

U.S. SECURITIES AND EXCHANGE  
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDING MARCH 31, 2003.

☐ 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 0-14908

TGC INDUSTRIES, INC.

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

Texas  
(State or other jurisdiction of  
incorporation or organization)

74-2095844  
(I.R.S. Employer  
Identification No.)

1304 Summit, Suite 2  
Plano, Texas

75074

(Address of principal executive offices)

(Zip Code)

Issuer's telephone number, including area code: 972-881-1099

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15 (d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

Class	Outstanding at April 28,
2003	
Common Stock (\$.30 Par Value)	5,515,064

PART I -- FINANCIAL INFORMATION

ITEM 1 -- FINANCIAL STATEMENTS

Incorporated herein is the following unaudited financial information:

Balance Sheet as of March 31, 2003.

Statements of Operations for the three-month periods ended  
March 31, 2003 and 2002.

Statements of Cash Flows for the three-month periods ended  
March 31, 2003 and 2002.

Notes to Financial Statements.

## TGC INDUSTRIES, INC.

## BALANCE SHEET

(UNAUDITED)

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MARCH 31,  
2003

## ASSETS

## CURRENT ASSETS

Cash and cash equivalents	\$ 890,269
Trade accounts receivable	499,724
Cost and estimated earnings in excess of billings on uncompleted contracts	3,396
Prepaid expenses and other	2,724
Total current assets	1,396,113

## PROPERTY AND EQUIPMENT - at cost

Machinery and equipment	11,635,750
Automobiles and trucks	810,837
Furniture and fixtures	326,108
Other	18,144
	12,790,839
Less accumulated depreciation and amortization	(11,504,846)
	1,285,993

## OTHER ASSETS

4,824

## Total assets

\$2,686,930

See notes to Financial Statements

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TGC INDUSTRIES, INC.  
BALANCE SHEET -- CONTINUED  
(UNAUDITED)  
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MARCH 31,  
2003

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Trade accounts payable	\$ 426,741
Accrued liabilities	47,895
Billings in excess of costs and estimated earnings on uncompleted contracts	703,510
Current maturities of notes payable	2,489
Current portion of capital lease obligations	72,344
Total current liabilities	<u>1,252,979</u>

NOTES PAYABLE, less current maturities 98,359

CAPITAL LEASE OBLIGATIONS, less current portion 18,797

COMMITMENTS AND CONTINGENCIES -

STOCKHOLDERS' EQUITY

Preferred stock, \$1.00 par value; 4,000,000 shares authorized: 8-1/2% Senior convertible preferred stock; 2,782,708 shares issued and outstanding	2,782,708
8% Series C convertible exchangeable preferred stock; 1,150,350 shares issued, 58,100 shares outstanding	58,100
Common stock, \$.30 par value; 25,000,000 shares authorized; 5,547,008 shares issued	1,664,102
Additional paid-in capital	5,302,871
Accumulated deficit	(8,275,672)
Treasury stock, at cost (31,944 shares)	(215,314)
	<u>1,316,795</u>

Total liabilities and stockholders' equity \$ 2,686,930  
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See notes to Financial Statements

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TGC INDUSTRIES, INC.  
STATEMENTS OF OPERATIONS

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	<C> Three Months Ended March 31,	<C> Three Months Ended March 31,
	(Unaudited)	(Unaudited)
	2003	2002
Revenue	\$1,601,805	\$2,917,860
Cost of services	1,437,431	2,601,881
Selling, general, administrative	205,749	230,521
	<u>1,643,180</u>	<u>2,832,402</u>
INCOME (LOSS) FROM OPERATIONS	(41,375)	85,458
Interest expense	2,104	3,746
NET INCOME (LOSS)	<u>(43,479)</u>	<u>81,712</u>
Less dividend requirements on preferred stock	73,812	68,381
INCOME (LOSS) ALLOCABLE TO COMMON STOCKHOLDERS	<u>\$ (117,291)</u>	<u>\$ 13,331</u>
Income (loss) per common share: Basic and diluted	\$ (.02)	\$ .00
Weighted average number of common shares: Basic and diluted	5,515,064	4,769,939

