferred stock may discourage bids for the common stock or may otherwise adversely affect the market price of the common stock.

Other Anti-Takeover Provisions

We executed a contract of employment with Stuart J. Doshi, our President, Chief Executive Officer and Chairman of the Board of Directors, dated July 28, 1997, as amended. The contract currently provides for a five-year term which commenced May 1, 2005, which term is automatically extended for successive two-year renewal terms unless the Board of Directors or Mr. Doshi elects not to renew, or Mr. Doshi attains age 75. The contract provides for an annual salary of $300,000, subject to annual inflation adjustments. The contract also provided for options to purchase up to 750,000 shares of our common stock at an exercise price of $0.50 per share which options were to expire on April 30, 2006. The expiration dates of the options have been extended to April 30, 2008. In the event of a change of control, or if we do not renew Mr. Doshi s agreement, or if Mr. Doshi is terminated without cause, or under certain circumstances, with cause, he is entitled to receive (a) in exchange for all of his vested stock options and vested restricted shares, such number of shares of common stock having a market value equal to the difference between (x) the aggregate total market value of all vested restricted shares and shares of common stock he would receive upon exercise of all vested stock options less (y) the aggregate total exercise price for all of his vested stock options; provided, however, that if the common stock to be delivered to Mr. Doshi upon such change of control or termination have not been registered so as to permit immediate public resale, Mr. Doshi shall instead receive a cash payment equal to the market value on the date of termination of all vested stock options and restricted shares without any discount for liquidity or minority position against cancellation of such options and restricted shares, (b) a cash payment equal to the greater of (i) his salary for the remainder of his term and the aggregate amount of his bonuses in respect of the last four fiscal years and (ii) four times his compensation in the current year and the aggregate amount of his bonuses for the last four fiscal years, and (c) an additional cash payment representing his employment benefits equal to 20% of the amount of salary he is entitled to receive under (b)(i) or (b)(ii) above, as applicable. In addition, in the event of a change of control or termination without cause, all unvested options issued by us to Mr. Doshi will vest.

The termination provisions of this employment contract were designed, in part, to impede and discourage a hostile takeover attempt and to protect the continuity of management.

Certain Charter and Bylaws Provisions

Limitation of Liability

Our Articles of Incorporation and Bylaws limit the liability of directors and provide that directors and officers shall be indemnified to the fullest extent permitted by California law. Section 317 of the California Corporations Code permits indemnification to be authorized by either: (a) a majority vote of disinterested directors constituting a quorum of the board of directors; (b) if such a quorum of directors is not obtainable, by independent legal counsel in a written opinion; (c) a vote of the shareholders; or (d) a court. The California Corporations Code states, generally, that to the extent a director or officer is successful on the merits in defense of a proceeding, he or she has the right to be indemnified against expenses actually and reasonably incurred in connection therewith.

We have obtained a directors and officers liability insurance policy for the purposes of indemnification which shall cover all of our elected and appointed directors and officers up to $20,000,000 for each claim and $20,000,000 in the aggregate. We believe that the limitation of liability provision in our Articles of Incorporation, and the directors and officers liability insurance will facilitate our ability to continue to attract and retain qualified individuals to serve as directors and officers.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers, and controlling persons , we have been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore unenforceable. Except for our payment of expenses incurred or paid by a director, officer, or controlling person in the successful defense of any action, suit or proceeding, if a claim for indemnification against such liabilities is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by a controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by us is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issues.

Shareholder Meetings and Other Provisions

Under our Bylaws, special meetings of the our shareholders may be called only by a majority of the members of the Board of Directors, the Chairman of the Board, the President, or by one or more shareholders holding shares in the aggregate entitled to cast not less than 10% of the votes at any such meeting. The annual meeting shall be held on such date and at such place as may be determined each year by our Board of Directors.

Listing

Our common stock is listed on the American Stock Exchange under the symbol GPR and on the Toronto Stock Exchange under the symbol GEP.s . United States persons and persons in the United States may not purchase our stock on the Toronto Stock Exchange. Non-United States persons holding stock listed on the Toronto Stock Exchange may sell such stock on the American Stock Exchange subject to compliance with SEC Rule 144.

Transfer Agent and Registrar

The registrar and transfer agent for our common shares is Computershare Trust Company of Canada, at its principal offices in Calgary, Alberta and Toronto, Ontario.

LEGAL MATTERS

The validity of our shares of common stock offered hereby will be passed upon by Greene Radovsky Maloney Share & Hennigh LLP.

EXPERTS

The unaudited supplementary oil and gas reserve information included in this prospectus has been included in reliance of the report of, and on the authority of, Sproule Associates Inc., and MHA Petroleum Consultants.

The consolidated financial statements set forth herein have been audited by Hein & Associates LLP, an independent registered public accounting firm, Hein & Associates LLP, for the periods and to the extent set forth in their report and included herein in reliance upon such report of said firm upon their authority as experts in accounting and an auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a Registration Statement on Form S-1 (including the exhibits and amendments thereto) under the Securities Act with respect to the shares of common stock to be sold in this offering. This prospectus does not contain all the information set forth in the registration statement. For further information regarding us and our shares of common stock to be sold in this offering, please refer to the registration statement.

You may read and copy all or any portion of the registration statement or any other information that we file at the SEC s public reference room at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of these documents, upon payment of a duplication fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. Our SEC filings, including the Registration Statement, are also available to you on the SEC s website (www.sec.gov).

We are subject to the information and reporting requirements of the Exchange Act, and, in accordance therewith, will file periodic reports, proxy statements and other information with the SEC.

GEOPETRO RESOURCES COMPANY

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

March 29, 2007,

To the Shareholders and Board of Directors

GeoPetro Resources Company

San Francisco, California

We have audited the accompanying consolidated balance sheets of GeoPetro Resources Company and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of operations, shareholders equity, and cash flows for each of the three years in the period ended December 31, 2006. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of GeoPetro Resources Company and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the accompanying consolidated financial statements, effective January 1, 2006, the Company adopted Statement of Financial Accounting Standard No. 123(R), Share-Based Payment.

(Signed) ***HEIN & ASSOCIATES LLP***

Irvine, California

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GEOPETRO RESOURCES COMPANY

CONSOLIDATED BALANCE SHEETS

	December 31, 2006	December 31, 2005
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 734,561	$ 914,826
Accounts receivable oil and gas sales	394,337	691,564
Accounts receivable other	115,770	8,392
Related party notes receivable	1,000,000	
Prepaid expenses	121,413	104,111
Total current assets	2,366,081	1,718,893
Oil and Gas Properties, at cost (full cost method):		
Unevaluated properties	4,503,481	3,636,504
Evaluated properties	43,701,510	27,846,543
Less accumulated depletion and impairments	(11,557,257)	(9,130,869)
Net oil and gas properties	36,647,734	22,352,178
Furniture, Fixtures and Equipment, at cost, net of depreciation	41,547	56,013
Other Assets deposits and other noncurrent assets	6,116	6,583
Deferred Offering Costs		881,159
Total Assets	$ 39,061,478	$ 25,014,826
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities:		
Trade payables	$ 654,427	$ 1,928,169
Short term notes payable	982,301	
Interest payable	73,205	
Dividends payable	133,438	133,438
Production taxes payable	662,905	310,186
Other taxes payable	9,206	24,766
Royalty owners payable	951,271	865,244
Net profits interest payable	137,589	312,663
Total current liabilities	3,604,342	3,574,466
Asset Retirement Obligations	48,842	26,641

See accompanying notes to these consolidated financial statements.

	December 31, 2006	December 31, 2005
Commitments and Contingencies (Note 7)		
Shareholders Equity:		
Series A preferred stock, no par value; 1,000,000 shares authorized 0 shares after conversion on March 30, 2006 and 1,000,000 shares issued and outstanding at December 31, 2005, respectively		674,425
Series AA preferred stock, no par value; 5,000,000 shares authorized 1,890,710 shares issued and outstanding at December 31, 2006, and December 31, 2005, respectively. Liquidation value is $6,750,923 at December 31, 2006, and December 31, 2005, respectively	5,924,068	5,924,068
Common stock, no par value; 100,000,000 shares authorized 27,423,758 and 21,171,923 shares issued and outstanding at December 31, 2006 and December 31, 2005, respectively	40,112,265	24,815,184
Additional paid-in capital	918,381	534,656
Treasury stock, at cost; 1,257,043 shares held at December 31, 2006 and December 31, 2005, respectively	(1,152,435)	(1,152,435)
Accumulated deficit	(10,393,985)	(9,382,179)
Total shareholders equity	35,408,294	21,413,719
Total Liabilities and Shareholders Equity	$ 39,061,478	$ 25,014,826

See accompanying notes to these consolidated financial statements.

GEOPETRO RESOURCES COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31, 2006	2005	2004
Revenues			
Oil and gas sales	$ 6,716,360	$ 7,975,990	5,825,072
Costs and expenses:			
Lease operating expense	1,602,932	878,176	780,237
General and administrative	2,347,447	1,551,747	1,963,649
Net profits interest	632,708	856,837	579,590
Impairments expense	38,849		2,038,422
Depreciation and depletion expense	2,406,612	1,832,693	2,077,004
Total costs and expenses	7,028,548	5,119,453	7,438,902
Income (loss) from operations	(312,188)	2,856,537	(1,613,830)
Other Income and (Expense):			
Interest expense	(306,682)	(217,768)	(402,958)
Debt conversion expense			(67,375)
Interest income	198,050	18,969	6,548
Total other expense	(108,632)	(198,799)	(463,785)
Net Income (Loss) Before Taxes	(420,820)	2,657,738	(2,077,615)
Income tax expense	(61,586)	(17,267)	
Net Income (Loss) After Taxes	(482,406)	2,640,471	(2,077,615)
Preferred stock dividend	(529,400)	(529,397)	(529,363)
Net Income (Loss) Available to Common Shareholders	$ (1,011,806)	$ 2,111,074	$ (2,606,978)
Earnings (Loss) per Share:			
Basic	$ (0.04)	$ 0.10	$ (0.14)
Diluted	$ (0.04)	$ 0.09	$ (0.14)
Weighted Average Number of Common Shares Outstanding:			
Basic	25,990,868	20,890,841	18,901,607
Diluted	25,990,868	24,001,888	18,901,607

See accompanying notes to these consolidated financial statements.

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GEOPETRO RESOURCES COMPANY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2006, 2005 and 2004

	Preferred Stock Series A Shares	Amount	Preferred Stock Series AA Shares	Amount	Common stock Shares	Amount	Additional Paid-in Captial	Treasury Stock	Accumulated Deficit	Total Shareholders Equity
Balances, December 31, 2003	1,000,000	$ 674,425	1,890,710	$ 5,924,068	17,656,950	$ 14,509,961	$	$ (60,000)	$ (8,886,275)	$ 12,162,179
Issuance of common stock for cash, net					1,609,822	3,479,899				3,479,899
Conversion of notes payable					719,147	2,097,500				2,097,500
Treasury stock purchased					(117,647)			(500,000)		(500,000)
Stock compensation expense							500,000			500,000
Fair value of warrants issued with notes payable							31,729			31,729
Net loss									(2,077,615)	(2,077,615)
Dividends on Series AA Preferred									(529,363)	(529,363)
Balances, December 31, 2004	1,000,000	674,425	1,890,710	5,924,068	19,868,272	20,087,360	531,729	(560,000)	(11,493,253)	15,164,329
Issuance of common stock for cash, net					1,443,047	4,727,824				4,727,824
Treasury stock purchased					(139,396)			(592,435)		(592,435)
Fair value of warrants extension							2,927			2,927
Net income									2,640,471	2,640,471
Dividends on Series AA Preferred									(529,397)	(529,397)
Balances, December 31, 2005	1,000,000	674,425	1,890,710	5,924,068	21,171,923	24,815,184	534,656	(1,152,435)	(9,382,179)	21,413,719
Issuance of common stock for cash, net					5,251,835	14,622,656				14,622,656
Series A preferred stock conversion	(1,000,000)	(674,425)			1,000,000	674,425				
Fair value of warrants issued with notes payable							182,390			182,390
Fair market value of the options							201,335			201,335
Net income									(482,406)	(482,406)
Dividends on Series AA Preferred									(529,400)	(529,400)
Balances, December 31, 2006		$	1,890,710	$ 5,924,068	27,423,758	$ 40,112,265	$ 918,381	$ (1,152,435)	$ (10,393,985)	$ 35,408,294

See accompanying notes to these consolidated financial statements.

GEOPETRO RESOURCES COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31, 2006	2005	2004
Cash Flows From Operating Activities:			
Net income (loss)	$ (482,406)	$ 2,640,471	$ (2,077,615)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and depletion	2,406,612	1,832,693	2,077,004
Stock compensation expense	201,335	2,927	531,729
Non-cash interest expense	194,691		(17,304)
Impairment expense	38,849		2,038,422
Asset retirement obligations	2,664	1,936	1,237
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	297,226	(239,195)	179,159
(Increase) decrease in other receivables	(107,378)	81,608	(90,000)
(Increase) in prepaid expenses	(17,302)	(77,752)	(15,945)
Deposits and other noncurrent assets	466	(794)	4,625
Increase (decrease) in trade payables	(1,273,742)	662,791	1,013,524
Increase (decrease) in interest payable	73,205	(88,388)	29,034
Increase (decrease) in dividends payable		361	20,769
Increase (decrease) in production taxes payable	352,720	(27,794)	337,980
Increase (decrease) in other taxes payable	(15,561)	(21,522)	46,288
Increase in royalty owners payable	86,027	157,251	74,211
Increase (decrease) in net profit interest payable	(175,074)	91,197	57,518
Increase in asset retirement obligations	19,537		11,094
Net cash provided by operating activities	1,601,869	5,015,790	4,221,730
Cash Flows from Investing Activities:			
Oil and gas property expenditures	(16,721,944)	(5,602,741)	(9,171,589)
Proceeds from sale of oil and gas interest		2,400,000	
Acquisition of furniture, fixtures & equipment	(4,605)	(2,162)	(81,876)
(Increase) in related party notes receivable	(1,000,000)		
Net cash used in investing activities	(17,726,549)	(3,204,903)	(9,253,465)

See accompanying notes to these consolidated financial statements.

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	For the Years Ended December 31, 2006	2005	2004
Cash Flows from Financing Activities:			
Proceeds from sale of common shares, option and warrant exercises, net	16,717,604	4,727,824	3,479,899
Payments of preferred dividends	(529,400)	(529,397)	(529,363)
Proceeds from promissory notes, net	1,900,000		2,075,000
Payments of loan fee	(30,000)		
Repayments of promissory notes	(900,000)	(4,781,807)	(1,158,569)
Deferred offering costs	(1,213,789)	(730,906)	(150,255)
Purchase of treasury stock		(592,435)	
Net cash provided by (used in) financing activities	15,944,415	(1,906,721)	3,716,712
Net Increase in Cash and Cash Equivalents:	(180,265)	(95,834)	(1,315,023)
Cash and Cash Equivalents:			
Beginning of period	914,826	1,010,660	2,325,683
End of period	$ 734,561	$ 914,826	$ 1,010,660
Supplemental Disclosure of Cash Flow Information:			
Cash paid for interest	$ 38,682	$ 291,731	$ 297,266
Cash paid for income taxes	$ 61,586	$	$
Supplemental Disclosure of Non-Cash Investing and Financing Activities:			
Issuance of common stock for conversion of notes payable and cancellation of common stock purchase warrants			$ 2,097,500

See accompanying notes to these consolidated financial statements.

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GEOPETRO RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Nature of Operations:

GeoPetro GeoPetro Resources Company (GeoPetro or the Company) was originally incorporated as GeoPetro Company under the laws of the State of Wyoming in 1994 to participate in the oil and gas acquisition, exploration, development and production business in the United States and internationally. GeoPetro Company was subsequently merged into GeoPetro Resources Subsidiary Company, a California corporation, on June 28, 1996. GeoPetro s name was then changed to GeoPetro Resources Company. GeoPetro s corporate offices are in San Francisco, California. The accompanying consolidated financial statements include the accounts of GeoPetro and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Operations Although GeoPetro is not a development stage enterprise, the company has a limited operating history upon which an evaluation of its business prospects can be based. The risks, expense, and difficulties encountered by early stage companies must be considered when evaluating GeoPetro s business prospects. GeoPetro incurred a net loss of $1,011,806 in 2006, net income of $2,111,074 in 2005, and net loss of $2,606,978 in 2004, and had an accumulated deficit at December 31, 2006, of $10,393,985. GeoPetro expects to make significant capital expenditures in the foreseeable future. Management believes that GeoPetro will be successful in obtaining adequate sources of cash to fund its anticipated capital expenditures through the end of 2007 and to follow through with plans for continued investments in oil and gas properties. GeoPetro s success, in part, depends on its ability to generate additional financing, farm-out certain of its projects and manage its relations with the companies that provide exploration and development services. GeoPetro s success also depends on its ability to effectively manage growth and develop proven reserves. Additionally, GeoPetro s operations are subject to all of the environmental and operational risks normally associated with the oil and gas industry. GeoPetro maintains insurance that is customary in the industry.

Since its inception, GeoPetro has participated as a working interest owner in the acquisition of undeveloped leases, seismic options, lease options and foreign concessions and has participated in seismic surveys and the drilling of test wells on its undeveloped properties. Further leasehold acquisitions and seismic operations are planned for 2007 and future periods. In addition, drilling is scheduled during 2007 and future periods on GeoPetro s undeveloped properties. It is anticipated that these exploration activities together with others that may be entered into may impose financial requirements which may exceed the existing working capital of GeoPetro. Management may raise additional equity and/or debt capital, and has farmed-out certain of its projects to finance its continued participation in planned activities. In the opinion of GeoPetro management, GeoPetro can continue as a going concern even if additional financing is unavailable. However, if additional financing is not available, GeoPetro may be compelled to reduce the scope of its business activities. If GeoPetro is unable to fund planned expenditures, it may be necessary to:

1. forfeit its interest in wells that are proposed to be drilled;

2. farm-out its interest in proposed wells;

3. sell a portion of its interest in prospects and use the sale proceeds to fund its participation for a lesser

interest; and

4. reduce general and administrative expenses.

In order for GeoPetro to maintain its interest in the Indonesian and Australian contract and permit areas, certain work and expenditure commitments must be met or an extension must be granted by the applicable governing authority. In the event that GeoPetro does not meet the commitments and no extensions are granted for meeting the commitments, GeoPetro will forfeit its interest in the contract or permit areas requiring an impairment write-down equal to the capitalized costs recorded for the area forfeited. This could have a material adverse impact on GeoPetro s results of operations in future periods.

In July 2005, GeoPetro entered into agreements with unaffiliated companies that have purchased and are operating a dedicated gas treatment plant and related pipelines to process and transport GeoPetro s gas from the Madisonville Project in Madison County, Texas. These agreements are discussed in detail in Note 10. In connection with the Madisonville Project, GeoPetro re-completed an existing well for production from the Rodessa formation interval at approximately 11,800 feet of depth and completed an injection well for disposal of waste gasses from the production well. GeoPetro initiated gas sales from the Madisonville Project in May 2003. A second well was drilled, tested and completed during 2004 and is presently producing on a restricted rate awaiting a planned expansion of the gas treatment plant. Two additional development wells were drilled during 2006. Another well is planned for drilling during 2007 in the Madisonville Project.

