

Sewell Ventures Inc.
Form 10-Q
August 14, 2008
FORM 10-Q FOR PERIOD ENDING JUNE 30, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(X) QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2008

OR

() 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 333-147394

SEWELL VENTURES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

26-1395403

(IRS Employer Identification No.)

**1671 Beaver Dam Road
Point Pleasant, NJ 08741**

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(Address of principal executive offices)

732-612-1141

(Registrant's telephone number)

N/A

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes**

 No X

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes X **No**

9,200,000 shares of registrant's common stock, \$0.0001 par value, were outstanding at August 8, 2008. Registrant has no other class of common equity.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

[X] **Yes** **No**

PART I.

FINANCIAL INFORMATION

Item 1

Financial Statements.

Sewell Ventures, Inc

(An Exploration Stage Company)

Balance Sheets

	June 30, 2008 \$ (Unaudited)	September 30, 2007 \$
ASSETS		
Current assets		
Cash	11,871	35,337
Total current assets	11,871	35,337
Mineral property	4,725	4,725
Total assets	16,596	40,062

LIABILITIES AND STOCKHOLDERS EQUITY

LIABILITIES		
Current liabilities		
Accounts payables and accrued liabilities	-	454
Total current liabilities	-	454
Total liabilities	-	454

STOCKHOLDERS EQUITY

-	-
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Preferred stock: \$0.0001 par value, 25,000,000 authorized, 0 issued and outstanding	920	920
Common shares: \$0.0001 par value, 100,000,000 authorized, 9,200,000 issued and outstanding		
Additional paid-In capital	49,080	49,080
Deficit accumulated during the exploration stage	(33,404)	(10,392)
Total stockholders equity	16,596	39,608
Total liabilities and stockholders equity	16,596	40,062

(The accompanying notes are an integral part of these financial statements)

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Sewell Ventures, Inc

(An Exploration Stage Company)

Statements of Operations

(Unaudited)

	For the Three Months Ended June 30, 2008 \$	For the Nine Months Ended June 30, 2008 \$	Period From April 30, 2007 (inception) to June 30, 2007 \$	Period From April 30, 2007 (inception) to June 30, 2008 \$
Expenses				
Mineral property expenditures	-	-	1,479	6,814
General and administrative	186	3,412	107	3,551
Professional fees	3,000	19,600	-	23,039
Net loss	(3,186)	(23,012)	(1,586)	(33,404)
Net loss per share basic and diluted	(0.00)	(0.00)	(0.00)	
Weighted average shares outstanding basic and diluted	9,200,000	9,200,000	6,261,679	

(The accompanying notes are an integral part of these financial statements)

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Sewell Ventures, Inc

(An Exploration Stage Company)

Statements of Cash Flows

(Unaudited)

	For the Nine Months Ended June 30, 2008 \$	Period From April 30, 2007 (inception) to June 30, 2007 \$	Period From April 30, 2007 (inception) to June 30, 2008 \$
Cash flows from operating activities			
Net loss	(23,012)	(1,586)	(33,404)
Change in operating assets and liabilities			
Prepaid expenses	-	(2,985)	-
Accounts payables and accrued liabilities	(454)	-	-
Due to related parties	-	9,278	-
Net cash provided by (used in) operating activities	(23,466)	4,707	(33,404)
Cash flows from investing activities			
Mineral property acquisition	-	(4,725)	(4,725)
Net cash used in investing activities	-	(4,725)	(4,725)
Cash flows from financing activities			
Proceeds from issuance of common stock	-	23,000	50,000
Net cash provided by financing activities	-	23,000	50,000
Increase (decrease) in cash	(23,466)	22,982	11,871
Cash beginning of period	35,337	-	-
Cash end of period	11,871	22,982	11,871

Supplemental cash flow disclosures

Cash paid For:

Interest	-	-	-
Income tax	-	-	-

(The accompanying notes are an integral part of these financial statements)

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Sewell Ventures, Inc

(An Exploration Stage Company)

Notes to the Financial Statements

June 30, 2008

(Unaudited)