See notes to Financial Statements  
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TGC INDUSTRIES, INC.  
Statements of Cash Flows (Unaudited)  
<TABLE>  
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	<C> Three Months Ended March 31,	
	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (43,479)	\$81,712
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	373,546	392,955
Changes in operating assets and liabilities		
Trade accounts receivable	162,326	323,521
Cost and estimated earnings in excess of billings on uncompleted contracts	29,449	(125,630)
Prepaid expenses	99,241	31,758
Trade accounts payable	227,405	(475,651)
Accrued liabilities	(73,622)	(18,239)
Billings in excess of cost and estimated earnings on uncompleted contracts	(170,677)	(290,589)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	604,189	(80,163)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(40,136)	(37,957)
NET CASH USED IN INVESTING ACTIVITIES	(40,136)	(37,957)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(131,583)	(3,805)
Principal payments on capital lease obligations	(65,321)	(132,411)
NET CASH USED IN FINANCING ACTIVITIES	(196,904)	(136,216)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	367,149	(254,336)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	523,120	1,043,961
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 890,269	\$ 789,625
	=====	=====
Supplemental cash flow information		
Interest paid	\$ 2,104	\$ 3,746
Income taxes paid	\$ -	\$ -
Noncash investing and financing activities		
Capital lease obligations incurred	\$ -	\$ 22,712
Series C Preferred Stock converted to Common Stock	\$ -	\$977,550

At the election of the Senior Preferred Stockholder, 108,819 and 113,444 shares of 8.5% Senior Preferred Stock were issued to the Senior Preferred Stockholder as payment for the June 1, 2002 and December 1, 2002 dividends, respectively.

See notes to Financial Statements  
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TGC INDUSTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)  
March 31, 2003

NOTE A -- BASIS OF PRESENTATION

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-QSB and therefore do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and changes in financial position in conformity with accounting principles generally accepted in the United States of America.

NOTE B -- MANAGEMENT PRESENTATION

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of financial position, results of operations, and changes in financial position have been included. The results of the interim periods are not necessarily indicative of results to be expected for the entire year. For further information, refer to the financial statements and the footnotes thereto included in the Company's Annual Report for the year ended December 31, 2002 filed on Form 10-KSB.

NOTE C -- EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per common share are based upon the weighted average number of shares of common stock outstanding. Diluted earnings (loss) per share are based upon the weighted average number of common shares outstanding and, when dilutive, common shares issuable for stock options, warrants and convertible securities. The effect of preferred stock dividends on the amount of income (loss) available to common stockholders was \$(.01) and \$.01 for the three months ended March 31, 2003 and 2002, respectively.

Outstanding warrants that were not included in the diluted calculation because their effect would be anti-dilutive totaled 2,350,000 for the three-month period ended March 31, 2003, and 850,000 for the three-month period ended March 31, 2002. Outstanding options that were not included in the diluted calculation because their effect would be anti-dilutive totaled 232,100 for each of the three-month periods ended March 31, 2003 and 2002.

NOTE D - DIVIDENDS

Holders of the Company's Series C 8% Convertible Exchangeable Preferred Stock ("Series C Preferred Stock") will receive, when, as and if declared by the Board of Directors of the Company, dividends at a rate of 8% per annum. The dividends are payable semi-annually during January and July of each year. At March 31, 2003, cumulative dividends of \$92,960 were in arrears on the Company's Series C Preferred Stock.

TGC INDUSTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)  
March 31, 2003  
(Continued)

NOTE D - DIVIDENDS (Continued)

Holders of the Company's 8-1/2% Senior Convertible Preferred Stock (the "Senior Preferred Stock") will receive, when, as and if declared by the Board of Directors of the Company, dividends at a rate of 8-1/2% per annum. The dividends are payable semi-annually during June and December of each year. Dividends paid during 2000, on the Senior Preferred Stock, were paid in additional shares of Senior Preferred Stock, in accordance with the terms of the Statement of Resolution Establishing the Senior Preferred Stock. In addition, the holders elected to receive payment of the 2001 and 2002 dividends in additional shares of Senior Preferred Stock. At March 31, 2003, there were no dividends in arrears on the Company's Senior Preferred Stock.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS.