Other than the above work and expenditure commitments, the timing of most of GeoPetro s capital expenditures is discretionary. GeoPetro has no material long-term commitments associated with its capital expenditure plans or operating agreements. Consequently, GeoPetro has a significant degree of flexibility to adjust the level of such expenditures as circumstances warrant. The level of capital expenditures will vary in future periods depending on the success of exploratory drilling activities, gas and oil price conditions and other related economic factors. See Note 11 for a discussion of financing activity subsequent to year end.

2. Summary of Significant Accounting Policies:

U.S. GAAP The Company s financial statements have been prepared in accordance with accounting principles generally accepted within the United States of America (U.S. GAAP).

Use of Estimates and Significant Estimates Certain amounts in GeoPetro s financial statements are based upon significant estimates, including oil and gas reserve quantities which form the basis for the calculation of depreciation, depletion, amortization and impairment of oil and gas properties. Actual results could materially differ from those estimates.

Oil and Gas Properties GeoPetro follows the full cost method of accounting for oil and gas producing activities and, accordingly, capitalizes all costs incurred in the acquisition, exploration, and development of proved oil and gas properties, including the costs of abandoned properties, dry holes, geophysical costs, and annual lease rentals. All general corporate costs are expensed as incurred. In general, sales or other dispositions of oil and gas properties are accounted for as adjustments to capitalized costs, with no gain or loss recorded. Amortization of evaluated oil and gas properties is computed on the units of production method based on all proved reserves on a country by country basis. Unevaluated oil and gas properties are assessed for impairment either individually or on an aggregate basis. The net capitalized costs of evaluated oil and gas properties (full cost ceiling limitation) are not to exceed their related estimated future net revenues discounted at 10%, and the lower of cost or estimated fair value of unproved properties, net of tax considerations.

Joint Ventures Some exploration and production activities are conducted jointly with others and, accordingly, the accounts reflect only GeoPetro s proportionate interest in such activities.

Revenue Recognition Revenue is recognized upon delivery of oil and gas production and is shown net of applicable royalty payments, processing and transportation fees. In addition, the Company recognizes revenue from the Madisonville Field net of applicable fees to gather, treat and transport the Company s natural gas production. The applicable fees are paid to unrelated third parties. Revenue from the Madisonville Field is recognized when the price for gas delivered becomes fixed and determinable. The price for gas delivered to the purchaser, Madisonville Gas Processing LP (MGP), becomes fixed and determinable after the gas has been gathered, treated, and transported to a common carrier pipeline where it is then resold by MGP to the common carrier pipeline on a spot market basis. The proceeds from the sale of the gas are deposited directly into an escrow account under the joint signature control of the Company and MGP. The fees to gather, treat and transport the gas are distributed to MGP in accordance with agreements between them and the Company. The remaining net proceeds are distributed to the Company. See Note 10 for a more detailed discussion of the fees under the MGP Agreement.

Asset Retirement Obligation In accordance with Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* (SFAS 143), the fair value of an asset retirement cost, and corresponding liability, should be recorded as part of the cost of the related long-lived asset and subsequently allocated to expense using a systematic and rational method. GeoPetro recorded an asset retirement obligation to reflect GeoPetro s legal obligations related to future plugging and abandonment of its oil and gas wells. GeoPetro estimated the expected cash flow associated with the obligation and discounted the amount using a credit-adjusted, risk-free interest rate. At least annually, GeoPetro reassesses the obligation to determine whether a change in the estimated obligation is necessary. GeoPetro evaluates whether there are indicators that suggest the estimated cash flows underlying the obligation have materially changed. Should those indicators suggest the estimated obligation has materially changed, GeoPetro will accordingly update its assessment.

	December 31, 2006	2005	2004
Asset retirement obligations, beginning of period	$ 26,641	$ 24,705	$ 12,374
Liabilities incurred	19,537		11,094
Accretion expense	2,664	1,936	1,237
Asset retirement obligations, end of period	$ 48,842	$ 26,641	$ 24,705

Furniture, Fixtures and Equipment Furniture, fixtures and equipment are stated at cost. Depreciation is provided on furniture, fixtures and equipment using the straight-line method over an estimated service life of three to seven years.

Income Taxes GeoPetro accounts for income taxes using the asset and liability method wherein deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. Because management has determined that realization of deferred tax assets is not likely, the net deferred tax assets are fully reserved.

Concentrations of Credit Risk Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted. Concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for groups of customers or counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions described below. The credit risk amounts for cash and accounts receivable do not take into account the value of any collateral or security.

GeoPetro maintains several cash accounts with three financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $100,000. As of December 31, 2006, the uninsured bank balance was $973,682. GeoPetro has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

During 2006, 2005 and 2004, the Company had sales to customers exceeding 10% of total sales as follows:

	2006	**2005**	**2004**
Customer A	79 %	99.7 %	99.6 %
Customer B	21 %		

At December 31, 2006, 2005 and 2004, the Company had accounts receivable balances from Customer A of $394,337 or 77%, $691,564, or 100%, and $449,947, or 99.5% of total accounts receivable respectively.

Allowance for Doubtful Accounts Trade accounts receivable are recorded at net realizable value. If the financial condition of GeoPetro s customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Delinquent trade accounts receivable are charged against the allowance for doubtful accounts once uncollectibility has been determined. The allowance is determined through an analysis of the past-due status of accounts receivable and assessments of risk that are based on historical trends and an evaluation of the impact of current and projected economic conditions. There was no activity in the allowance for doubtful accounts as of December 31, 2006 and 2005.

Fair Value of Financial Instruments The estimated fair values for financial instruments are determined at discrete points in time based on relevant market information. These estimates involve uncertainties and cannot be determined with precision. For certain of GeoPetro s financial instruments, including cash, accounts receivable, accounts payable and current portion of notes payable, the carrying amounts approximate fair value due to their maturities.

Stock-Based Compensation Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* (SFAS 123), encourages, but does not require, companies to record compensation cost for stock-based employee compensation at fair value prior to January 1, 2006. GeoPetro elected to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25 (APB 25), *Accounting for Stock Issued to Employees,* and related interpretations.

In accordance with SFAS 123, GeoPetro discloses the impact of the fair value accounting of employee stock options. Transactions in equity instruments with non-employees for goods or services have been accounted for using the fair value method as prescribed by SFAS 123.

The following table illustrates the effect on GeoPetro s net loss and loss per share as if GeoPetro had applied the fair value recognition provisions of SFAS 123 to its stock-based employee compensation awards granted in 2003 and in 2005, and recognized expense over the applicable award vesting period. There were no stock-based employee compensation awards granted in 2004.

	As at and for the Years Ended December 31,	
	2005	**2004**
Net income (loss) available to common shareholders as reported	$ 2,111,074	$ (2,606,978)
Compensation FAS 123	(98,870)	(63,655)
Pro forma income (loss)	$ 2,012,204	$ (2,670,633)
Income (loss) per share as reported	$ 0.09	$ (0.14)
Pro forma income (loss) per share	$ 0.08	$ (0.14)

The assumptions made for purposes of estimating the fair value of the stock options are included in Note 8.

Effective January 1, 2006, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standard 123(R) *Share-Based Payment* (SFAS 123(R)) using the modified prospective transition method. In addition, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107 *Share-Based Payment* (SAB 107) in March, 2005, which provides supplemental SFAS 123(R) application guidance based on the views of the SEC. Under the modified prospective transition method, compensation cost recognized in the year ended December 31, 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, and (b) compensation cost for all share-based payments granted beginning January 1, 2006, based on the grant date fair value estimated in

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accordance with the provisions of SFAS 123(R). In accordance with the modified prospective transition method, results for prior periods have not been restated.

The adoption of SFAS 123(R) resulted in stock compensation expense for the year ended December 31, 2006 of $201,335 to income from continuing operations and income before income taxes, of which the entire amount was recorded to general and administrative expenses. The Company did not recognize a tax benefit from the stock compensation expense because the Company considers it is more likely than not that the related deferred tax assets, which have been reduced by a full valuation allowance, will not be realized.

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in 2003 and 2005: risk-free, weighted-average interest rates ranging from 2.52 to 3.75 percent, expected dividend yield of 0 percent, expected life of 5 years from the date of grant, and expected volatility of 10 and 25 percent. After the initial public offering on March 30, 2006, an expected volatility factor of 58% was used for the newly issued common stock options and the extension of common stock warrants. A newly issued stock option is an option that was granted on or after March 30, 2006 or a previously granted stock option that is modified on or after March 30, 2006. The fair value of all newly issued stock options grants is estimated using the Black-Scholes option pricing model with the following weighted average assumptions used for grants and modifications of prior grants made on or after March 30, 2006 for the twelve months ended December 31, 2006: risk-free, weighted average interest rate of 4.9 percent based on the U.S. Treasury yield curve in effect at the time of grant, expected dividend yield of 0 percent, expected life of 5 years from the date of grant (the remaining term of the option in the case of option extensions), and expected volatility of 58%. GeoPetro has selected 10 publicly traded small cap companies whose primary business is oil and gas exploration and production. Small cap, for purposes of this analysis, is defined as companies with a market capitalization under $1 billion. From this peer group of similar companies, GeoPetro randomly selected 10 companies and derived expected volatility factors for the most recent completed fiscal years for each entity as reported in their recently filed 10K or 10KSB Annual Reports with the Securities and Exchange Commission. Where the expected volatilities were expressed as a range, a simple average of the range is used as an expected volatility for that entity.

The assumptions made for purposes of estimating the fair value of the stock options are included in Note 8.

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Income (Loss) Per Common Share   Basic earnings per share excludes dilution and is calculated by dividing net income or loss by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared from the earnings of the entity. Potential common shares for the periods ended December 31, 2006 and 2004 were excluded from the earnings per share computation because the Company incurred net losses and were anti-dilutive. At December 31, 2005, 1,506,064 outstanding warrants and 20,000 outstanding options to purchase common stock were not included in the diluted EPS calculation because the warrants and options exercise prices were greater than the average market price of the common shares. 1,890,710 shares of Series AA Stock were not included in the diluted EPS calculation at December 31, 2005 because they were anti-dilutive.

	For the Years Ended December 31,		
	2006	**2005**	**2004**
Net Income (Loss) and Adjustments:			
Net Income (Loss) Available to Common Shareholders	$ (1,011,806)	$ 2,111,074	$ (2,606,978)
Adjustments	Anti-dilutive	Anti-dilutive	Anti-dilutive
Net Earnings (Loss) for Diluted Calculation	$ (1,011,806)	$ 2,111,074	$ (2,606,978)
Shares:			
Weighted Average Shares Outstanding	25,990,868	20,890,841	18,901,607
Outstanding Options	Anti-dilutive	1,927,660	Anti-dilutive
Series A Preferred Stock - Conversion	Anti-dilutive	1,000,000	Anti-dilutive
Outstanding Warrants	Anti-dilutive	183,387	Anti-dilutive
Average Number of Shares for Diluted Calculation	25,990,868	24,001,888	18,901,607
Diluted EPS	$ (0.04)	$ 0.09	$ (0.14)

Segment Reporting   GeoPetro has oil and gas exploration, development and production operations in the United States, Canada, Australia and Indonesia. All revenues and related costs are associated with operations in the United States. A summary of assets and capital expenditures by geographical segment is included in Note 3.

Cash Equivalents   Cash and cash equivalents include cash on hand, amounts held in banks and highly liquid investments purchased with an original maturity of three months or less.

3. SUMMARY OF OIL AND GAS OPERATIONS:

Capitalized costs at year end and costs incurred relating to GeoPetro s oil and gas activities are summarized as follows:

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	United States	Australia	Indonesia	Canada	Totals
2006 Capitalized costs:					
Evaluated properties	$ 40,835,432	$ 2,388,051	$	$ 478,027	$ 43,701,510
Unevaluated properties	1,955,252	1,697,718	759,885	90,626	4,503,481
Less- accumulated depletion and impairment	(8,691,179)	(2,388,051)		(478,027)	(11,557,257)
Net capitalized costs	$ 34,099,505	$ 1,697,718	$ 759,885	$ 90,626	$ 36,647,734
Costs incurred:					
Property acquisition	$ 351,803	$	$	$	$ 351,803
Exploration	(42,834)		576,296	20,561	554,023
Development	15,816,118				15,816,118
Total costs incurred	$ 16,125,087	$	$ 576,296	$ 20,561	$ 16,721,944

	United States	Australia	Indonesia	Canada	Totals
2005 Capitalized costs:					
Evaluated properties	$ 25,019,314	$ 2,388,051	$	$ 439,178	$ 27,846,543
Unevaluated properties	1,646,282	1,697,718	183,589	108,915	3,636,504
Less- accumulated depletion and impairment	(6,303,640)	(2,388,051)		(439,178)	(9,130,869)
Net capitalized costs	$ 20,361,956	$ 1,697,718	$ 183,589	$ 108,915	$ 22,352,178
Costs incurred:					
Property acquisition	$ 1,220,150	$	$	$	$ 1,220,150
Exploration	1,246,550		(2,090,089)	26,564	(816,975)
Development	2,799,567				2,799,567
Total costs incurred	$ 5,266,267	$	$ (2,090,089)	$ 26,564	$ 3,202,742

Generally, sales or dispositions of oil and gas properties, including sales of partial interests in prospects, are treated as adjustments to capitalized costs, with no gain or loss recorded.

Evaluated Oil and Gas Properties In periods prior to 2004 it was determined that the total net costs in the U.S. and Australian evaluated cost pool exceeded their net realizable value. Accordingly, impairment write-downs of $2,426,526 were recorded in the prior periods. During 2004 it was determined that the total net costs in the Australian evaluated cost pool exceeded their net realizable value. Accordingly, impairment write-downs of $1,599,244 were recorded for the year ended December 31, 2004. In addition, an impairment write-down associated with the Canadian evaluated

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cost pool of $439,178 was recorded for the year ended December 31, 2004 and $38,849 was recorded for the year ended December 31, 2006.

Unevaluated Oil and Gas Properties United States As GeoPetro s properties are evaluated through exploration, they will be included in the amortization base. Costs of unevaluated properties in the United States at December 31, 2006 and 2005 represent exploration costs in connection with GeoPetro s California and Alaskan prospects. The prospects and their related costs in unevaluated properties have been assessed individually. The current status of these prospects is that seismic data is being interpreted on an on-going basis on the subject lands within the prospects.

Drilling in California and Alaskan prospects is expected to commence as early as 2007 and will continue in future periods. As the prospects are evaluated through drilling in future periods, the property acquisition and exploration costs associated with the wells drilled will be transferred to evaluated properties where they will be subject to amortization.

Unevaluated Oil and Gas Properties Australia Unevaluated costs incurred in Australia represent costs in connection with the exploration of two exploration permit areas in Australia. The prospects and their related costs in unevaluated properties have been assessed individually and no impairment charges were considered necessary for the Australian properties for any of the periods presented. The current status of these prospects is that appraisal wells have been drilled and are being evaluated for commerciality on the subject lands within the prospects.

Unevaluated Oil and Gas Properties Indonesia Unevaluated costs incurred in Indonesia represent costs in connection with one production sharing contract area in Indonesia and costs incurred in pursuing additional oil and gas projects in Indonesia. The prospect and its related costs in unevaluated properties have been assessed individually and no impairment charges were considered necessary for the Indonesian property for any of the periods presented. The current status of this prospect is that four exploratory locations have been identified for drilling in 2007 on the subject lands within the prospect. A drill rig has been transported to the prospect and is expected to commence drilling the first of four planned wells in the second quarter of 2007. In October 2005, the Company sold its interest in another Indonesian production sharing contract for cash consideration of $2,400,000. The proceeds realized were credited to the Indonesian unevaluated cost pool.

As noted, drilling is expected to commence on the remaining production sharing contract in 2007 and is expected to continue in future periods. As the prospect is evaluated through drilling in future periods, the property acquisition and exploration costs associated with the wells drilled will be transferred to evaluated properties where they will be subject to amortization.

The Company s interest in the production sharing contract is 12% and is held in its partially owned subsidiary, C-G Bengara. The production sharing contract is subject to prior work commitments for the eight-year period ended December 3, 2006 requiring total expenditures of $24 million. As of September 30, 2006, approximately $6.3 million of the $24.0 million required expenditures had been met, leaving an approximate $17.7 million shortfall. BP Migas, the applicable governing authority, has granted a deferral of the prior years commitments. On September 29, 2006, the Company sold to CNPC 70% of its interest in C-G Bengara and the underlying rights to the

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production sharing contract, reducing its interest from 40% to 12%. Per the terms of the agreement, CNPC deposited an $18.7 million earning obligation into an account jointly controlled by CNPC, Continental and the Company. The funds are to be used exclusively to pay for 2007 exploration drilling in the production sharing contract. The earning obligation funds of $18.7 million, together with the $6.3 million previously spent, are expected to satisfy all of the past and future work commitments on the production sharing contract. As noted above, four exploration wells are planned for drilling in 2007 with drilling activities expected to commence in the second quarter of 2007.

In the event that the Company does not meet the work program commitments and provided that no extensions are granted for meeting the commitments, the Company must forfeit its interest in the production sharing contract. If the Company forfeits its interest, it will be necessary to record an impairment write-down equal to the capitalized costs recorded for the area forfeited.

Breakdown of Unevaluated Oil and Gas Properties The following table sets forth a summary of oil and gas property costs not being amortized at December 31, 2006, by the period in which the costs were incurred:

	Totals	Year Ended December 31, 2006	Year Ended December 31, 2005	Year Ended December 31, 2004	2003 and Prior Years
Unproved property acquisition	$ 1,853,945	$ 351,803	$	$ 13,475	$ 1,488,667
Exploration	2,649,536	515,174	(816,974)	(68,144)	3,019,480
Total	$ 4,503,481	$ 866,977	$ (816,974)	$ (54,669)	$ 4,508,147

Management expects that planned activities for the year 2007 will enable the evaluation of approximately 5% of the costs as of December 31, 2006. Evaluation of 30% of the remaining costs is expected to occur in 2008 with the remaining 65% in 2009 and beyond.

4. SHORT TERM DEBT:

Short term non-convertible debt at December 31, 2006 and 2005 consisted of the following:

	2006	2005
Amounts Due Unrelated Parties:		
Promissory note dated January 31, 2006, payable to Pinehill Capital; collateralized with an undivided 5% of the net cash flow in GeoPetro s Madisonville Project; payable on or before January 31, 2007.	1,000,000	
Less discount	(17,699)	
Total	$ 982,301	$

(a) The Company issued a $1,000,000 short term promissory note on January 31, 2006 with a maturity date of January 31, 2007. The note may be repaid at any time without penalty. In the event the note is not repaid by the maturity date, the Company has agreed to dedicate 5% of the net cash flow from the Madisonville Project in Texas toward the repayment of the note and any accrued interest thereon. In connection with the note, the Company paid a loan origination fee of $30,000 and granted a three-year exercisable warrant to purchase 150,000 Common Shares at $3.50 per share. The fair value of the warrants on the date of issuance, $182,390, as well as the $30,000 loan origination fee, was recorded as a debt discount and is being amortized over the life of the promissory note. As of December 31, 2006, the unamortized debt discount was $17,699.

5. INCOME TAXES:

The provision for income taxes consist of the following:

	2006	2005
Current		
Federal	$ 59,500	$ 16,000
State	2,500	1,000
Total	62,000	17,000
Deferred		
Federal		
State		
Total		
Total Income Provision	$ 62,000	$ 17,000

The actual income tax (benefit) expense differs from the expected tax (benefit) expense as computed by applying the US Federal corporate income tax rate of 35% for each period as follows:

	2006	2005
Amount of expected tax (benefit) expense	$ (169,000)	$ 930,000
Non-deductible expenses	5,000	5,000
Alternative minimum tax		17,000
Expiration of net operating loss		(49,000)
Utilization of NOL	630,000	
Other	(10,000)	5,000
Valuation allowance adjustment	(394,000)	(891,000)
	$ 62,000	$ 17,000

Deferred income taxes reflect the net tax effects of temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company s deferred tax assets (liabilities) are as follows:

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	2006	2005
Deferred tax assets (liabilities):		
Net operating loss carryforwards	$ 8,654,000	$ 6,061,000
Oil and gas property basis differences	(5,069,000)	(2,018,000)
Credit carryforawrds		16,000
Stock compensation	74,000	
Other	13,000	6,000
Total deferred tax assets	3,672,000	4,065,000
Valuation allowance	(3,672,000)	(4,065,000)
Total net deferred taxes	$	$

As of December 31, 2006, GeoPetro had net operating loss (NOL) carryforwards of approximately $22,932,000 for federal beginning to expire in 2010 and $10,926,000 for state which began to expire in 2006. A significant change in ownership of GeoPetro may limit GeoPetro s ability to use these NOL carryforwards.

6. <u>RELATED PARTY TRANSACTIONS</u>:

The Company appointed David G. Anderson as a Director on March 30, 2006. Mr. Anderson is the Senior Vice President and a director of Dundee Securities Corporation, the lead underwriter in connection with a sale of common shares the Company completed on March 30, 2006. The decision to distribute the common shares and the determination of the terms of the distribution were made through arm s length negotiations primarily between the Company and Dundee Securities Corporation as lead underwriter. Mr. Anderson had some involvement in such negotiations solely in his capacity as a director and officer of Dundee Securities Corporation. Dundee Securities Corporation received an underwriters fee totaling $632,000 in connection with the offering.

On June 6, 2005 the Company purchased 139,396 shares of common stock from Stuart Doshi, the Company s President and Chief Executive officer, at the estimated fair market value prices on that date of $4.25 per share for a total of $592,433. The Company believes the purchase price of $4.25 per share was at least as favorable to the Company as could have been obtained through arm s length negotiations with unaffiliated third parties since the Company also sold 939,194 shares of common stock for $4.25 per share in 2005.

On August 27, 2004, Mr. Doshi exercised an option to purchase 500,000 shares of common stock at an exercise price of $1.00 per share. The option was granted to Mr. Doshi on August 30, 1999 pursuant to his services as Chief Executive Officer of the Company.

On May 31, 2005, David Creel, Vice President of Exploration and a director, exercised options to purchase 200,000 shares of common stock at an exercise price of $2.00 per share. The options were granted to Mr. Creel pursuant to his services as Vice President of Exploration as follows: (i) 100,000 options on June 1, 1998 and (ii) 100,000 options on June 1, 2000.

On April 29, 2005, Thomas Cunningham, a director, exercised an option to purchase 100,000 shares of common stock at an exercise price of $2.00 per share. The option was granted to Mr. Cunningham on April 30, 2000 pursuant to his services as a director.

On March 25, 2004, Kevin Delehanty, a director, exercised an option to purchase 70,900 shares of common stock at an exercise price of $1.00 per share. The option was granted to Mr. Delehanty on August 30, 1999 pursuant to his services as a director.

On August 25, 2004, Mr. Delehanty exercised a warrant to purchase 100,000 shares of common stock at an exercise price of $1.00 per share. The warrant was granted to Mr. Delehanty on August 30, 1999 pursuant to his services as a director.

During 2004, the Company paid cash finders fees of $165,670 to Mr. Delehanty in connection with the Company s equity and debt financings as follows: (i) $86,545 relating to the private placement issuances of 350,800 shares of common stock at $4.25 per share during July, August and September of 2004, and (ii) $79,125 relating to the conversion into common stock of certain promissory notes and warrants held by a 5% shareholder as described below.

Effective March 22, 2004, the Company issued 539,000 shares of common stock to G. Carter Sednaoui and Rolling Hill Investors, LLC, an entity owned by Mr. Sednaoui, a 5% shareholder, pursuant to the exercise of warrants. Concurrently, Mr. Sednaoui and Rolling Hill Investors, LLC agreed to a $1,347,500 reduction in the principal balance of certain of the Company s promissory notes payable as consideration for the exercise of the warrants. The common stock warrants were exercisable at a price of $2.50 and had an expiration date of December 31, 2008. The largest aggregate amount of principal outstanding on these promissory notes payable during 2004 was $5,130,180. A total of $2,508,948 in principal repayments were made toward the promissory notes during 2004. A total of $334,358 of interest was paid toward the promissory notes during 2004 at interest rates between 8% and 11%. The promissory notes have been repaid in their entirety.

On June 7, 2006, the Company loaned $1,000,000 to G. Carter Sedanoui (Borrower), a shareholder, evidenced by a short term promissory note payable to the Company with a maturity date on March 31, 2007. The note may be repaid at any time without penalty. In the event the note isn t repaid by the maturity date, the Company has full recourse against the Borrower. In addition, the Borrower has granted a security interest in 564,120 shares of the Company s common stock.

Effective September 17, 2004, the Company issued 62,500 shares of common stock to Mr. Sednaoui pursuant to the conversion of a $250,000 convertible note payable. The convertible note was issued on September 18, 2001 at an interest rate of 8% per annum for the purposes of funding the Company s capital expenditures in the Madisonville Project in Texas. The largest aggregate amount of principal outstanding of this convertible note payable during 2004 was

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$250,000. A total of $14,262 of interest was paid toward the promissory note during 2004 at an interest rate of 8%. As indicated, the note was converted in 2004.

Effective September 30, 2004, the Company issued 117,648 shares of common stock to Mr. Sednaoui in exchange for a $500,000 reduction in the principal balance of a promissory note payable dated July 19, 2004 as consideration. The largest aggregate amount of principal outstanding of this promissory note payable during 2004 was $2,000,000. A total of $500,000 in principal repayments were made toward the promissory note during 2004. A total of $37,145 of interest was paid toward the promissory note during 2004 at an interest rate of 8%. The promissory note has been repaid in its entirety.

During 2004, the Company sold 378,448 shares of common stock at a price of $4.25 per share to Mr. Sednaoui and certain entities owned and controlled by him. The Company believes the purchase price of $4.25 per share was at least as favorable to the Company as could have been obtained through arm s length negotiations with unaffiliated third parties since the Company sold 939,194 shares of its common stock for $4.25 per share in the first half of 2005.

Presently, Eric Doshi, Stuart Doshi s son, is employed as the Company s Manager of Planning at an annual salary of $120,000 per year. The Company paid Eric Doshi $37,500, $78,540 and $105,689 during 2006, 2005 and 2004, respectively, for his services. Eric Doshi s salary, based on industry comparables, was at least as favorable to the Company as could have been obtained through arm s length negotiations with unaffiliated third parties.

7. SHAREHOLDERS EQUITY:

GeoPetro s articles of incorporation allow for the issuance of 100,000,000 shares of common stock, 1,000,000 shares of Series A preferred stock (Series A Stock), 5,000,000 shares of Series AA preferred stock (Series AA Stock), and an additional 44,000,000 shares of preferred stock which may be issued from time to time in one or more series.

Common Stock The holders of common stock are entitled to one vote per share. Subject to preferences on outstanding preferred stock, the holders of common stock are entitled to receive ratably such dividends as may be declared by the board of directors. In the event of a liquidation, the holders of common stock and Series A preferred stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to prior distribution rights of preferred stock.

Conversion of Series A Stock Upon completion of the Company s initial public offering on March 30, 2006, all of the 1,000,000 shares of Series A Stock automatically converted into a like number of common shares.

Preferred Stock - Significant rights and preferences attaching to the Series AA Stock are as follows:

Dividends The holders of Series AA Stock are entitled to receive ratably such cash dividends, if any, as may be declared from time to time by the board of directors out of funds legally available therefore and when declared, dividends shall be paid at the rate of $0.07 per

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share each calendar quarter. Any quarterly dividends not paid when due shall be accrued and shall accumulate until paid.

Preference in Liquidation In the event of a liquidation, dissolution or winding up of GeoPetro, the holders of Series AA Stock are entitled to receive, prior and in preference to any distribution of any assets or surplus funds to the holders of Series A Stock and common stock, an amount equal to $3.50 per share plus any dividends declared but unpaid on such shares, but no more.

Voting Rights The holders of Series AA Stock are entitled to the number of votes equal to the number of shares of common stock into which each share of preferred stock is convertible on the record date for the vote.

Conversion Each share of Series AA Stock is convertible, at the option of the holder, into fully paid and nonassessable shares of common stock on a one-for-one basis, subject to certain adjustments. If GeoPetro s common stock is listed on a national or regional exchange, including the NASD Over-the-Counter Bulletin Board, the Series AA Stock will automatically convert into shares of GeoPetro common stock on a one-for-one share basis effective the first trading day after the reported high selling price for GeoPetro s common stock is at least $5.25 per share for any consecutive ten trading days. If an automatic conversion occurs within one year after issuance of the Series AA Stock, a holder will receive, on the one year anniversary date of the issuance of the Series AA Stock, a final cash dividend equivalent to a full year of dividends less any dividends paid before such conversion.

8. <u>COMMON STOCK OPTIONS</u>:

Effective as of September 10, 2001, the board of directors approved an incentive stock plan, providing for awards under the terms and provisions of such plan of incentive stock options, stock appreciation rights and restricted stock awards to officers, directors and employees of GeoPetro and its consultants (the Stock Incentive Plan). The plan provides, among other provisions, the following:

The maximum number of Common Shares which may be awarded, optioned and sold under the plan is 5,000,000 (subject to adjustment for stock splits, stock dividends and certain other adjustments to GeoPetro s common stock); and the per share exercise price for Common Shares to be issued pursuant to the exercise of an option shall be no less than the fair market value of GeoPetro s Common Shares as of the date of grant.

The Stock Incentive Plan provides for the granting to employees of incentive stock options within the meaning of Section 422 of the United States Internal Revenue Code of 1986, as amended, and for the granting of non-statutory stock options to directors who are not employees and consultants. In the case of employees who receive incentive stock options which are first exercisable in a particular calendar year and the aggregate fair market value of which exceeds $100,000, the excess of the $100,000 limitation shall be treated as a nonstatutory stock option under the Stock Incentive Plan.

The Stock Incentive Plan is being administered by the Board of Directors. The Board of Directors determines the terms of the options granted, including the number of Common Shares subject to each option, the exercisability and vesting requirements of each option, and the form of consideration payable upon the exercise of such option (i.e., whether cash or exchange of existing Common Shares in a cashless transaction or a combination thereof).

The Stock Incentive Plan will continue in effect for 10 years from September 10, 2001 (i.e., the date first adopted by the Board), unless sooner terminated by the board of directors. The Company has implemented a new 2004 Stock Option and Appreciation Rights Plan (the Stock Option Plan) for the issuance of options to purchase Common Shares and/or stock appreciation rights in 2004 or thereafter to directors, officers, employees and consultants of the Company and its subsidiaries. The Stock Option Plan has replaced the Stock Incentive Plan. Outstanding options issued under the Stock Incentive Plan will continue to be outstanding in accordance with their terms and the terms of the Stock Incentive Plan, but will count toward the limits in the amount of Common Shares available to be issued under the Stock Option Plan.

During 2004 no options were issued to employees or directors. No stock-based compensation was recognized for the years ended December 31, 2005. Effective January 1, 2006, the Company adopted SFAS 123 (R) resulting in stock compensation expense for the twelve months period ended December 31, 2006 of $201,335. During 2004, the Company issued 500,000 shares of our common stock for cash proceeds of $500,000 in connection with the exercise of stock options by an officer and director. Concurred with the exercise of stock options, the officer sold 117,647 shares of common stock to the Company at the estimated fair market value prevailing at that time of $4.25 per share. We recorded compensation expense of $500,000 in connection with the purchase of stock. During 2006, 150,000 stock options were issued to directors and during 2005, 20,000 stock options were issued to employees pursuant to the Stock Option Plan.

A summary of the status of GeoPetro s stock option plan is as follows:

	Options	**Exercise Prices**	**Weighted Average Exercise Price**
Outstanding at December 31, 2003	4,839,750	$0.50 to $3.00	$ 1.66
Granted			
Exercised	(584,500)	$1.00 to $1.25	1.00
Expired	(100,000)	$1.00	1.00
Outstanding at December 31, 2004	4,155,250	$0.50 to $3.00	1.77
Granted	20,000	$4.25 to $6.25	5.25
Exercised	(300,000)	$2.00	2.00
Outstanding at December 31, 2005	3,875,250	$0.50 to $6.25	1.77
Granted	150,000	$3.85	3.85
Exercised			
Expired	(20,000)	$3.00	3.00
Outstanding at December 31, 2006	4,005,250	$0.50 to $6.25	$ 1.84

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The weighted average fair value of options granted during the year ended December 31, 2005, as calculated under the Black-Scholes pricing model is $0.70 per share and for the weighted average fair value of options granted in 2006, as calculated under the same method is $1.83 per share.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in 2005 and 2006: risk-free, weighted-average interest rates ranging from 3.75 to 4.9 percent, expected dividend yield of 0 percent, expected life of 5 years from the date of grant, and expected volatility of 10 and 58 percent.

The options outstanding as of December 31, 2006 have the following contractual lives:

Number of Options Outstanding	**Number of Options Exercisable**	**Exercise Prices**	**Weighted Average Remaining Contractual Life**
750,000	750,000	0.50	1.33
45,250	45,250	1.25	0.16
1,290,000	1,290,000	2.00	0.99
1,750,000	1,050,000	2.10	6.43
150,000	20,000	3.85	4.29
10,000	4,000	4.25	3.01
10,000	2,000	6.25	3.44
4,005,250	3,161,250		

As of December 31, 2006, there are 3,161,250 options which are exercisable. The remaining 844,000 options will become exercisable ratably over the next four years.

9. <u>Common Stock Warrants</u>:

In conjunction with the finance with a short term note payable during 2006, GeoPetro issued warrants to purchase 150,000 shares of GeoPetro s common stock at exercise prices of $3.50 per share. The purchase rights under the warrants have expiration date of January 31, 2009 unless terminated earlier in accordance with the stock warrant purchase agreement. The fair value of the warrants issued on the date of the grant, $182,390, was recorded as a discount to notes payable and is being amortized as interest expense over the term of the note. As of December 31, 2006, the unamortized amount is $17,966.

The following table summarizes the number of shares reserved for the exercise of common stock purchase warrants as of December 31, 2006:

	Expiration Date	Exercise Price	12/31/2005 Shares	Warrants Exercised	Warrants Granted	Warrants (Expired)	12/31/2006 SHARES
Common Stock	06/30/06	$ 5.00	10,000			(10,000)	
Common Stock	11/01/06	$ 3.00	20,000			(20,000)	
Common Stock	12/31/06	$ 4.00	10,000			(10,000)	
Common Stock	12/31/06	$ 2.00	75,000	(75,000)			
Common Stock	05/01/07	$ 5.25	5,000				5,000
Common Stock	02/28/08	$ 5.00	27,000				27,000
Common Stock	03/31/08	$ 3.50	25,000				25,000
Common Stock	07/19/08	$ 5.00	50,000				50,000
Common Stock	09/30/08	$ 5.00	14,375				14,375
Common Stock	12/15/08	$ 3.50	1,131,355				1,131,355
Common Stock	03/31/09	$ 5.25	100,000				100,000
Common Stock	01/31/09	$ 3.50			150,000		150,000
Related party:							
Common Stock	06/18/07	$ 2.00	150,000				150,000
Common Stock	04/30/08	$ 3.00	33,333				33,333
Common Stock	12/31/06	$ 4.00	66,667			(66,667)	
Common Stock	06/18/07	$ 4.00	33,333				33,333
Common Stock	06/18/07	$ 5.00	33,334				33,334
Common Stock	12/31/08	$ 2.00	185,125				185,125
			1,969,522	(75,000)	150,000	(106,667)	1,937,855

In conjunction with the issuance of units of equity securities during 2005, GeoPetro issued warrants to purchase 37,000 shares of GeoPetro s common stock at exercise prices of $5.00 per share. The purchase rights under the warrants have expiration dates from June 30, 2006 to February 28, 2008 unless terminated earlier in accordance with the stock warrant purchase agreement. The Company agreed to extend the warrants by a period of one year for a total of 143,334 shares. The fair value of the warrants on the date of extension, $32,404, was recorded as compensation expense and $2,927 was recorded as consulting expense.

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The following table summarizes the number of shares reserved for the exercise of common stock purchase warrants as of December 31, 2005:

	Expiration Date	Exercise Price	12/31/04 Shares	Warrants Exercised	Warrants Granted	Warrants Extended (expired)	12/31/05 Shares
Common Stock	03/31/05	$ 2.00	37,500	(37,500)			
Common Stock	03/31/05	$ 3.00	10,000	(10,000)			
Common Stock	04/30/05	$ 2.50	10,000	(10,000)			
Common Stock	07/31/05	$ 2.00	37,500	(37,500)			
Common Stock	07/31/05	$ 3.00	10,000			(10,000)	
Common Stock	12/31/05	$ 5.00	50,000			(50,000)	
Common Stock	06/30/06	$ 5.00			10,000		10,000
Common Stock	11/01/06	$ 3.00	20,000				20,000
Common Stock	12/31/06	$ 4.00	10,000				10,000
Common Stock	12/31/06	$ 2.00	75,000				75,000
Common Stock	05/01/07	$ 5.25	5,000				5,000
Common Stock	02/28/06	$ 5.00			27,000		27,000
Common Stock	03/31/08	$ 3.50	25,000				25,000
Common Stock	07/19/08	$ 5.00	50,000				50,000
Common Stock	09/30/08	$ 5.00	14,375				14,375
Common Stock	12/15/08	$ 3.50	1,161,356	(30,000)		(1)	1,131,355
Common Stock	03/31/09	$ 5.25	100,000				100,000
Related Party:							
Common Stock	06/18/06	$ 2.00	150,000				150,000
Common Stock	06/18/06	$ 3.00	33,333				33,333
Common Stock	12/31/06	$ 4.00	66,667				66,667
Common Stock	06/18/07	$ 4.00	33,333				33,333
Common Stock	06/18/07	$ 5.00	33,334				33,334
Common Stock	12/31/08	$ 2.00	185,125				185,125
			2,117,523	(125,000)	37,000	(60,001)	1,969,522

In conjunction with the issuance of units of equity securities during 2004, GeoPetro issued warrants to purchase 155,000 shares of GeoPetro s common stock at exercise prices ranging from $5.00 to $5.25 per share. The purchase rights under the warrants have expiration dates from December 31, 2005 to March 31, 2009 unless terminated earlier in accordance with the stock warrant purchase agreement.