RESULTS OF OPERATIONS

The Company's crew returned to work in late January 2003 after being idle since early November 2002. As a result, TGC reported a significant improvement in the first quarter of 2003 over the fourth quarter of 2002. However, TGC was unable to generate sufficient revenue to return to profitability in the first quarter of 2003. TGC continues to be adversely effected by the reduced level of seismic activity in the U.S. by the oil and gas exploration companies, the excess of domestic land based geophysical crews and very competitive pricing. As a result, TGC reported a net loss, before dividend requirements on preferred stock, of \$43,479 on revenue of \$1,601,805, for the three month period ended March 31, 2003 compared with net income, before dividend requirements on preferred stock, of \$81,712 on revenue of \$2,917,860 for the same period of 2002. Loss per common share, on a basic and diluted basis, was \$.02 for the three month period ended March 31, 2003, compared with income per common share of \$.00 for the same period of 2002.

The number of common shares used in the income (loss) per share computation for the three-month periods ended March 31, 2003 and 2002, do not include any common shares issuable for stock options, warrants or convertible securities because the effect of their inclusion would be anti-dilutive.

Because oil and gas exploration companies continue to curtail their domestic oil and gas exploration programs, there continues to be excess capacity in the land-based geophysical services industry and pricing remains very competitive. As a result, management continues to monitor expenses and, where possible, implement cost containment programs to remain competitive through this continued period of reduced industry activity. In

the opinion of management, despite the need for more U.S. energy self-sufficiency and the industry having favorable longer-term prospects, there are not yet clear indications of when the geophysical industry will show significant signs of improvement. In 2001, there were a number of consolidations and mergers in the geophysical industry. In addition, a major seismic competitor announced late in 2002 it was shutting down all its United States and Canadian land-based seismic operations. Though there can be no assurance, management is hopeful that with fewer seismic crews available in the marketplace, TGC will be able to secure contracts with improved margins thereby improving its future performance.

Non-cash charges for depreciation and amortization were \$373,546 in the first three months of 2003 compared with \$392,955 for the same period of 2002.

At December 31, 2002, TGC had net operating loss carryforwards of approximately \$9,000,000 available to offset future taxable income, which expire at various dates through 2022.

#### FINANCIAL CONDITION

Cash of \$604,189 was provided by operations during the first three months of 2003 compared with cash used in operations of \$80,163 for the same period of 2002. This increase was primarily the result of an increasing level of activity in the first three months of 2003 compared with a declining level of activity in the same period of 2002. Net cash of \$40,136 was used in investing activities during the first three months of 2003 for capital expenditures to replace certain vehicles and equipment. Principal payments of notes payable of \$131,583 and principal payments of capital lease obligations of \$65,321 resulted in net cash of \$196,904 being used in financing activities during the first three months of 2003. TGC anticipates that available funds, together with anticipated cash flows generated from future operations will be sufficient to meet TGC's minimum lease and note payment obligations.

In September 2002, TGC issued 1,500,000 detachable stock warrants to an investor group that included certain directors in exchange for a line of credit, that expired December 31, 2002, in an amount up to \$300,000. The warrants cover 1,500,000 shares of Common Stock, expire on September 10, 2012, and are exercisable at \$.20 per whole share (provided, however that the exercise price at the time of a given exercise of the warrants shall not be less than the then per share par value of the Common Stock). During September 2002, TGC borrowed \$150,000 of the available funds. The promissory notes, which bore interest at 6.75% per annum, were paid in full during December 2002 and January 2003.

In March 2003 the same investor group that provided the above described line of credit in 2002, committed to provide a line of credit up to \$300,000 through December 31, 2003, on the same terms as the 2002 line of credit, provided that warrants covering only 750,000 shares of Common Stock will be issued upon execution of the line of credit documents and warrants covering the remaining 750,000 shares of Common Stock will only be issued in proportion to the amount of the \$300,000 commitment which the Company

determines to draw on (e.g. if the Company borrows a total of \$150,000, warrants covering 375,000 shares will be issued and if the Company borrows the full commitment of \$300,000, warrants covering 750,000 shares will be issued).