During 2004, in conjunction with the issuance of promissory notes, GeoPetro issued warrants to purchase 64,375 shares of GeoPetro s common stock at an exercise price of $5.00 per share. The purchase rights under the warrants have expiration dates from July 19 to September 30, 2008, unless terminated earlier in accordance with the stock warrant purchase agreement. The fair value of the warrants on the date of issuance, $31,729, was recorded as a debt discount and was being amortized over the life of the promissory notes.

The following table summarizes the number of shares reserved for the exercise of common stock purchase warrants as of December 31, 2004:

	Expiration Date	Exercise Price	12/31/03 Shares	Warrants Exercised	Warrants Granted	Warrants Extended (canceled)	12/31/04 Shares
Common Stock	09/17/04	$ 2.50	100,000			(100,000)	
Common Stock	03/31/05	$ 2.00	37,500				37,500
Common Stock	03/31/05	$ 3.00	10,000				10,000
Common Stock	04/30/05	$ 2.50	10,000				10,000
Common Stock	07/31/05	$ 2.00	37,500				37,500
Common Stock	07/31/05	$ 3.00	10,000				10,000
Common Stock	12/31/05	$ 4.00	10,000				10,000
Common Stock	12/31/05	$ 5.00			50,000		50,000
Common Stock	11/01/06	$ 3.00	20,000				20,000
Common Stock	12/31/06	$ 2.00	75,000				75,000
Common Stock	05/01/07	$ 5.25			5,000		5,000
Common Stock	03/31/08	$ 3.50	25,000				25,000
Common Stock	07/19/08	$ 5.00			50,000		50,000
Common Stock	09/30/08	$ 5.00			14,375		14,375
Common Stock	12/15/08	$ 3.50	1,161,356				1,161,356
Common Stock	12/31/08	$ 2.50	439,000			(439,000)	
Common Stock	03/31/09	$ 5.25	100,000		100,000		100,000
<u>Related Party:</u>							
Common Stock	08/30/04	$ 1.00	100,000	(100,000)			
Common Stock	06/18/06	$ 2.00	150,000				150,000
Common Stock	06/18/06	$ 3.00	33,333				33,333
Common Stock	12/31/06	$ 4.00	66,667				66,667
Common Stock	06/18/07	$ 4.00	33,333				33,333
Common Stock	06/18/07	$ 5.00	33,334				33,334
Common Stock	12/31/08	$ 2.00	185,125				185,125
			2,537,148	(100,000)	219,375	(539,000)	2,117,523

10. <u>Commitments and Contingencies</u>:

<u>Employment Agreements</u> The Company entered into a contract of employment with Stuart J. Doshi, Founder, President, Chief Executive Officer and Chairman of the Board of Directors, dated July 28, 1997 (effective July 1, 1997) and amended on January 11, 2001, July 1, 2003, April 20, 2004, May 9, 2005, July 28, 2005 and January 30, 2006. The contract as amended provides for a five-year term commencing May 1, 2005 which term is automatically extended for successive two-year renewal terms unless: (a) the board of directors elects not to renew the contract and the Company provides notice to Mr. Doshi of such non-renewal at least six months prior to the expiry of his employment term or any renewal term, or (b) Mr. Doshi attains age 75, in which case the term ends upon the completion of the calendar year in which he becomes 75 years old unless the Company and Mr. Doshi mutually agree to one-year extensions. The contract of employment currently provides for an annual base salary of $300,000 and further provides that in the event of a change of control of the Company or if Mr. Doshi is terminated without cause, he is entitled to receive (a) in exchange for all

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of his vested stock options and vested restricted shares, such number of Common Shares having a market value equal to the difference between (x) the aggregate total market value of all vested restricted shares and Common Shares he would receive upon exercise of all vested stock options less (y) the aggregate total exercise price for all of his vested stock options; provided, however, that if the Common Shares to be delivered to Mr. Doshi upon such change of control or termination have not been registered so as to permit immediate public resale, Mr. Doshi shall instead receive a cash payment equal to the market value on the date of termination of all vested stock options and restricted shares without any discount for liquidity or minority position against cancellation of such options and restricted shares, (b) a cash payment equal to the greater of (i) his compensation for the remainder of his term, including salary and the aggregate amount of his bonuses in respect of the last four fiscal years and (ii) four times his compensation in the current year, including his then-current salary and the average amount of his bonuses for the last four fiscal years, and (c) an additional cash payment representing his employment benefits equal to 20% of the amount of salary he is entitled to receive under (b)(i) or (b)(ii) above, as applicable. In addition, in the event of a change of control or termination without cause, all unvested options issued by the Company to Mr. Doshi will vest.

GeoPetro has executed an employment contract dated April 28, 1998 and amended on June 15, 2000, May 12, 2003 and January 1, 2005 with its Vice President of Exploration, David V. Creel. The contract provides an annual salary of $150,000 and may be terminated by GeoPetro without cause upon the payment to Mr. Creel of cash payments equal to the lesser of three months base salary or base salary during the remainder of the employment term, and, in the event of termination without cause, all unvested options issued by GeoPetro to Mr. Creel will vest.

GeoPetro has executed an employment contract dated June 19, 2000 and amended on December 12, 2002 and January 1, 2005 with its Vice President of Finance and Chief Financial Officer, J. Chris Steinhauser. The contract provides for an annual salary of $150,000 and may be terminated by GeoPetro without cause upon the making of cash payments equal to the lesser of three months base salary or base salary during the remainder of the employment term, and, in the event of termination without cause, all unvested warrants issued by GeoPetro to Mr. Steinhauser will vest.

Office Lease Effective March 1, 2004, GeoPetro is committed under an office sublease which provides for a sixty month term. The sublease provides for minimum monthly lease payments of $5,788 during the first thirty-six months of the lease term and $6,527 per month from the thirty-seventh month to the sixtieth month. Minimum annual rentals due under this agreement are as follows:

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Year	Amount
2007	76,856
2008	78,334
2009	13,056

Rent expense for the years ended December 31, 2006, 2005 and 2004, was approximately $69,466, $69,466, and $67,138, respectively, and is included in general and administrative expenses in the accompanying statements of operations.

Madisonville MGP Agreement GeoPetro owns a 100% working interest in leases located in Madisonville (Rodessa) Field in Madison County, Texas. GeoPetro s working interest covers the Rodessa formation interval at approximately 11,800 feet of depth. The Rodessa reserves are being developed through the re-entry and recompletion of the Ruby Magness No. 1 well (originally drilled in 1994) and the drilling of additional well locations. The natural gas in the Rodessa formation contains 28% impurities which must be removed in order to meet pipeline quality specifications.

In this connection, GeoPetro entered into agreements with a subsidiary of a NYSE listed company, Hanover Compressor Company (Hanover), that funded, constructed, installed and operated a dedicated gas treatment plant to process the Rodessa gas. The gas treatment plant is presently capable of treating and bringing up to pipeline specifications approximately 18 million cubic feet of inlet gas per day. Gateway Processing Company (Gateway) has installed field gathering pipelines and a sales pipeline with an estimated capacity of at least70 million cubic feet of gas per day to transport the treated natural gas to a major pipeline in the area.

Effective July 25, 2005, Madisonville Gas Processing, LP (**MGP**) purchased the natural gas treatment plant from Hanover. Concurrent with MGP s purchase of the gas treatment plant, the Company, Gateway and MGP terminated the Hanover/Gateway agreements and entered into a new agreement, (the **MGP Agreement**), to treat and transport the Company s gas production from the Madisonville Project. As a result of the MGP Agreement, MGP has committed to install and make operational additional treating facilities capable of treating 50 MMcf/d, which combined with the capacity of the current in-service treating facilities will represent a total treating capacity of 68 MMcf/d for the Madisonville treatment plant.

The term of the MGP Agreement commenced August 1, 2005 and continues so long as the Company owns any oil and gas leases in the Madisonville Field, provided that it shall terminate 30 years from the effective date unless extended. Under the terms of the MGP Agreement, the Company has committed all natural gas production from its interest in the Madisonville Project to MGP. MGP purchases the untreated natural gas from the Company at the well site point of delivery for a net price equal to the weighted average price per MMBTU that MGP receives for the natural gas delivered to the sales pipeline less certain gathering, treatment and transportation charges. The gathering, treatment and transportation price adjustments are described below. All proceeds from MGP s sale of Rodessa Formation gas are deposited in an escrow account and then disbursed in accordance with the joint direction of the Company and MGP.

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The MGP Agreement provides that certain gathering, treating and transportation fees shall be paid to MGP from the escrow account. The MGP Agreement provides that MGP will receive a gathering and marketing fee of $0.07 and $0.01 per Mcf, respectively, of gas measured and delivered to the natural gas treatment plant. In addition, for the first 18,000 Mcf/d of gas measured and delivered to the inlet flange of the gas treatment plant, MGP will receive a treating fee of $1.50 per Mcf. This treating fee will remain in effect until September 30, 2010. For any gas volumes in excess of 18,000 Mcf/d of gas delivered to the inlet flange of the gas treatment plant, MGP will receive a treating fee of $1.10 per Mcf. Beginning October 1, 2010, this fee of $1.10 per Mcf shall be charged for all gas measured and delivered to the plant. One-quarter (1/4) of the foregoing treating fees will be adjusted using the Producer Price Index for Industrial Commodities (PPI) and one-quarter (1/4) using the Consumer Price Index (CPI) commencing January 1, 2006. One-half (1/2) of the foregoing gathering and marketing fees will be adjusted using the Consumer Price Index (CPI) commencing January 1, 2006. The Company has the right, upon giving 60 days notice, to terminate the marketing fee whereupon it shall assume the sole responsibility of marketing the natural gas sold.

For the first 18,000 Mcf/d of gas measured and delivered to the inlet flange of the gas treatment plant, Gateway will receive a transportation fee of $0.10 per Mcf. This fee will remain in effect for 36 months from the effective date of the MGP Agreement. Beginning in the 37th month and terminating at the end of the 60th month from the effective date of the MGP Agreement, the fee shall be reduced to $0.08 per Mcf for the first 18,000 Mcf/d of gas measured and delivered to the inlet flange of the gas treatment plant. For any gas volumes in excess of 18,000 Mcf/d of gas measured and delivered to the inlet flange of the gas treatment plant, Gateway will receive a transportation fee of $0.12 per Mcf measured and delivered from the outlet flange of the plant. This fee will remain in effect 36 months from the effective date of the MGP Agreement and shall be reduced to $0.10 per Mcf thereafter. After 60 months, this transportation fee shall be $0.10 per Mcf for all volumes delivered from the outlet flange of the plant.

The foregoing gathering, treatment and transportation price adjustments are inclusive of all costs and expenses to gather, separate, treat, dehydrate and transport natural gas produced and delivered from the Company s well(s).

The Company has committed to a three-well drilling program to facilitate the expansion of the gas treatment plant. The Company has drilled two of the three required wells to the Rodessa formation. The commitment requires the Company to commence the drilling of the third well sufficient to test the Smackover Formation (estimated to be encountered at approximately 18,000 feet) on or before September 30, 2008. It is estimated that the 18,000 foot well will cost $10 million to drill and complete. The Company has granted MGP a security interest in the Madisonville Field properties to secure the three well commitment. The security interest shall be subordinated to any third party lender in the event the Company secures future debt against the property. MGP has granted the Company a similar security interest in the gas treatment plant to secure its obligation to expand the treatment plant on a timely basis.

Madisonville Net Profits Interest GeoPetro s working interest is subject to a net profits interest in favor of an unrelated third party. The net profits interest is 12.5% (proportionately reduced) of the net operating profits until payout is achieved. After payout, the net

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profits interest increases to 30% (proportionately reduced). Payout, for purposes of the net profits interest, is defined and achieved at such time as GeoPetro has recouped from net operating cash flows its total net investment in the project plus a 33% cash on cash return.

The Cook Inlet Alaska CBM Project The Company entered into an agreement with Pioneer Oil Company, Inc. (Pioneer) dated April 20, 2005, wherein it acquired a 100% working interest (81% net revenue interest) in approximately 117,000 acres onshore in Cook Inlet, Alaska. The Company has subsequently acquired an additional 5,000 acres in this project. The terms provide for the Company to pay total consideration of $20 per acre, or approximately $2.3 million, for the leases. The Option provides that the Company will pay the total lease consideration in two installments. The Company paid the first installment totaling $1,068,063 on August 17, 2005 and has received assignment of the 100% working interest in the leases. Within three years from the date of receipt of legally sufficient assignment of the 100% working interest in the leases, the Company has the option to conduct a $2.5 million work program consisting of, but not limited to, a multiple test well drilling program on the leases over a three-year period, and, after completion of the work program and an evaluation of the results, to remit the final additional acreage consideration of $10 per acre for the leases. The agreement provides that if the Company fails to pay the lease consideration when due, fails to perform the work program or otherwise defaults under the agreement, it shall forfeit its interest and reassign the leases to Pioneer with no further liability to GeoPetro.

11. Subsequent Events:

Proceeds from Notes The Company issued three promissory notes in February 2007 as the following:

- The Company issued a $500,000 short term Note payable on February 1, 2007 with a maturity date of October 31, 2007. The note may be repaid at any time without penalty. The principal plus accrued interest on the note are due on the maturity date. In connection with the note, the Company paid a loan origination fee of $15,000 and granted a three-year exercisable warrant to purchase 25,000 Common Shares at $3.50 per share.

- The Company issued a $300,000 short term Note payable on February 6, 2007 with a maturity date of October 31, 2007. The note may be repaid at any time without penalty. The principal plus accrued interest on the note are due on the maturity date. In connection with the note, the Company paid a loan origination fee of $9,000 and granted a three-year exercisable warrant to purchase 15,000 Common Shares at $3.50 per share.

- The Company issued a $100,000 short term Note payable on February 1, 2007 with a maturity date of October 31, 2007. The note may be repaid at any time without penalty. The principal plus accrued interest on the note are due on the maturity date. In connection with the note, the Company paid a loan origination fee of $3,000 and granted a three-year exercisable warrant to purchase 5,000 Common Shares at $3.50 per share.

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Note Extension On February 1, 2007, the Company received an extension of its note payable to Pine Hill Capital, LLC and the new maturity date is October 31, 2007. Under the agreement, the Company agreed to repay the entire remaining principal balance plus accrued interest on October 31, 2007. In the event this Note is not repaid by the maturity date, and unless an extension thereof is mutually agreed to, per the terms of the Note, the Company agreed that it shall dedicate 5% of its net cash flow from the Madisonville Project located in Madison County, Texas toward the unpaid Principal Amount and all accrued and unpaid interest thereon, until such amounts are paid in full. Net cash flow for purposes of this provision shall mean gross revenues received by the Company less royalties, production taxes and net profits interest expense. The Company has paid $80,000 accrued interest thru January 31, 2007. In connection with the extension, the Company paid a loan extension fee of $30,000 and granted a three-year exercisable warrant to purchase 50,000 Common Shares at $3.50 per share.

Warrants Issued On February 12, 2007, the Company issued a two-year exercisable no par voting common stock warrant to Rincon Energy, LLC to purchase 20,000 Common Shares at $3.50 per share. The purchase rights under the warrant has an expiration dates of February 12, 2009 unless terminated earlier in accordance with the stock warrant purchase agreement.

On February 28, 2007, the Company issued a two-year exercisable no par voting common stock warrant to Rincon Energy, LLC to purchase 5,000 Common Shares at $4.51 per share. The purchase rights under the warrant has an expiration date of February 28, 2009 unless terminated earlier in accordance with the stock warrant purchase agreement.

Related Party Promissory Note On February 12, 2007, Stuart J. Doshi, President and CEO, loaned $100,000 to the Company. The note bears interest at 8% annually and is payable on demand. The note plus accrued interest was repaid on March 28, 2007.

Note Receivable Extension On June 7, 2006, the Company loaned $1,000,000 to G. Carter Sedanoui, a 5% shareholder, evidenced by a short term promissory note payable to the Company with an original maturity date of March 31, 2007. On March 30, 2007, the Company extended the maturity date of the note to June 30, 2007.

Salary Increases On December 18, 2006, the independent members of the board of directors, acting on the recommendations of Stuart J. Doshi, the President and CEO, voted to increase the salaries of Messrs. Creel and Steinhauser, officers of the Company, to $163,200 annually effective January 1, 2007.

Conversion of Series AA Preferred Stock On March 28, 2007, all 1,890,710 of the Company s outstanding shares of Series AA Stock automatically converted into 1,890,710 shares of our common stock, no par value per share. Under the Company s Amended and Restated Articles of Incorporation, and as more fully described in Note 7, the Series AA stock automatically converts into common shares on a one-for-one share basis effective the first trading day after the reported high selling price for our common shares is at least $5.25 per share for any consecutive ten trading days, which condition was met on March 27, 2007. Dividends accrued on the Series AA Stock at a rate of $0.28 per annum, per share, while the Series AA Stock was outstanding. In 2006, dividends paid on the Series AA Stock totaled $529,400. Pursuant to the terms of the Series AA Stock, no dividends are payable for the first quarter of 2007.

12. UNAUDITED SUPPLEMENTARY OIL AND GAS RESERVE INFORMATION:

The following supplementary information is presented in compliance with United States Securities and Exchange Commission regulations and is not covered by the report of GeoPetro s independent registered public accountants. The information required to be disclosed for the years ended 2006, 2005 and 2004 in accordance with FASB Statement No. 69, Disclosures about Oil and Gas Producing Activities, is discussed below and is further detailed in the following tables.

The reserve quantities and valuations for fiscal 2006 are based upon estimates by MHA Petroleum Consultants. The reserve quantities and valuations for fiscal 2005 and 2004 are based upon estimates by Sproule Associates Inc. The proved reserves presented herein are located entirely within the United States. Proved reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e. prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions. Reservoirs are considered proved if economic productivity is supported by

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either actual production or a conclusive formation test. The area of a reservoir considered proved includes (A) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any, and (B) the immediately adjoining portions not yet drilled, but which can reasonably be judged as economically productive on the basis of available geological and engineering data. In the absence of information on fluid contacts the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.

Proved developed reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas reserves expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery should be included as proved developed reserves only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.

The estimates included in the following tables are by their nature inexact and are subject to changing economic, operating and contractual conditions. At December 31, 2006, all of GeoPetro s reserves are attributable to two producing wells and two shut-in wells. Other than the one producing well which has been on production since May 2003 and another well which was placed on production in March 2006, there is no other production history as of or subsequent to that date. Reserve estimates for these wells are subject to substantial upward or downward revisions after production commences and a production history is obtained. Accordingly, reserve estimates of future net revenues from production may be subject to substantial revision from year to year. Reserve information presented herein is based on reports prepared by independent petroleum engineers.

The assumptions used to compute the standardized measure are those prescribed by the Financial Accounting Standards Board and, as such, do not necessarily reflect GeoPetro s expectations for actual revenues to be derived from those reserves nor their present worth. The limitations inherent in the reserve quantity estimation process, as discussed previously, are equally applicable to the standardized measure computations since these are the basis for the valuation process.

The Company s proved reserves increased during 2006 due to revisions of previous estimates. This occurred due to the drilling of additional wells in the Company s Madisonville Project. The drilling and testing resulted in lowering the lowest known structural occurrence of hydrocarbons, thus extending the lower proved limit of the reservoir.

CHANGES IN QUANTITIES OF PROVED PETROLEUM AND NATURAL GAS RESERVES FOR THE YEARS ENDED DECEMBER 31 (UNAUDITED)

FACTORS	December 31, 2006 (MMcf)	December 31, 2005 (MMcf)	December 31, 2004 (MMcf)
Beginning of period	21,428	18,408	25,238
Extensions			
Improved Recovery			
Technical Revisions	5,122	4,763	(4,803)
Discoveries			
Acquisitions			
Dispositions			
Economic Factors			
Production	(1,950)	(1,742)	(2,027)
Year ended December 31,	24,600	21,428	18,408

PROVED RESERVES PRESENTED HEREIN ARE LOCATED ENTIRELY WITHIN THE UNITED STATES

	AS OF DECEMBER 31, 2006 (MMcf)	2005 (MMcf)	2004 (MMcf)
Proved developed	12,235	4,645	4,448
Proved developed non-producing	12,365	8,903	7,037
Proved undeveloped		7,881	6,923
Total	24,600	21,428	18,408

For purposes of the following disclosures, estimates were made of quantities of proved reserves and the periods during which they are expected to be produced. Future cash flows were computed by applying year-end prices to estimated annual future production from proved gas reserves. The average year-end prices for gas were as indicated below. Future development and production costs were computed by applying year-end costs to be incurred in producing and further developing the proved reserves. Future income tax expenses were computed by applying, generally, year-end statutory tax rates (adjusted for permanent differences, tax credits and allowances) to the estimated net future pre-tax cash flows. The discount was computed by application of a 10% discount factor. The calculations assume the continuation of existing economic, operating and contractual conditions. However, such arbitrary assumptions have not proven to be the case in the past. Other assumptions of equal validity could give rise to substantially different results.

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS
RELATING TO PROVED PETROLEUM AND NATURAL GAS RESERVES (UNAUDITED)

	YEAR ENDED DECEMBER 31,		
	2006	2005	2004
	(in thousands)		
Future cash inflows	101,867	$ 162,459	$ 90,815
Future production costs	(37,783)	(60,176)	(30,240)
Future development costs	(1,075)	(6,560)	(4,860)
Future income taxes	(8,128)	(18,941)	(9,609)
Future net cash flows	54,882	76,782	46,106
10% annual discount	(8,341)	(13,293)	(8,455)
Standardized measure of discounted future net cash flows	$ 46,541	$ 63,489	$ 37,651

AVERAGE YEAR-END PRICE

2006 REPORT Gas ($/MMBtu)	2005 REPORT Gas ($/MMBtu)	2004 REPORT Gas ($/MMBtu)
$ 5.40	$ 7.80	$ 5.82

The following are the principal sources of changes in the standardized measure of discounted future net cash flows:

CHANGES IN THE STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS FROM PROVED PETROLEUM AND NATURAL GAS RESERVE QUANTITIES (Unaudited)
PROVED RESERVES ARE LOCATED ENTIRELY WITHIN THE UNITED STATES

	2006 (in $ thousands)	2005	2004
Standardized measure of discounted future net cash flows, beginning of period	$ 63,489	$ 37,651	$ 41,031
Sales of Oil and Natural Gas and NGLs Produced, Net of Production Costs, Taxes and Royalties	(4,480)	(6,228)	(4,454)
Net Change in Prices, Production Costs and Royalties Related to Future Production	(39,067)	20,399	6,335
Changes in Previously Estimated Development Costs Incurred During the Period	6,545	2,800	7,187
Changes in Estimated Future Development Costs	(1,075)	(4,410)	(4,382)
Net Change Resulting from Revisions in Quantity Estimates	1,074	18,524	(12,535)
Extensions	6,740		
Accretion of discount	8,019	3,765	4,103
Other	(4,656)	(1,296)	(2,868)
Net Change in Income Taxes	9,952	(7,716)	3,234
Standardized measure of discounted future net cash flows, end of period	$ 46,541	$ 63,489	$ 37,651

13. UNAUDITED SUPPLEMENTAL QUARTERLY FINANCIAL DATA

2006	First	Second	Third	Fourth
Revenues	$ 1,498,453	$ 1,969,064	$ 1,705,140	$ 1,543,703
Income (loss) from operations	$ 119,566	$ (124,231)	$ (267,975)	$ (39,548)
Net income (loss)	$ (73,077)	$ (249,540)	$ (489,224)	$ (199,965)
Earnings per common shares:				
Basic	$ (0.00)	$ (0.01)	$ (0.02)	$ (0.01)
Diluted	$ (0.00)	$ (0.01)	$ (0.02)	$ (0.01)

2005	First	Second	Third	Fourth
Revenues	$ 1,588,204	$ 1,621,750	$ 2,824,093	$ 1,941,943
Income (loss) from operations	$ 240,023	$ 371,942	$ 1,357,935	$ 886,637
Net income (loss)	$ 12,543	$ 177,035	$ 1,189,929	$ 731,567
Earnings per common shares:				
Basic	$ 0.00	$ 0.01	$ 0.06	$ 0.03
Diluted	$ 0.00	$ 0.01	$ 0.05	$ 0.03

The sum of the individual quarterly net income per common share amounts may not agree with year-to-date net income per common share because each period's computation is based on the weighted average number of shares outstanding during that period.

GLOSSARY

In this prospectus, unless the context otherwise requires, the following terms shall have the indicated meanings. A reference to an agreement means the agreement as it may be amended, supplemented or restated from time to time.

1933 Act means the United States *Securities Act* of 1933, as amended.

Bengara II PSC means the PSC dated December 4, 1997 between C-G Bengara and Pertamina.

Bengara Block means the contract area in the Indonesian province of East Kalimantan designated as the Bengara (II) PSC Block.

BP Migas means Badan Pelaksana Minyak Dan Gas Muni, a new executive board established by the government of Indonesia in 2002 for oil and gas upstream operations and an implementing body created to assume the role of Pertamina s regulatory functions and responsibilities in managing oil and gas contractors.

CBM means coal bed methane, which is methane found in coal seams. It is produced by non-traditional means, and therefore, while it is sold and used the same as traditional natural gas, its production is different. CBM is generated either from a biological process as a result of microbial action or from a thermal process as a result of increasing heat with depth of the coal. Often a coal seam is saturated with water, with methane held in the coal by water pressure.

C-G Bengara means Continental-GeoPetro (Bengara II) Ltd., a British Virgin Islands corporation owned 12% by GeoPetro.

CG Xploration means CG Xploration Inc., a Delaware corporation owned 50% by GeoPetro.

C-G Yapen means Continental-GeoPetro (Yapen) Ltd., a British Virgin Islands corporation formerly owned 40% by GeoPetro.

CNPC means CNPCHK (Indonesia) Limited. CNPC is a wholly owned subsidiary of CNPC (Hong Kong) Limited, a publicly held company based in Hong Kong where its shares trade on the Hong Kong Stock Exchange under the listing number 0135.HK.

Company or **GeoPetro** means GeoPetro Resources Company, a corporation incorporated under the laws of the State of California and its wholly-owned subsidiaries.

Condensate means a low-density, high-API gravity liquid hydrocarbon product that is generally produced in association with natural gas. Condensate is mainly composed of propane, butane, pentane and heavier hydrocarbon fractions.

Continental means Continental Energy Corporation.

Cook Inlet Option means the option granted to GeoPetro by Pioneer to acquire a 100% working interest (81% net revenue interest) in approximately 122,000 acres in Cook Inlet, near Anchorage, Alaska.

CRA means the Canada Revenue Agency.

Earning Obligation means $18.7 million paid by CNPC into a special joint venture account at a Hong Kong international bank, which funds are under joint signature control of CNPC ourselves and Continental, and will be expended to pay for 2007 exploration drilling in the Bengara II PSC area.

EIA means the United States Energy Information Administration.

EP 408 means the approximately 201,000 gross (52,675 net) acre permit area including the Whicher Range gas field in the South Perth basin of Western Australia designated as Exploration Permit 408.

Evaluated Properties means those properties that are producing oil or gas or on which, based on known geological and engineering data, oil and gas reserves are reasonably certain to exist.

Fannin Well means the Angela Farris Fannin No. 1 well located at the Madisonville Field.

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Farmout means an agreement whereby a third party agrees to pay for the drilling of a well on one or more of GeoPetro s properties in order to earn an interest therein with GeoPetro retaining a residual interest in such properties.

Flow-Through Share means a share of common stock issued as a flow-through share within the meaning of Canadian tax law.

Gateway means Gateway Processing Company, a Texas corporation that has constructed pipeline facilities at the Madisonville Field.

GeoPetro Alaska means GeoPetro Alaska LLC, an Alaska limited liability company, which is a wholly-owned subsidiary of GeoPetro.

GeoPetro Canada means GeoPetro Canada Ltd., an Alberta corporation, which is a wholly-owned subsidiary of GeoPetro.

Hanover means Hanover Compression Limited Partnership, a Delaware limited partnership that has constructed and previously operated treatment facilities at the Madisonville Field.

Hanover Agreement means, collectively, the First Amended and Restated Master Agreement, dated as of September 12, 2002 among Redwood, Hanover and Gateway, as amended, providing for the processing of natural gas from the Madisonville Field, and the agreements related thereto, which agreements were in effect prior to August 2005.

LPG means liquefied petroleum gas.

Madisonville Field means the Madisonville (Rodessa) field in Madison County, Texas.

Madisonville Project means the oil and natural gas exploration, development and production project at the Madisonville Field.

Magness Well means the UMC Ruby Magness No. 1 well located at the Madisonville Field.

Makapan Gas Field means the Makapan gas field in East Kalimantan, Indonesia.

MGP means Madisonville Gas Processing, LP, a Colorado Limited Partnership that has purchased from Hanover and currently operates the treatment facilities at the Madisonville Field, and is jointly owned by JPMorgan Partners and Bear Cub Investments LLC.

MGP Agreement means, collectively, the Termination and Release Agreement, Madisonville Field Development Agreement, Gas Purchase Contract between Redwood LP as Seller, and MGP as Buyer, Escrow Agreement and Dedication Agreement, all effective as of August 1, 2005 among Redwood LP, MGP, Gateway and Gateway Pipeline Company, providing for the termination of the Hanover Agreement, the expansion of the treatment facilities and the provision of the gathering, processing, transportation and sale of natural gas from the Madisonville Field.

Mitchell Well means the Mitchell No. 1 well located at the Madisonville Field.

Pertamina means Perusahaan Pertambangan Minyak Dan Gas Bumi Negara, the previous Indonesian state-owned oil and natural gas company established in 1971 which had exclusive authority to explore, drill for, and produce oil and natural gas minerals in Indonesia. In accordance with the new Indonesian Oil and Gas Law, its corporate form has been changed to become a state-owned limited liability company established under Indonesian Company Law, and all rights and obligations of Pertamina under existing PSCs shall pass to BP Migas.

Pioneer means Pioneer Oil Company, Inc.

Proved developed oil and gas reserves means reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery should be included as proved developed reserves only after testing by a pilot

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project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.

Proved developed nonproducing reserves means reserves expected to be recovered from zones behind casing in existing wells.

Proved oil and gas reserves means estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

(i) Reservoirs are considered proved if economic producibility is supported by either actual production or a conclusive formation test. The area of a reservoir considered proved includes (A) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any; and (B) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.

(ii) Reserves which can be produced economically through application of improved recovery techniques (such as fluid injection) are included in the proved classification when successful testing by a pilot project, or the operation of an installed program in the reservoir, provides support for the engineering analysis on which the project or program was based.

(iii) Estimates of proved reserves do not include the following:

(A) oil that may become available from known reservoirs but is classified separately as indicated additional reserves ;

(B) crude oil, natural gas, and natural gas liquids, the recovery of which is subject to reasonable doubt because of uncertainty as to geology, reservoir characteristics, or economic factors;

(C) crude oil, natural gas, and natural gas liquids, that may occur in undrilled prospects; and

(D) crude oil, natural gas, and natural gas liquids, that may be recovered from oil shales, coal, gilsonite and other such sources.

Proved undeveloped reserves means reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage shall be limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation. Under no circumstances should estimates, for proved undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir.

PSC means a production sharing contract, being a contract with Pertamina whereby Pertamina contracts with a petroleum company to explore for, develop and extract petroleum substances from a particular license area, on Pertamina s behalf, at the risk and expense of the petroleum company, in exchange for a share of the production.

Redwood means Redwood Energy Company, a Texas corporation, which is a wholly-owned subsidiary of GeoPetro and which is the general partner of, and holds a 5% interest in, Redwood LP.

Redwood LP means Redwood Energy Production, L.P., a Texas limited partnership, the sole limited partner of which is GeoPetro and which is 100% owned, directly or indirectly, by GeoPetro.

Rodessa Formation means the geological formation at the Madisonville Field existing at a depth of approximately 12,000 feet.

Seismic means data collected that uses reflected seismic waves to produce images of the Earth s subsurface. The method requires a controlled seismic source of energy, such as dynamite or a specialized air gun. By noting the time it takes for a reflection to arrive at a receiver, it is possible to estimate the depth of the feature that generated the reflection.

Series A Stock means the preferred stock of GeoPetro designated as Series A preferred stock, all of which converted to GeoPetro s common stock on March 30, 2006.

Series AA Stock means the preferred stock of GeoPetro designated as Series AA preferred stock, all of which converted to GeoPetro s common stock on March 28, 2007.

Tertiary Sandstones means sandstones which were deposited during a geologic time period ranging from 2 to 63 million years ago.

TSX means the Toronto Stock Exchange.

Unevaluated Properties means properties not yet evaluated through exploration and drilling as to whether or not they have proved reserves.

U.S. GAAP means the accounting principles generally accepted in the United States.

Wilson Well means the Wilson No. 1 well located at the Madisonville Field.

Working interest means the percentage of undivided interest held by a party in the oil and/or natural gas or mineral lease granted by the mineral owner, which interest gives the holder the right to work the property (lease) to explore for, develop, produce and market the leased substances.

ABBREVIATIONS AND CONVERSIONS

In this prospectus, the following abbreviations have the meanings set forth below:

API	American Petroleum Institute
bbl and bbls	barrel and barrels, each barrel representing 34.972 Imperial gallons or 42 U.S. gallons
bbls/d	barrels per day
bcf	billion cubic feet
boe	barrels of oil equivalent converting 6 mcf of natural gas to one barrel of oil equivalent and one barrel of natural gas liquids to one barrel of oil equivalent. Measures of boes may be misleading, particularly if used in isolation. This conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead, but is a commonly used industry benchmark.
boe/d	barrels of oil equivalent per day
degree API	an indication of the specific gravity of crude oil measured on the API gravity scale. Liquid petroleum with a specified gravity of 28 degree API or higher is generally referred to as light crude oil.
LPG	liquefied petroleum gas
mbbls	one thousand barrels
mboe	one thousand barrels of oil equivalent
mcf	one thousand cubic feet
mcf/d	one thousand cubic feet per day
mmbbls	one million barrels
MMBTU	one million British Thermal Units
MMcf	one million cubic feet
MMcf/d	one million cubic feet per day
NGLs	natural gas liquids
Psig	Pounds per square inch gauge
TCF	trillion cubic feet

16,499,991 Shares

GeoPetro Resources Company

Common Shares

PROSPECTUS

February 8, 2007

(As supplemented September 5, 2007, which supplement includes GeoPetro Resources Company s Quarterly Report on Form 10-Q for the second quarter of 2007, as filed with the Securities and Exchange Commission on August 14, 2007)

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2007

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-16749

GeoPetro Resources Company

(Exact name of registrant as specified in its charter)

California	**94-3214487**
(State of incorporation)	(IRS Employer Identification Number)
One Maritime Plaza, Suite 700 **San Francisco, CA**	**94111**
(Address of principal executive offices)	(Zip Code)

(415) 398-8186

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

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

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 31,583,007 shares of no par value common stock outstanding on August 14, 2007.

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GEOPETRO RESOURCES COMPANY

CONSOLIDATED BALANCE SHEETS

	June 30, 2007 (Unaudited)	December 31, 2006
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 2,702,934	$ 734,561
Accounts receivable oil and gas sales	702,527	394,337
Accounts receivable other	70,400	115,770
Related party notes receivable		1,000,000
Prepaid expenses	149,642	121,413
Total current assets	3,625,503	2,366,081
Oil and Gas Properties, at cost (full cost method):		
Unevaluated properties	4,905,942	4,503,481
Evaluated properties	44,762,076	43,701,510
Less accumulated depletion and impairments	(12,776,804)	(11,557,257)
Net oil and gas properties	36,891,214	36,647,734
Furniture, Fixtures and Equipment, at cost, net of depreciation	37,105	41,547
Other Assets	6,869	6,116
Total Assets	$ 40,560,691	$ 39,061,478
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities:		
Trade payables	$ 562,143	$ 654,427
Short term notes payable	1,827,581	982,301
Interest payable	61,940	73,205
Dividends payable		133,438
Production taxes payable	221,590	662,905
Other taxes payable	6,207	9,206
Royalty owners payable	1,204,001	951,271
Net profits interest payable	332,556	137,589
Total current liabilities	4,216,018	3,604,342
Asset Retirement Obligations	51,226	48,842

See accompanying notes to these consolidated financial statements.

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	June 30, 2007 (Unaudited)	December 31, 2006
Commitments and Contingencies (Note 9)		
Shareholders Equity:		
Series AA preferred stock, no par value; 5,000,000 shares authorized, 0 shares after conversion on March 28, 2007 and 1,890,710 shares issued and outstanding at December 31, 2006. Liquidation value was $6,750,923 at December 31, 2006		5,924,068
Common stock, no par value; 100,000,000 shares authorized 29,580,408 and 27,423,758 shares issued and outstanding at June 30, 2007 and December 31, 2006, respectively	46,656,977	40,112,265
Additional paid-in capital	1,126,726	918,381
Treasury stock, at cost; 1,257,043 shares held at June 30, 2007 and December 31, 2006, respectively	(1,152,435)	(1,152,435)
Accumulated deficit	(10,337,821)	(10,393,985)
Total shareholders equity	36,293,447	35,408,294
Total Liabilities and Shareholders Equity	$ 40,560,691	$ 39,061,478

See accompanying notes to these consolidated financial statements.

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GEOPETRO RESOURCES COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30, 2007 (Unaudited	2006 (Unaudited)	Six months Ended June 30, 2007 (Unaudited)	2006 (Unaudited)
Revenues				
Oil and gas sales	$ 2,388,850	$ 1,969,064	$ 4,212,192	$ 3,467,517
Costs and expenses:				
Lease operating expense	418,830	451,706	846,107	717,929
General and administrative	767,563	738,756	1,526,919	1,287,620
Net profits interest	244,384	201,868	428,588	360,471
Depreciation and depletion expense	652,928	700,965	1,229,870	1,106,162
Total costs and expenses	2,083,705	2,093,295	4,031,484	3,472,182
Income (loss) from operations	305,145	(124,231)	180,708	(4,665)
Other Income and (Expense):				
Interest expense	(92,263)	(77,481)	(178,445)	(126,030)
Interest income	28,196	91,460	56,201	91,894
Total other expense	(64,067)	13,979	(122,244)	(34,136)
Net Income (Loss) Before Taxes	241,078	(110,252)	58,464	(38,801)
Income tax expense	(2,300)	(7,300)	(2,300)	(21,291)
Net Income (Loss) After Taxes	238,778	(117,552)	56,164	(60,092)
Preferred stock dividend		(131,988)		(262,525)
Net Loss Available to Common Shareholders	$ 238,778	$ (249,540)	$ 56,164	$ (322,617)
Earnings (Loss) per Share:				
Basic	$ 0.01	$ (0.01)	$ 0.00	$ (0.01)
Diluted	$ 0.01	$ (0.01)	$ 0.00	$ (0.01)
Weighted Average Number of Common Shares Outstanding:				
Basic	29,483,676	27,348,758	28,510,691	24,609,367
Diluted	32,068,422	27,348,758	30,897,006	24,609,367

See accompanying notes to these consolidated financial statements.