Working capital increased \$278,948 to \$143,134 at March 31, 2003 from the December 31, 2002, negative working capital of \$135,814. The Company's current ratio was 1.1 at March 31, 2003, compared with .9 at December 31, 2002. Stockholders' equity decreased \$43,479 to \$1,316,795 at March 31, 2003 from the December 31, 2002 balance of \$1,360,274. This decrease was attributable to the net loss, before dividend requirements on preferred stock, of \$43,479.

Management believes, although there can be no assurance, that available funds together with anticipated cash flows generated from future operations and the recently secured line of credit will be sufficient to meet the Company's cash needs during 2003.

#### Forward-Looking Statements

This report contains forward-looking statements which reflect the view of Company's management with respect to future events. Although management believes that the expectations reflected in such forward-looking statements are reasonable; it can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from such expectations are disclosed in the Company's Securities and Exchange Commission filings, and include, but are not limited to the dependence upon energy industry spending for seismic services, the unpredictable nature of forecasting weather, the potential for contract delay or cancellation, the potential for fluctuations in oil and gas prices, and the availability of capital resources. The forward-looking statements contained herein reflect the current views of the Company's management and the Company assumes no obligation to update the forward-looking statements or to update the reasons actual results could differ from those contemplated by such forward-looking statements.

#### ITEM 3. PROCEDURES AND CONTROLS

Within the 90 days prior to the date of this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Principal Financial and Accounting Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Securities Exchange Act Rule 13a-14. Based upon that evaluation, the Chief Executive Officer and Principal Financial and Accounting Officer concluded that the Company's disclosure controls and procedures are effective. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a. The following is a list of exhibits to this Form 10-QSB:

99.1 Certification of Chief Executive Officer of TGC Industries, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.2 Certification of Treasurer (Principal Financial and Accounting Officer) of TGC Industries, Inc. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

b. Reports on Form 8-K: None.

SIGNATURES

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

TGC INDUSTRIES, INC.

Date: May 13, 2003                      /s/ Wayne A. Whitener  
Wayne A. Whitener  
President & Chief  
Executive Officer  
(Principal Executive Officer)

Date: May 13, 2003                      /s/ Kenneth W. Uselton  
Kenneth W. Uselton  
Treasurer (Principal Financial  
and Accounting Officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Wayne A. Whitener, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of TGC Industries, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 13, 2003

Wayne A. Whitener  
President & Chief  
Executive Officer  
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Kenneth W. Uselton, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of TGC Industries, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 13, 2003

/s/ Kenneth W. Uselton  
Kenneth W. Uselton  
Treasurer (Principal Financial  
and Accounting Officer)

Exhibit 99.1

Certification of  
Chief Executive Officer  
of TGC Industries, Inc. Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002

This certification is furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) and accompanies the quarterly report on Form 10-QSB (the "Form 10-QSB") for the quarter ended March 31, 2003 of TGC Industries, Inc. (the "Company"). I, Wayne A. Whitener, the Chief Executive Officer of the Company, certify that, to the best of my knowledge:

- (1) The Form 10-QSB fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Form 10-QSB fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 13, 2003

/s/ Wayne A. Whitener  
Wayne A. Whitener  
Chief Executive Officer

Exhibit 99.2

Certification of  
Treasurer (Principal Financial and Accounting Officer)  
of TGC Industries, Inc. Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002

This certification is furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) and accompanies the quarterly report on Form 10-QSB (the "Form 10-QSB") for the quarter ended March 31, 2003 of TGC Industries, Inc. (the "Company"). I, Kenneth W. Uselton, Treasurer (Principal Financial and Accounting Officer) of the Company, certify that, to the best of my knowledge:

- (1) The Form 10-QSB fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Form 10-QSB fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 13, 2003

/s/ Kenneth W. Uselton  
Kenneth W. Uselton  
Treasurer (Principal Financial and  
Accounting Officer)

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