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GEOPETRO RESOURCES COMPANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,	
	2007 (Unaudited)	2006
Cash Flows From Operating Activities:		
Net income (loss)	56,164	(60,092)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and depletion	1,229,870	1,106,162
Stock compensation expense	69,870	140,624
Non-cash interest expense	108,223	88,496
Asset retirement obligations	1,430	1,300
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(308,189)	108,735
(Increase) decrease in other receivables	45,370	(15,901)
(Increase) decrease in prepaid expenses	(28,229)	(188,293)
(Increase) decrease in deposits and other noncurrent assets	(750)	466
Increase (decrease) in trade payables	(92,289)	2,103,477
Increase (decrease) in settlement payable		1,100,000
Increase (decrease) in interest payable	(11,266)	37,534
Increase (decrease) in dividends payable	(133,438)	(1,451)
Increase (decrease) in production taxes payable	(441,315)	(73,068)
Increase (decrease) in other taxes payable	(2,999)	(16,730)
Increase in royalty owners payable	252,730	107,366
Increase (decrease) in net profit interest payable	194,968	(55,912)
Increase in asset retirement obligations	953	
Net cash provided by operating activities	941,103	4,382,713
Cash Flows from Investing Activities:		
Oil and gas property expenditures	(1,430,493)	(14,425,098)
Acquisition of furniture, fixtures & equipment	(5,881)	(1,580)
(Increase) decrease in notes receivable	1,000,000	(1,000,000)
Net cash used in investing activities	(436,374)	(15,426,678)

See accompanying notes to these consolidated financial statements.

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	Six months ended June 30, 2007 (Unaudited)	2006
Cash Flows from Financing Activities:		
(Increase) in restricted cash		(2,000,075)
Proceeds from sale of common shares, option and warrant exercises, net	620,644	16,531,667
Payments of preferred dividends		(262,525)
Proceeds from promissory notes, net	1,000,000	1,900,000
Payments of loan fee	(57,000)	(30,000)
Repayments of promissory notes	(100,000)	
Deferred offering costs		(1,213,789)
Net cash provided by (used in) financing activities	1,463,644	14,925,278
Net Increase in Cash and Cash Equivalents:	1,968,373	3,881,313
Cash and Cash Equivalents:		
Beginning of period	734,561	914,826
End of period	$ 2,702,934	$ 4,796,139
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 70,222	$
Cash paid for income taxes	$ 1,500	$

See accompanying notes to these consolidated financial statements.

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GEOPETRO RESOURCES COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited Prepared by Management)

1. ORGANIZATION AND NATURE OF OPERATIONS:

These financial statements are included herein pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The Company believes the disclosures made are adequate to make the information not misleading and recommend that these condensed financial statements be read in conjunction with the financial statements and notes included in our Form 10-K for the year ended December 31, 2006. In the opinion of management, the financial statements herein contain all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of the results for such periods. The results of operations for interim periods are not necessarily indicative of the results of operations for the full fiscal year.

GeoPetro GeoPetro Resources Company (GeoPetro , Company , we or us) was originally incorporated as GeoPetr Company under the laws of the State of Wyoming in 1994 to participate in the oil and gas acquisition, exploration, development and production business in the United States and internationally. GeoPetro Company was subsequently merged into GeoPetro Resources Subsidiary Company, a California corporation, on June 28, 1996. GeoPetro s name was then changed to GeoPetro Resources Company. GeoPetro s corporate offices are in San Francisco, California. The accompanying consolidated financial statements include the accounts of GeoPetro and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Operations Although GeoPetro is not a development stage enterprise, the company has a limited operating history upon which an evaluation of its business prospects can be based. The risks, expense, and difficulties encountered by early stage companies must be considered when evaluating GeoPetro s business prospects. GeoPetro had net income of $56,164 and incurred a net loss of $322,617 for the six months ended June 30, 2007 and 2006, and had an accumulated deficit at June 30, 2007 of $10,337,821. GeoPetro expects to make significant capital expenditures in the foreseeable future. Management believes that GeoPetro will be successful in obtaining adequate sources of cash to fund its anticipated capital expenditures through the end of 2007 and to follow through with plans for continued investments in oil and gas properties. GeoPetro s success, in part, depends on its ability to generate additional financing, farm-out certain of its projects and manage its relations with the companies that provide exploration and development services. GeoPetro s success also depends on its ability to effectively manage growth and develop proven reserves. Additionally, GeoPetro s operations are subject to all of the environmental and operational risks normally associated with the oil and gas industry. GeoPetro maintains insurance that is customary in the industry.

Since its inception, GeoPetro has participated as a working interest owner in the acquisition of undeveloped leases, seismic options, lease options and foreign concessions and has participated in seismic surveys and the drilling of test wells on its undeveloped properties. Further leasehold acquisitions and seismic operations are planned for 2007 and future periods. In addition, drilling is scheduled during 2007 and future periods on GeoPetro s undeveloped properties. It is anticipated that these exploration activities together with others that may be entered into may impose financial requirements which may exceed the existing working capital of GeoPetro. Management may raise additional equity and/or debt capital, and has farmed-out certain of its projects to finance its continued participation in planned activities. In the opinion of GeoPetro management, GeoPetro can continue as a going concern even if additional financing is unavailable. However, if additional financing is not available, GeoPetro may be compelled to reduce the scope of its business activities. If GeoPetro is unable to fund planned expenditures, it may be necessary to:

1. forfeit its interest in wells that are proposed to be drilled;

2. farm-out its interest in proposed wells;

3. sell a portion of its interest in prospects and use the sale proceeds to fund its participation for a lesser interest; and

4. reduce general and administrative expenses.

In order for GeoPetro to maintain its interest in the Indonesian contract area, certain work and expenditure commitments must be met or an extension must be granted by the applicable governing authority. In the event that GeoPetro does not meet the commitments and no extensions are granted for meeting the commitments, GeoPetro will forfeit its interest in the contract or permit areas requiring an impairment write-down equal to the capitalized costs recorded for the area forfeited. This could have a material adverse impact on GeoPetro s results of operations in future periods.

In July 2005, GeoPetro entered into agreements with unaffiliated companies that have purchased and are operating a dedicated gas treatment plant and related pipelines to process and transport GeoPetro s gas from the Madisonville Project in Madison County, Texas. These agreements are discussed in detail in Note 10 to the financial statements included in our Form 10-K for the year ended December 31, 2006. In connection with the Madisonville Project, GeoPetro re-completed an existing well (the Magness well) for production from the Rodessa formation interval at approximately 11,800 feet of depth and completed an injection well for disposal of waste gasses from the production well. GeoPetro initiated gas sales from the Madisonville Project in May 2003. A second well (the Fannin #1 well) was drilled, tested and completed during 2004. Two additional development wells (the Wilson #1 and the Mitchell #1 well) were drilled during 2006. The Fannin #1 and the Mitchell#1 well are presently producing on a restricted rate awaiting a planned expansion of the gas treatment plant. Another well is planned for drilling during late 2007 or 2008 in the Madisonville Project.

Other than the above work and expenditure commitments, the timing of most of GeoPetro s capital expenditures is discretionary. GeoPetro has no material long-term commitments associated with its capital expenditure plans or operating agreements. Consequently, GeoPetro has a significant degree of flexibility to adjust the level of such expenditures as circumstances warrant. The level of capital expenditures will vary in future periods depending on the success of exploratory drilling activities, gas and oil price conditions and other related economic factors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

U.S. GAAP The Company s financial statements have been prepared in accordance with accounting principles generally accepted within the United States of America (U.S. GAAP).

Use of Estimates and Significant Estimates Certain amounts in GeoPetro s financial statements are based upon significant estimates, including oil and gas reserve quantities which form the basis for the calculation of depreciation, depletion, amortization and impairment of oil and gas properties. Actual results could materially differ from those estimates.

Oil and Gas Properties GeoPetro follows the full cost method of accounting for oil and gas producing activities and, accordingly, capitalizes all costs incurred in the acquisition, exploration, and development of proved oil and gas properties, including the costs of abandoned properties, dry holes, geophysical costs, and annual lease rentals. All general corporate costs are expensed as incurred. In general, sales or other dispositions of oil and gas properties are accounted for as adjustments to capitalized costs, with no gain or loss recorded. Amortization of evaluated oil and gas properties is computed on the units of production method based on all proved reserves on a country by country basis. Unevaluated oil and gas properties are assessed for impairment either individually or on an aggregate basis. The net capitalized costs of evaluated oil and gas properties (full cost ceiling limitation) are not to exceed their related estimated future net revenues discounted at 10%, and the lower of cost or estimated fair value of unproved properties, net of tax considerations.

Joint Ventures Some exploration and production activities are conducted jointly with others and, accordingly, the accounts reflect only GeoPetro s proportionate interest in such activities.

Revenue Recognition Revenue is recognized upon delivery of oil and gas production and is shown net of applicable royalty payments, processing and transportation fees. In addition, the Company recognizes revenue from the Madisonville Field net of applicable fees to gather, treat and transport the Company s natural gas production. The applicable fees are paid to unrelated third parties. Revenue from the Madisonville Field is recognized when the price for gas delivered becomes fixed and determinable. The price for gas delivered to the purchaser, Madisonville Gas Processing LP (MGP), becomes fixed and determinable after the gas has been gathered, treated, and transported to a common carrier pipeline where it is then resold by MGP to the common carrier pipeline on a spot market basis. The proceeds from the sale of the gas are deposited directly into an escrow account under the joint signature control of the

Company and MGP. The fees to gather, treat and transport the gas are distributed to MGP in accordance with agreements between them and the Company. The remaining net proceeds are distributed to the Company.

Asset Retirement Obligation In accordance with Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* (SFAS 143), the fair value of an asset retirement cost, and corresponding liability, should be recorded as part of the cost of the related long-lived asset and subsequently allocated to expense using a systematic and rational method. GeoPetro recorded an asset retirement obligation to reflect GeoPetro s legal obligations related to future plugging and abandonment of its oil and gas wells. GeoPetro estimated the expected cash flow associated with the obligation and discounted the amount using a credit-adjusted, risk-free interest rate. At least annually, GeoPetro reassesses the obligation to determine whether a change in the estimated obligation is necessary. GeoPetro evaluates whether there are indicators that suggest the estimated cash flows underlying the obligation have materially changed. Should those indicators suggest the estimated obligation has materially changed, GeoPetro will accordingly update its assessment.

	June 30, 2007	December 31, 2006
Asset retirement obligations, beginning of period	$ 48,842	$ 26,641
Liabilities incurred	954	19,537
Accretion expense	1,430	2,664
Asset retirement obligations, end of period	$ 51,226	$ 48,842

Furniture, Fixtures and Equipment Furniture, fixtures and equipment are stated at cost. Depreciation is provided on furniture, fixtures and equipment using the straight-line method over an estimated service life of three to seven years.

Income Taxes GeoPetro accounts for income taxes using the asset and liability method wherein deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. Because management has determined that realization of deferred tax assets is not likely, the net deferred tax assets are fully reserved.

Concentrations of Credit Risk Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted. Concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for groups of customers or counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions described below. The credit risk amounts for cash and accounts receivable do not take into account the value of any collateral or security.

GeoPetro maintains several cash accounts with three financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $100,000. As of June 30, 2007, the uninsured bank balance was $3,057,166. GeoPetro has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

For the six months ended June 30, 2007 and year ended December 31, 2006, the Company had sales to customers exceeding 10% of total sales as follows:

	June 30, 2007	December 31, 2006
Customer A	82 %	79 %
Customer B	18 %	21 %

At June 30, 2007, the Company had accounts receivable balances from Customer A of $702,527, or 91%, and $394,337 or 77% at December 31, 2006 of total accounts receivable respectively.

Allowance for Doubtful Accounts Trade accounts receivable are recorded at net realizable value. If the financial condition of GeoPetro s customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Delinquent trade accounts receivable are charged against the allowance for doubtful accounts once uncollectibility has been determined. The allowance is determined through an analysis of the past-due status of accounts receivable and assessments of risk that are based on historical trends and an evaluation of the impact of current and projected economic conditions. There was no activity in the allowance for doubtful accounts as of June 30, 2007 and December 31, 2006.

Fair Value of Financial Instruments The estimated fair values for financial instruments are determined at discrete points in time based on relevant market information. These estimates involve uncertainties and cannot be determined with precision. For certain of GeoPetro s financial instruments, including cash, accounts receivable, accounts payable and current portion of notes payable, the carrying amounts approximate fair value due to their maturities.

Stock-Based Compensation Effective January 1, 2006, the Company adopted the fair value recognition provisions of Statement of Financial Accounting Standard 123(R) *Share-Based Payment* (SFAS 123(R)) using the modified prospective transition method. In addition, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 107 *Share-Based Payment* (SAB 107) in March 2005, which provides supplemental SFAS 123(R) application guidance based on the views of the SEC. Under the modified prospective transition method, compensation cost recognized in the six months ended June 30, 2007 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, and (b) compensation cost for all share-based payments granted beginning January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS 123(R). In accordance with the modified prospective transition method, results for prior periods have not been restated.

The adoption of SFAS 123(R) resulted in stock compensation expense for the six months ended June 30, 2007 $69,870 to income from continuing operations and income before income taxes, of which the entire amount was recorded to general and administrative expenses. The Company did not recognize a tax benefit from the stock compensation expense because the Company considers it is more likely than not that the related deferred tax assets, which have been reduced by a full valuation allowance, will not be realized.

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in 2003 and 2005: risk-free, weighted-average interest rates ranging from 2.52 to 3.75 percent, expected dividend yield of 0 percent, expected life of 5 years from the date of grant, and expected volatility of 10 and 25 percent. After the initial public offering on March 30, 2006, an expected volatility factor of 58% was used for the newly issued common stock options and the extension of common stock options and warrants. A newly issued stock option is an option that was granted on or after March 30, 2006 or a previously granted stock option that is modified on or after March 30, 2006. The fair value of all newly issued stock options grants in 2006 is estimated using the Black-Scholes option pricing model with the following weighted average assumptions used for grants and modifications of prior grants made on or after March 30, 2006 for the six months ended June 30, 2007: risk-free, weighted average interest rate of 4.9 percent based on the U.S. Treasury yield curve in effect at the time of grant, expected dividend yield of 0 percent, expected life of 5 years from the date of grant (the remaining term of the option in the case of option extensions), and expected volatility of 58%. GeoPetro selected 10 publicly traded small cap companies whose primary business is oil and gas exploration and production. Small cap, for purposes of this analysis, is defined as companies with a market capitalization under $1 billion. From this peer group of similar companies, GeoPetro randomly selected 10 companies and derived expected volatility factors for the most recent completed fiscal years for each entity as reported in their recently filed 10K or 10KSB Annual Reports with the Securities and Exchange Commission. Where the expected volatilities were expressed as a range, a simple average of the range is used as an expected volatility for that entity.

A description of the common stock options outstanding as of June 30, 2007 are included in Note 6.

Income (Loss) Per Common Share Basic earnings per share excludes dilution and is calculated by dividing net income or loss by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared from the earnings of the entity. Potential common shares for the three and six month periods ended June 30, 2006 were excluded from the earnings per share computation because the Company incurred net losses and were anti-dilutive.

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	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2007	**2006**	**2007**	**2006**
Net Income (Loss) and Adjustments:				
Net Income (Loss) Available to Common Shareholders	$ 238,778	$ (249,540)	$ 56,164	$ (322,617)
Adjustments		Anti-dilutive		Anti-dilutive
Net Earnings (Loss) for Diluted Calculation	$ 238,778	$ (249,540)	$ 56,164	$ (322,617)
Shares:				
Weighted Average Shares Outstanding	29,483,676	27,348,758	28,510,691	24,609,367
Outstanding Options	2,237,546	Anti-dilutive	2,123.329	Anti-dilutive
Outstanding Warrants	347,200	Anti-dilutive	262.986	Anti-dilutive
Average Number of Shares for Diluted Calculation	32,068,422	27,348,758	30,897,006	24,609,367
Diluted EPS	$ 0.01	$ (0.01)	$ 0.00	$ (0.01)

<u>*Cash Equivalents*</u> Cash and cash equivalents include cash on hand, amounts held in banks and highly liquid investments purchased with an original maturity of three months or less.

<u>*New Accounting Pronouncements*</u> **---** In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). It became effective for the Company on January 1, 2007. FIN 48 clarifies the accounting for income taxes by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on measurement, classification, interim accounting and disclosure. We adopted FIN 48 effective January 1, 2007 (See Note 8).

In September 2006, FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements regarding fair value measurement. Where applicable, this statement simplifies and codifies fair value related guidance previously issued within GAAP. Although this statement does not require any new fair value measurements, its application may, for some entities, change current practice. SFAS No. 157 will be effective for the Company beginning January 1, 2008. The adoption of SFAS No. 157 is not expected to have a material impact on our financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, which permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 applies to all entities and is effective for fiscal years beginning after November 15, 2007. Adoption of SFAS No. 159 is not required for these financial statements, and we are currently determining the impact, if any, that SFAS No. 159 will have on our future financial statements.

3. **SHORT TERM NOTES PAYABLE**:

Short term notes payable at six months ended June 30, 2007 and December 31, 2006 consisted of the following:

	June 30, 2007	December 31, 2006
Promissory note dated January 31, 2006, payable to Pinehill Capital; collateralized with an undivided 5% of the net cash flow in GeoPetro s Madisonville Project; payable on or before October 31, 2007 (a)	$ 1,000,000	$ 1,000,000
Promissory note dated February 1, 2007 payable on or before October 31, 2007 (b)	500,000	
Promissory note dated February 6, 2007 payable on or before October 31, 2007 (c)	300,000	
Promissory note dated February 1, 2007 payable on or before October 31, 2007 (d)	100,000	
	1,900,000	1,000,000
Less discount on promissory notes	(72,419)	(17,699)
	$ 1,827,581	$ 982,301

(a) The Company issued a $1,000,000 short term promissory note on January 31, 2006 with a maturity date of January 31, 2007. The note may be repaid at any time without penalty. In the event the note is not repaid by the maturity date, the Company has agreed to dedicate 5% of the net cash flow from the Madisonville Project in Texas toward the repayment of the note and any accrued interest thereon. In connection with the note, the Company paid a loan origination fee of $30,000 and granted a three-year warrant exercisable to purchase 150,000 Common Shares at $3.50 per share. The fair value of the warrants on the date of issuance, $182,390, as well as the $30,000 loan origination fee, was recorded as a debt discount and is being amortized over the life of the promissory note. On February 1, 2007, the maturity date was extended to October 31, 2007. The Company has paid $80,000 accrued interest thru January 31, 2007. In connection with the extension, the Company paid a loan extension fee of $30,000 and granted a three-year warrant exercisable to purchase 50,000 Common Shares at $3.50 per share. The fair value of the warrants on the date of issuance, $57,242, together with the $30,000 loan extension fee, were recorded as a debt discount and are being amortized over the life of the promissory note. As of June 30, 2007, the unamortized debt discount was $38,774.

(b) The Company issued a $500,000 short term promissory note payable on February 1, 2007 with a maturity date of October 31, 2007. The note may be repaid at any time without penalty. The principal plus accrued interest on the note are due on the maturity date. In connection with the note, the Company paid a loan origination fee of $15,000 and granted a three-year exercisable warrant to purchase 25,000 Common Shares at $3.50 per share. The fair value of the warrants on the date of issuance, $27,072, as well as the $15,000 loan origination fee, was recorded as a debt discount and is being amortized over the life of the promissory note. As of June 30, 2007, the unamortized debt discount was $18,699.

(c) The Company issued a $300,000 short term promissory note payable on February 6, 2007 with a maturity date of October 31, 2007. The note may be repaid at any time without penalty. The principal plus accrued interest on the note are due on the maturity date. In connection with the note, the Company paid a loan origination fee of $9,000 and granted a three-year exercisable warrant to purchase 15,000 Common Shares at $3.50 per share. The fair value of the warrants on the date of issuance, $16,214, as well as the $9,000 loan origination fee, was recorded as a debt discount and is being amortized over the life of the promissory note. As of June 30, 2007, the unamortized debt discount was $11,206.

(d) The Company issued a $100,000 short term promissory note payable on February 1, 2007 with a maturity date of October 31, 2007. The note may be repaid at any time without penalty. The principal plus accrued interest on the note are due on the maturity date. In connection with the note, the Company paid a loan origination fee of $3,000 and granted a three-year exercisable warrant to purchase 5,000 Common Shares at $3.50 per share. The fair value of the warrants on the date of issuance, $5,414, as well as the $3,000 loan origination fee, was recorded as a debt discount and is being amortized over the life of the promissory note. As of June 30, 2007, the unamortized debt discount was $3,740.

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4. **RELATED PARTY TRANSACTIONS**:

There were no material changes in related party transactions from those disclosed in the audited annual consolidated financial statements for the year ended December 31, 2006, except:

On April 25, 2007, May 9, 2007, and June 13, 2007, an officer and director, exercised warrants to purchase 80,000, 70,000 and 33,333 shares of common stock at an exercise price of $2.00, $2.00 and $4.00 per share, respectively. The warrants were granted on June 18, 2000 and had an expiration dates of between June 18 and June 30, 2007.

On February 12, 2007, Stuart J. Doshi, President and CEO, loaned $100,000 to the Company. The note bore interest at 8% annually and was payable on demand. The note plus accrued interest was repaid on March 28, 2007.

On June 7, 2006, the Company loaned $1,000,000 to G. Carter Sedanoui, a 5% shareholder, evidenced by a short term promissory note payable to the Company with an original maturity date of March 31, 2007. On March 30, 2007, the Company extended the maturity date of the note to June 30, 2007. The note plus the accrued interest was paid in full on June 29, 2007.

5. **SHAREHOLDERS EQUITY**:

GeoPetro s articles of incorporation allow for the issuance of 100,000,000 shares of common stock, 1,000,000 shares of Series A preferred stock (Series A Stock), 5,000,000 shares of Series AA preferred stock (Series AA Stock), and an additional 44,000,000 shares of preferred stock which may be issued from time to time in one or more series.

During the six months ended June 30, 2007, the following issuances of common stock were made:

	Preferred Stock Series AA Shares	**Amount**	**Common Stock Shares**	**Amount**
Balances, December 31, 2006	1,890,710	$ 5,924,068	27,423,758	$ 40,112,265
Issuance of common stock for cash			265,940	620,644
Series AA preferred stock conversion	(1,890,710)	(5,924,068)	1,890,710	5,924,068
Balances, June 30, 2007		$	29,580,408	$ 46,656,977

Conversion of Series A Stock On March 28, 2007, all 1,890,710 of the Company s outstanding shares of Series AA Stock automatically converted into 1,890,710 shares of our common stock, no par value per share. Under the Company s Amended and Restated Articles of Incorporation, and as more fully described in Note 7 included in our Form 10K for the year ended December 31, 2006, the Series AA stock automatically converted into common shares on a one-for-one share basis effective the first trading day after the reported high selling price for our common shares was at least $5.25 per share for any consecutive ten trading days, which condition was met on March 27, 2007. Dividends accrued on the Series AA Stock at a rate of $0.28 per annum, per share, while the Series AA Stock was outstanding. In 2006, dividends paid on the Series AA Stock totaled $529,400. Pursuant to the terms of the Series AA Stock, no dividends were payable for the first quarter of 2007.

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6. **COMMON STOCK OPTIONS**:

There were no material changes to common stock options from those disclosed in the audited annual consolidated financial statements for the year ended December 31, 2006. The options outstanding as of June 30, 2007 have the following contractual lives:

Number of Options Outstanding	Number of Options Exercisable	Exercise Prices	Weighted Average Remaining Contractual Life
750,000	750,000	0.50	0.84
1,290,000	1,290,000	2.00	0.50
1,750,000	1,380,000	2.10	5.93
150,000	30,000	3.85	3.80
10,000	4,000	4.25	2.51
10,000	4,000	6.25	2.95
3,960,000	3,458,000		

As of June 30, 2007, there are 3,458,000 options which are exercisable. The remaining 502,000 options will become exercisable ratably over the next four years.

7. **COMMON STOCK WARRANTS**:

On February 12, 2007, the Company issued a two-year exercisable common stock warrant to purchase 20,000 Common Shares at $3.50 per share to an unaffiliated third party for geophysical services. The purchase right under the warrant has an expiration dates of February 12, 2009 unless terminated earlier in accordance with the stock warrant purchase agreement.

On February 28, 2007, the Company issued a two-year exercisable common stock warrant to purchase 5,000 Common Shares at $4.51 per share to the same party as above for geophysical services. The purchase right under the warrant has an expiration date of February 28, 2009 unless terminated earlier in accordance with the stock warrant purchase agreement.

The fair value of the warrants totalled $32,533 and was capitalized in oil and gas properties as part of the U.S. cost pool.

In addition, during the six months ended June 30, 2007, the Company issued common stock warrants in connection with promissory notes payable. These warrant issuances are discussed in Note 3.

8. **INCOME TAXES**:

The Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, on January 1, 2007. As a result of the adoption of FIN 48, the Company has unrecognized tax benefits of $86,000 as of the date of adoption. No corresponding interest and penalties have been accrued as the Company is in a net operating loss position.

The Company files income tax returns in the U.S. federal jurisdiction and various states. There is currently a federal income tax audit for the 2004 tax year in progress. There are currently no other federal or state income tax examinations underway for these jurisdictions. Furthermore, the Company is no longer subject to U.S. federal income tax examinations by the Internal Revenue service for tax years before 2003 and for state and local tax authorities for years before 2002. The Company does, however, have net operating losses generated in tax years 1995 and after, which remain open for examination.

The Company provides for income taxes in accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (SFAS 109). SFAS 109 requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement carrying amounts and the tax basis of the assets and liabilities. Where it is more likely than not that a tax benefit will not be realized, a valuation allowance is recorded to reduce the deferred tax asset to its realizable value.

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A valuation allowance has been provided against the Company s net deferred tax assets as the Company believes that it is more likely than not that the net deferred tax assets will not be realized. As a result of this valuation allowance, the effective tax rate for the six months ended June 30, 2007 and for the year ended December 31, 2006 is zero percent.

9. **COMMITMENTS AND CONTINGENCIES**:

There were no material changes to commitments and contingencies from those disclosed in the audited annual consolidated financial statements for the year ended December 31, 2006 except as disclosed in Note 8 herein, and as follows:

Salary Increases On December 18, 2006, the independent members of the board of directors, acting on the recommendations of Stuart J. Doshi, the President and CEO, voted to increase the salaries of Messrs. Creel and Steinhauser, officers of the Company, to $163,200 annually effective January 1, 2007.

Sale of Australian Interests, EP 381 & EP 408 **-** On June 20, 2007, the Company agreed to sell and transfer all of its remaining property interests in Australia to an unrelated party for cash consideration and a Petroleum Sales Royalty Payment equal to 25% of the future annual earnings before interest, taxes, depreciation and amortization from the property interests. The agreement is subject to satisfaction of certain terms and conditions. Specifically, the agreement provides that the Company will be paid consideration for the sale and transfer of its property interests as follows:

1. Initial cash consideration of $175,000 subject to certain closing conditions;

2. a second cash payment of $175,000 upon a successful flow test of petroleum from a well located on the property interests. A successful flow test is defined for purposes of this agreement to be a test of at least 7 million standard cubic feet of natural gas for a continuous and uninterrupted 24 hour period (or an equivalent oil/condensate rate based on a conversion ratio of 6000 cubic feet of gas to a barrel of oil or condensate); and,

3. a Petroleum Sales Royalty Payment equal to 25% of the future annual earnings before interest, taxes, depreciation and amortization from the property interests up to a total amount of $2,200,000.

Goodwin Prospect, Central Alberta, Canada On June 21, 2007, the Company entered into a participation agreement wherein it acquired a 50% non-operated working interest in the Goodwin Prospect, which is located in the Central Alberta Basin, Canada. A total of 12,000 acres can be earned by the Company by the drilling of wells. On July 2, 2007, the Company advanced US $477,050 to be applied toward the drilling and completion of the first well in the prospect, the Nexstar Goodwin 16-19-58-12 Well.

10. SUBSEQUENT EVENTS:

Common Stock Offering On August 13, 2007, the Company entered into agreements to sell, pursuant to a private placement, 2,002,599 units of the Company at a subscription price of $3.85 per Unit for total gross proceeds of $7,710,006. Each unit consists of one share of common stock of the Company and three-tenths common share purchase warrant of the Company. Each one whole warrant shall entitle the holder to acquire one share of common stock at a price of $4.50 per share for a period of five years from the closing date. The units have been purchased by a group of private investors, subject to customary closing conditions on August 13, 2007. The Company will file a registration statement covering the common shares. The gross proceeds of the sale of common shares will be used to fund the Company's exploration and development program and for general working capital purposes.

ITEM 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with accompanying financial statements and related notes included elsewhere in this report. It contains forward looking statements that reflect our future plans, estimates, beliefs and expected performance. The forward looking statements are dependent upon events, risks and uncertainties that may be outside our control. Our actual results could differ materially from those discussed in these forward looking statements. Factors that could cause or contribute to such differences include, but are not limited to, market prices for natural gas and oil, economic and competitive conditions, regulatory changes, estimates of proved reserves, potential failure to achieve production from development drilling projects, capital expenditures and other uncertainties, as well as those factors discussed below and elsewhere in this report, particularly in Risk Factors and Cautionary Notes Regarding Forward Looking Statements , all of which are difficult to predict and which expressly qualify all subsequent oral and written forward-looking statements attributable to us or persons acting on our behalf. In light of these risks, uncertainties and assumptions, the forward looking events discussed may not occur. We do not have any intention or obligation to update forward-looking statements included in this report after the date of this report, except as required by law.

Overview

GeoPetro Resources Company (the Company , we or us) is a California incorporated oil and gas company in the business of exploring and developing oil and natural gas reserves on a worldwide basis. Since inception, we have conducted leasehold acquisition, exploration and drilling activities on our North American, Australian and Indonesian prospects. These projects currently encompass approximately 1.03 million gross (236,170 net) acres, consisting of mineral leases, production sharing contract and exploration permits that give us the right to explore for, develop and produce oil and natural gas. Some of these properties are in the exploration, appraisal or development drilling phase and have not begun to produce revenue from the sale of oil and natural gas. Excluding minor interest and dividend income, our only significant cash inflows until 2003 were the recovery of capital invested in projects through sale or other divestiture of interests in oil and gas prospects to industry partners.

Since 2003, substantially all of our revenue has been generated from natural gas sales derived from the Magness #1, the Fannin#1, and the Mitchell#1 wells in the Madisonville Field in East Texas under spot gas purchase contracts at market prices. Natural gas sales from the Madisonville Field are expected to account for substantially all of our revenues for 2007. We expect the majority of our capital expenditures in 2007 to be the costs of drilling and completing wells in the Madisonville Field.

Results of Operations

The financial information with respect to the three and six months ended June 30, 2007 and 2006 that is discussed below is unaudited. In the opinion of management, such information contains all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of the results for such periods. The results of operations for interim periods are not necessarily indicative of the results of operations for the full fiscal year.

	Three months ended June 30,		Six months ended June 30,	
	2007 (Unaudited)	2006	2007 (Unaudited)	2006
Statement of Operations				
Revenues, net of royalties	2,388,850	1,969,064	4,212,192	3,467,517
Income (loss) from operations	305,145	(124,231)	180,708	(4,665)
Net income (loss) available to holders of Common Shares	238,778	(249,540)	56,164	(322,617)
Net income (loss) from continuing operations per diluted share	$ 0.01	$ (0.00)	$ 0.01	$ (0.00)
Net income (loss) available to holders of Common Shares per diluted share	$ 0.01	$ (0.01)	$ 0.00	$ (0.01)

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Revenue and Operating Trends in 2007

As discussed in the Properties Texas Madisonville Project section in our Annual Report on Form 10-K for the year ended December 31, 2006, in order to produce the gas reserves from the Rodessa Formation, we developed an onsite plan to treat and remove impurities from the Madisonville Project natural gas in order to meet pipeline-quality specifications. In 2003, the construction and installation of a natural gas treatment plant with a designed capacity of 18 million cubic feet of gas per day (MMcf/d) and associated pipeline and gathering facilities were completed. The treatment plant and associated pipeline and gathering facilities are owned by an unaffiliated third party.

In 2005 we secured a commitment from MGP to install and make operational additional treating facilities capable of treating 50 MMcf/d, which combined with the capacity of the current in-service treating facilities will represent a total designed treating capacity of 68 MMcf/d for the Madisonville treatment plant. Representatives of MGP have indicated that they expect the full expansion of the treatment plant to 68 MMcf/d capacity can be in place and operational by the third quarter of 2007.

Upon completion of the plant expansion, we expect to produce our Fannin Well and Mitchell Well at a higher rate as the well rate has previously been restricted due to capacity limitations in the gas treatment plant. The Mitchell Well was placed in production in June 2007. In addition, later in 2007 we expect to fracture stimulate the Wilson Well, and provided such stimulation is successful, we will place the Wilson Well on production.

In addition, our contract with MGP provides that for the first 18,000 Mcf/d of gas measured and delivered to the inlet flange of the gas treatment plant, MGP will receive a treating fee of $1.50 per thousand cubic feet (Mcf) (this fee is presently $1.55 per Mcf adjusted for inflation). For any gas volumes in excess of 18,000 Mcf/d of gas delivered to the inlet flange of the gas treatment plant, the treating fee received by MGP is reduced from $1.50 to $1.10 per Mcf ($1.14 per Mcf adjusted for inflation). We record our revenues net of these treating fees. Thus, if we are able to increase our inlet production volumes over 18 MMcf/d on a sustained basis, we expect to experience a disproportionately higher increase in revenue due to lower average treating fees per Mcf.

While there can be no assurance, the higher production rates from our wells combined with the lower average treating fees per Mcf, may result in higher net production and increased revenue during later periods in 2007 as compared to the second quarter of 2007 and prior periods.

Industry Overview for the six months ended June 30, 2007

The six months ended June 30, 2007 saw strengthening natural gas prices. The Houston Ship Channel price, the index price prevailing in the locale of our Madisonville Project in Madison County, Texas, as quoted in Gas Daily as of June 29, 2007, was $6.66 versus $5.40 as of December 29, 2006. Natural gas prices improved during the quarter due to higher demand induced by cold temperatures experienced in many parts of the United States, among other factors.

Company Overview for the six months ended June 30, 2007

Our net income after taxes for six months ended June 30, 2007 was $56,164. From our inception, through mid-2003, we only received nominal revenues from our oil and natural gas activities, while incurring substantial acquisition and exploration costs and overhead expenses which have resulted in an accumulated deficit through June 30, 2007 of $10,337,821. Commencing in May 2003, we placed our Madisonville Project into production. Substantially all of our oil and natural gas sales for the six months ended June 30, 2007 were derived from our Madisonville Project, from three producing wells, the UMC Ruby Magness #1 well (the Magness Well), the Angela Farris Fannin #1 well (the Fannin Well) and the Mitchell #1 well (the Mitchell Well).

Comparison of Results of Operations for three months ended June 30, 2007 and 2006

Oil and gas revenue for the second quarter of 2007 increased 21% to $2,388,850 from $1,969,064 for the second quarter of 2006 in spite of a 5% decrease in gas production (net production of 583,486 Mcf in second quarter of 2007 compared to 616,106 Mcf in the same period of 2006).

The lease operating expense for the second quarter ended June 30, 2007 was $418,830 compared to the same period of 2006 of $451,706. The average lifting cost per Mcf for the three months ended June 30, 2007 was $0.72 versus $0.73 for the three months ended June 30, 2006. The lease operating expense comparisons between these two quarters were consistent.

The total net profits interest expense for the second quarter ended June 30, 2007 was $244,384 versus $201,868 in the same quarter of 2006. The 21% increase resulted from higher gas prices in the three months ended June 30, 2007 versus 2006. The net profits interest is 12.5% of the net operating profits from our Magness, Fannin, and Mitchell wells.

For the second quarter ended June 30, 2007, consolidated general and administrative (G&A) expense was $767,563 as compared to $738,756 for the same quarter in 2006. The G&A cost comparisons between these two quarters were consistent.

On the quarterly basis, the 2007 second quarter depreciation, depletion and amortization expense (DD&A) was $652,928 as compared to $700,965 for the 2006 second quarter. The decrease in DD&A was due to the lower gas production of 32,620 Mcf in second quarter of 2007 (net production of 583,486 Mcf in second quarter of 2007 compared to 616,106 Mcf in the same period of 2006).

For the second quarter ended June 30, 2007, the income from operations was $305,145 versus a loss of $124,231 for the same period in 2006. The increase in the income from operations was due primarily to higher oil and gas sales.

The interest income for the second quarter ended June 30, 2007 was $28,196 as compared to $91,460 in the same quarter of 2006. The reason for the decreased interest income was lower average cash and cash equivalent balances during the 2007 period as compared to 2006 period.

Interest expense was $92,263 in the second quarter ended June 30, 2007 versus $77,481 in the same quarter of 2006. The primary reason for the 19% increase was due to short term borrowings which were incurred in 2007 to complete the Mitchell well.

During the second quarter ended June 30, 2007, the net income before tax was $241,078 as compared to a net loss of $110,252 in the same quarter of 2006. The net income during three months ended June 30, 2007 was primarily due to higher oil and gas sales.

During the second quarter ended June 30, 2007, the income tax expense was $2,300 as compared to $7,300 in the same quarter of 2006. The income tax expense comparison between these two quarters was consistent.

Comparison of Results of Operations for six months ended June 30, 2007 and 2006

During the six months ended June 30, 2007, we had oil and natural gas revenues of $4,212,192. Our net production was 1,108,338 Mcf of natural gas at an average price of $3.80 per Mcf. During the six months ended June 30, 2006, we had oil and natural gas revenues of $3,467,517. Our net production for the six months ended June 30, 2006 was 1,084,684 Mcf at an average price of $3.20 per Mcf. Revenues increased in the six months ended June 30, 2007 as compared to the prior year period due to higher gas

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prices and 2% higher production volumes. Prices were approximately 19% higher for the six months ended June 30, 2007 versus the same period in 2006.

During the six months ended June 30, 2007, we incurred lease operating expense of $846,107. Our average lifting cost for the 2007 period was $0.76 per Mcf. During the six months ended June 30, 2006, we incurred lease operating expense of $717,929. Our average lifting cost for the 2006 period was $0.66 per Mcf. The higher average lifting cost for the six months ended June 30, 2007 was due to a workover performed on the Magness well and higher production taxes attributable to the Fannin and Mitchell wells.

During the six months ended June 30, 2007, we incurred net profits interest expense of $428,588 associated with the Magness, the Fannin, and the Mitchell wells as compared to $360,471 during the six months ended June 30, 2006. The 19% increase resulted from higher gas prices as well as slightly higher production volumes in the six months ended June 30, 2007 versus 2006.

General and administrative expenses for the six months ended June 30, 2007 were $1,526,919 compared to $1,287,620 for the six months ended June 30, 2006. This represents a $239,299 increase over the prior year period due primarily to U.S. and Canada public company filling fees, and costs associated with our SEC registration statement, listing on the American Stock Exchange and ongoing filing requirements.

Depreciation, depletion and amortization expense (DD&A) for the six months ended June 30, 2007 was $1,229,870 as compared to $1,106,162 in the same period of 2006, which amounts primarily represent amortization of the U.S. full cost pool for the six months ended June 30, 2007 and 2006, respectively. The increase was due to higher net production in the six months period of 2007 and an increase in the amount of capitalized cost in the U.S. full cost pool.

Earning from operations totaled $180,708 for the six months ended June 30, 2007 as compared to loss from operations of $4,665 for the six months ended June 30, 2006. The increase in the income from operations was due primarily to higher gas prices as well as slightly higher production volumes in the six months ended June 30, 2007 versus 2006.

Other income for the six months ended June 30, 2007 and 2006 consisted of interest income in the amount of $56,201 and $91,894, respectively. The reason for the decreased interest income was lower average cash and cash equivalent balances during the 2007 period as compared to 2006 period.

During the six months ended June 30, 2007 and 2006, we incurred interest expense of $178,445 and $126,030, respectively. The higher interest expense in the current period was due to short-term borrowings which were incurred in 2007 to complete the Mitchell well as well as a workover performed on the Magness well.

Net income before taxes for the six months ended June 30, 2007 was $58,464 as compared to net loss before taxes of $38,801 for the six months ended June 30, 2006. The increase in net income during the six months ended June 30, 2007 was primarily due to higher gas prices as well as slightly higher production volumes in the six months ended June 30, 2007 versus 2006.

Income tax expense for the six months ended June 30, 2007 was $2,300 compared to $21,291 in the same period of 2006. The decrease in income tax expense was due to estimated 2005 tax return paid in 2006.

Recent Developments

In February 2007, we borrowed $900,000 pursuant to three promissory notes bearing interest at 8% per annum. The notes mature on October 31, 2007. In connection with these notes, we paid loan origination fees totaling $27,000 and issued three year warrants exercisable to purchase 45,000 shares of our common stock at $3.50 per share which expire in February 2009.

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In February 2007, we received an extension of the maturity date of our promissory note for $1,000,000 payable to Pine Hill Capital, LLC to October 31, 2007. In connection with the extension, we paid a loan extension fee of $30,000 and granted a three-year warrant to purchase 50,000 shares of our common stock at $3.50 per share. If we do not repay the note by October 31, 2007, we are required to dedicate 5% of our net cash flow from the Madisonville Project located in Madison County, Texas, toward the unpaid principal and all accrued and unpaid interest on the note, until all such amounts are paid in full. Net cash flow means our gross revenues, less royalties, production taxes and net profits interest expense.

In February 2007, Stuart J. Doshi, President and CEO, loaned $100,000 to us pursuant to a promissory note bearing interest at 8% per annum, payable upon demand. We repaid the note plus accrued interest on March 28, 2007.

On June 7, 2006, we loaned $1,000,000 to G. Carter Sednaoui, a 5% shareholder, evidenced by a full-recourse short-term promissory note payable to us with an original maturity date of March 31, 2007. On March 30, 2007, we extended the maturity date of the note to June 30, 2007. On June 29, 2007, we received the full payment of the note plus accrued interest.

On March 28, 2007, all 1,890,710 of our outstanding shares of our Series AA Stock automatically converted into 1,890,710 shares of our common stock. Under our Amended and Restated Articles of Incorporation, the Series AA stock automatically converts into common shares on a one-for-one share basis effective the first trading day after the reported high selling price for our common shares is at least $5.25 per share for any consecutive ten trading days, which condition was met on March 27, 2007. As a result of the conversion of our Series AA stock to common stock on March 28, 2007, dividends on the Series AA Stock ceased accruing on December 31, 2006. In 2006, dividends paid on the Series AA Stock totaled $529,400.

On April 25, 2007, May 9, 2007, and June 13, 2007, an officer and director, exercised warrants to purchase 80,000, 70,000 and 33,333 shares of common stock at an exercise price of $2.00, $2.00 and $4.00 per share, respectively. The warrants were granted on June 18, 2000 and had expiration dates of between June 18 and June 30, 2007.

On May 11 and May 14, 2007, we issued 12,357 and 25,000 shares of common stock at an exercise price of $3.50 per share in connection with warrant exercises.

On June 20, 2007, we agreed to sell and transfer all of our remaining property interests in Australia to an unrelated party for cash consideration and a Petroleum Sales Royalty Payment equal to 25% of the future annual earnings before interest, taxes, depreciation and amortization from the property interests. The agreement is subject to satisfaction of certain terms and conditions. Specifically, the agreement provides that we will be paid consideration for the sale and transfer of our property interests as follows:

1. Initial cash consideration of $175,000 subject to certain closing conditions;

2. a second cash payment of $175,000 upon a successful flow test of petroleum from a well located on the property interests. A successful flow test is defined for purposes of this agreement to be a test of at least 7 million standard cubic feet of natural gas for a continuous and uninterrupted 24 hour period (or an equivalent oil/condensate rate based on a conversion ratio of 6000 cubic feet of gas to a barrel of oil or condensate); and,

3. a Petroleum Sales Royalty Payment equal to 25% of the future annual earnings before interest, taxes, depreciation and amortization from the property interests up to a total amount of $2,200,000.

On June 21, 2007, the Company entered into a participation agreement wherein it acquired a 50% non-operated working interest in the Goodwin Prospect, which is located in the Central Alberta Basin, Canada. A total of 12,000 acres can be earned by the Company by the drilling of wells. On July 2, 2007, the company advanced US $477,050 to be applied toward the drilling and completion of the first well in the prospect, the Nexstar Goodwin 16-19-58-12 Well.

Liquidity and Capital Resources

We had a working capital deficit of $590,515 versus $1,238,261 at June 30, 2007 and December 31, 2006, respectively. Our working capital increased during six months ended June 30, 2007 due primarily to higher oil and gas income for the six months ended June 30, 2007 in spite of increase costs associated with our SEC registration, our listing on the American Exchange and the Mitchell well s hookup costs.

We have historically financed our business activities through June 30, 2007 principally through issuances of common shares, promissory notes and common stock purchase warrants in private placements. These financings are summarized as follows:

	Six Months Ended June 30, 2007	**June 30, 2006**
Increase in restricted cash	$	$ (2,000,075)
Proceeds from sale of common shares and warrant exercises, net	620,644	16,531,667
Payment on preferred dividends		(262,525)
Repayments of promissory notes	(100,000)	
Proceeds from promissory notes	1,000,000	1,900,000
Payment of loan fee	(57,000)	(30,000)
Deferred offering costs		(1,213,789)
Net cash provided by financing activities	$ 1,463,644	$ 14,925,278

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The net proceeds of our financings have been primarily invested in oil and natural gas properties totaling $1,430,493, and $14,425,098 for the six months ended June 30, 2007 and 2006, respectively.

Our cash balance at June 30, 2007 was $2,702,934 compared to a cash balance of $734,561 at December 31, 2006. The change in our cash balance is summarized as follows:

Cash balance at December 31, 2006	$ 734,561	
Sources of cash:		
Cash provided by operating activities	941,103	
Cash provided by financing activities	1,463,644	
Cash provided by payment of notes receivable	1,000,000	
Total sources of cash including cash on hand	4,139,308	
Uses of cash:		
Cash used in investing activities:		
Oil and natural gas property expenditures	(1,430,493	)
Furniture, fixtures and equipment	(5,881	)
Total uses of cash	(1,436,374	)
Cash balance at June 30, 2007	$ 2,702,934	

Our current cash and cash equivalents and anticipated cash flow from operations may not be sufficient to meet our working capital, capital expenditures and growth strategy requirements for the foreseeable future. See Outlook for 2007 for a description of our expected capital expenditures for 2007. If we are unable to generate revenues necessary to finance our operations over the long-term, we may have to seek additional capital through the sale of our equity or borrowing. As noted in Recent Developments, we periodically borrow funds pursuant to short term promissory notes to finance our activities.

Contractual Obligations

We have assumed various contractual obligations and commitments in the normal course of our operations and financing activities. We have described these obligations and commitments in our Management s Discussion and Analysis of Financial Condition and Results of Operations section in our Annual Report on Form 10-K for the year ended December 31, 2006. There were no material changes to our contractual obligations since December 31, 2006.

Income Taxes

As of December 31, 2006, we had net operating loss (NOL) carryforwards of approximately $22,932,000 for federal income tax purposes beginning to expire in 2010 and $10,926,000 for state income tax purposes which began to expire in 2006.

A significant change in our ownership may limit our ability to use these NOL carryforwards. Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, requires that the tax benefit of such net operating loss be recorded as an asset. At December 31, 2006, we had net deferred tax assets of approximately $3.7 million related to the NOL and other temporary differences. We have recorded a full valuation allowance of $3.7 million at December 31, 2006, due to uncertainties surrounding the realizability of the deferred tax asset.

Effective January 1, 2007, we adopted the provisions of FASB interpretation No. 48, Accounting for Uncertainty in Income Taxes, the detail of which is included in Note 8.

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Off Balance Sheet Arrangements

As of June 30, 2007, we had no off balance sheet arrangements.

Financial Instruments

We have not committed any forward sales of our natural gas and do not employ any other financial instruments.

Outlook for 2007

Depending on capital availability, we are forecasting capital spending of up to approximately $15.0 million during the remainder of 2007, allocated as follows:

1. Madisonville Project, Madison County, Texas. Approximately $13.0 million will be expended in the Madisonville Field area as follows: $10,000,000 to drill a deep well location, $2,000,000 toward the fracture stimulation and hook up costs of the Wilson Well, and $1,000,000 to be utilized for land acquisition, engineering and permitting.

2. Central Alberta Reef Project. Up to approximately $2.0 million will be expended to drill exploratory wells and acquire 3-D seismic data.

We may, in our discretion, decide to allocate resources towards other projects in addition to or in lieu of, those listed above should other opportunities arise and as circumstances warrant.

We expect commodity prices to be volatile, reflecting the current tight supply and demand fundamentals for North American natural gas and world crude oil. Political events around the world, which are difficult to predict, will continue to influence both oil and gas prices. Higher prices for oil and gas often lead to higher levels of drilling activity which in turn lead to higher costs to explore, develop and acquire oil and gas reserves due to greater competition for resources and supplies. These higher costs could affect the returns on our capital expenditures. Higher crude prices could also help keep natural gas prices high by keeping alternative fuels, such as heating oil and residual fuel, expensive.

Impact of Inflation & Changing Prices

We are highly dependent upon natural gas pricing. A material decrease in current and projected natural gas prices could impair our ability to raise additional capital on acceptable terms. Likewise, a material decrease in current and projected natural gas prices could also impact our revenues and cash flows. This could impact our ability to fund future activities.

Changing prices have had a significant impact on costs of drilling and completing wells, particularly in the Madisonville Field area where we are currently the most active. The impact is due to higher costs associated with tubular goods, well equipment, and day rates for drilling contracts, among other factors. These higher costs have impacted and will continue to impact our income from operations in the form of higher depletion expense.

Critical Accounting Estimates

Our consolidated financial statements have been prepared by management in accordance with U.S. GAAP. We refer you to the corresponding section in Part II, Item 7 and the notes to the consolidated financial statements of our Annual Report on Form 10-K for the year ended December 31, 2006 for a description of critical accounting policies and estimates.

Risks and Uncertainties

There are a number of risks that face participants in the U.S., Canadian and international oil and natural gas industry, including a number of risks that face us in particular. Accordingly, there are risks involved in an ownership of our securities. See Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2006 for a description of the principal risks faced by us.

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk***

We are exposed to market risks arising from fluctuating prices of crude oil, natural gas and interest rates as discussed below.

Commodity Risk. Our major commodity price risk exposure is to the prices received for our natural gas production. Realized commodity prices received for our production are the spot prices applicable to natural gas in the East Texas region. Prices received for natural gas are volatile and unpredictable and are beyond our control. For the six months ended June 30, 2007, a 10% change in the prices received for natural gas production would have had an approximate $400,000 impact on our revenues.

Currency Translation Risk. Because our revenues and expenses are primarily in U.S. dollars, we have little exposure to currency translation risk, and, therefore, we have no plans in the foreseeable future to implement hedges or financial instruments to manage international currency changes.

Hedging. We did not enter into any hedging transactions during the six months ended June 30, 2007 and the year ended December 31 2006.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Based on an evaluation carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, as of the end of the period covered by this report, our Chief Executive Officer and Chief Financial Officer believe that our disclosure controls and procedures, as defined in Securities Exchange Act Rules 13a-15(e) and 15d-15(e), were, as of the end of the period covered by this report effective.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during the six months ended June 30, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we are party to litigation or other legal and administrative proceedings that we consider to be a part of the ordinary course of our business. Currently, we are not involved in any legal proceedings nor are we party to any pending or threatened claims that could, individually or in the aggregate, reasonably be expected to have a material adverse effect on our financial condition, cash flow or results of operations.

Item 1A. Risk Factors.

As of the date of this filing, there have been no material changes from the risk factors previously disclosed in our Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2006, referred to as our 2006 Annual Report. An investment in our securities involves various risks. When considering an investment in our company, you should consider carefully all of the risk factors described in our 2006

Annual Report. These risks and uncertainties are not the only ones facing us and there may be

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additional matters that we are unaware of or that we currently consider immaterial. All of these could adversely affect our business, financial condition, results of operations and cash flows and, thus, the value of an investment in our company.

Item 2. Use of Proceeds.

Our registration statement on Form S-1 (Reg. No. 333-135485) registered up to 16,499,991 shares of our common stock, no par value per share, including 5,825,498 shares of common stock issuable upon exercise of warrants and options, for resale by selling shareholders. The registration statement was declared effective by the Securities and Exchange Commission on February 8, 2007. The offering commenced on February 8, 2007 and has not terminated. We will not receive any proceeds from the sale of our common stock by the selling shareholders under the registration statement; however if all warrants and options to acquire our common stock being registered thereunder are exercised, we will realize cash proceeds of approximately $13,931,169, which we expect to use for general working capital purposes and the drilling of wells in our Texas, Alaska, California, Canadian and Indonesian prospects.

If less than the $13,931,169 proceeds are realized from the exercise of such warrants and options, the proceeds will be spent in the following order of priority:

1. Alaska Cook Inlet Project, up to approximately $3.0 million will be expended for the drilling of pilot program wells.

2. Madisonville Project, Madison County, Texas. Up to approximately $10 million will be expended in the Madisonville Field area towards the drilling and completion of one deep exploratory well location to an estimated depth of 18,000 feet.

3. General working capital.

We do not know if, or how many, of the warrants or options will be exercised. This is our best estimate of our use of proceeds generated from the possible exercise of warrants or options based on the current state of our business operations, our current plans and current economic and industry conditions. Any changes in the projected use of proceeds will be made at the sole discretion of our board of directors.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Submission of Matters to a Vote of the Security Holders.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

Exhibit Number	Description
3.1**	Amended and Restated Articles of Incorporation of GeoPetro Resources Company
3.2***	Amended and Restated Bylaws of the GeoPetro Resources Company
4.1**	Form of Warrant issued by GeoPetro Resources Company to various investors on various dates.
4.2**	Specimen Common Stock Certificate
10.1**	Joint Venture Agreement Bengara II, Dated January 1, 2000
10.2**	Production Sharing Contract Bengara II, Dated December 4, 1997
10.3**	Joint Venture Agreement Whicher Range, Dated October 28, 1996
10.4**	Exploration Permit #408, Dated July 2, 1997
10.5**	Madisonville Field Development Agreement Dated August 1, 2005
10.6**	Alaska Cook Inlet Option dated April 20, 2005
10.7**	The 2001 Stock Incentive Plan
10.8**	The 2004 Stock Option and Appreciation Rights Plan
10.9**	Stuart Doshi Employment Agreement, Dated July 28, 1997 (effective July 1, 1997) and amendments dated January 11, 2001, July 1, 2003, April 20, 2004, May 9, 2005, July 28, 2005 and January 30, 2006
10.10**	David Creel Employment Agreement, Dated April 28, 1998 and amendments dated June 15, 2000, May 12, 2003 and January 1, 2005
10.11**	J. Chris Steinhauser Employment Agreement, Dated June 19, 2000 and amendments dated December 12, 2002 and January 1, 2005
10.12**	Office Lease Agreement, Dated effective March 1, 2004
10.13**	Promissory Note to Pinehill Capital Inc., Dated January 31, 2006
10.14**	Form of Subscription Agreement for GeoPetro Resources Company stock executed by various investors on various dates.
10.15**	Promissory Note between GeoPetro Resources Company and G. Carter Sednaoui, Dated June 7, 2006
10.16**	Flow-Through Share Agreement between GeoPetro Resources Company and GeoPetro Canada Ltd., Dated March 30, 2006
10.17**	Form of Flow-Through Share Agreement between GeoPetro Resources Company and various investors, Dated March 30, 2006
10.18**	Promissory Notes between GeoPetro Resources Company and Stuart J. Doshi, various dates
10.19**	Shares Sale & Purchase Agreement Dated September 29, 2006
21.1***	List of Subsidiaries of GeoPetro
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer.
32.1*	Certification of Chief Executive Officer and Chief Financial Officer of GeoPetro Resources Company pursuant to 18 U.S.C. § 1350.

* Filed herewith

** Filed as the identically numbered exhibit to the Registration Statement on Form S-1, as amended (No. 333-135485), as filed with the Securities and Exchange Commission on June 30, 2006, and incorporated herein by reference.

*** Filed as the identically numbered exhibit to the Annual Report on Form 10K, as filed with the Securities and Exchange Commission on April 2, 2007, and incorporated herein by reference.

Indicates a management contract or compensatory plan or arrangement.

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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.

Signature	Title	Date
/s/ Stuart J. Doshi Stuart J. Doshi	Chairman of the Board, President and Chief Executive Officer	August 14, 2007
/s/ David V. Creel David V. Creel	Vice President of Exploration and Director	August 14, 2007
/s/ J. Chris Steinhauser J. Chris Steinhauser	Vice President of Finance and Chief Financial Officer, Principal Accounting Officer and Director	August 14, 2007

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