Note 1. Basis of Presentation

The accompanying unaudited interim financial statements have been prepared in accordance with United States generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q of Regulation S-X. They may not include all information and footnotes required by United States generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there have been no material changes in the information disclosed in the notes to the financial statements for the period ended September 30, 2007 included in the Company's Registration Statement on Form SB-2 filed with the Securities and Exchange Commission. The interim unaudited financial statements should be read in conjunction with those financial statements included in the Registration Statement on Form SB-2. In the opinion of management, all adjustments considered necessary for a fair presentation, consisting solely of normal recurring adjustments, have been made. Operating results for the three and nine months ended June 30, 2008 are not necessarily indicative of the results that may be expected for the year ending September 30, 2008.

Note 2: Going Concern

The accompanying financial statements have been prepared on the basis of accounting principles applicable to a going concern; accordingly, they do not give effect to adjustment that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and retire its liabilities in other than the normal course of business and at amounts different from those in the accompanying financial statements. Management plans to raise cash from public or private debt or equity financing on an as needed basis and in the longer term, to generate revenues from the acquisition, exploration and development of mineral interests, if found. The Company's ability to continue as a going concern is dependent upon achieving profitable operations and/or upon obtaining additional financing. The outcome of these matters cannot be predicted at this time.

Item 2.

Management's Discussion and Analysis.

Plan of Operation

About Our Claims and Our Company

Our mineral claim (the Goldhawk Property) is in the Omineca Mining Division in the Province of British Columbia, Canada was in good standing until July 15, 2008 and we have staked new claim adjacent as a replacement. The Goldhawk Property covers an area of 177.83 hectares.

Exploration Plan

Our initial plan as filed in our SB-2 registration statement on November 14, 2007, calls for performing exploration work on the Goldhawk Property of approximately \$19,100. Due to unavailability of professional geologist or engineers, specifically Mr. Ostler, we plan to commence the first phase in June/July 2009, and expect that the program will take approximately one month to complete. We anticipate covering part of the costs of the program from our existing cash reserve.

We anticipate that we will be able to conduct our Phase One exploration on our claims during the 2008 exploration season. The first phase is estimated to cost \$19,100.

After completing the exploration program, our consulting geologist will prepare a report discussing the results and conclusions of the program. He will also provide us with a recommendation for additional exploration work on the Goldhawk Property, which may include a soil geochemical survey. We will require additional funding to cover costs associated with a geochemical survey, and anticipate raising such funding through the sale of our common stock, although we currently do not have any specific financing arranged.

Results of Operations

We did not earn any revenues for the three months ended June 30, 2008 and from inception on April 30, 2007 to June 30, 2008. We do not anticipate earning revenues until such time as we have entered into commercial production of our mineral properties. We are presently in the exploration stage of our business and we can provide no assurance that we will discover commercially exploitable levels of mineral resources on our properties, or if such resources are discovered, that we will enter into commercial production of our mineral properties.

We incurred operating expenses in the amount of \$3,186 for the three months ended June 30, 2008, and total operating expenses in the amount of \$33,404 from inception on April 30, 2007. These operating expenses comprised mainly of accounting and legal expenses of \$3,000 for the three months ended June 30, 2008.

Liquidity and Capital Resources

As at June 30, 2008, we had a cash balance of \$11,871.

We do not anticipate generating any revenue for the foreseeable future. When additional funds become required, the additional funding will come from equity financing from the sale of our common stock or sale of part of our interest in our mineral claims. If we are successful in completing an equity financing, existing shareholders will experience dilution of their interest in our company.

We do not have any financing arranged and we cannot provide investors with any assurance that we will be able to raise sufficient funding from the sale of our common stock to fund Phase One or Phase Two. In the absence of such financing, our business will fail.

Based on the nature of our business, we anticipate incurring operating losses in the foreseeable future. We base this expectation, in part, on the fact that very few mineral claims in the exploration stage ultimately develop into producing, profitable mines. Our future financial results are also uncertain due to a number of factors, some of which are outside our control. These factors include, but are not limited to:

- .
- our ability to raise additional funding;
- .
- the results of our proposed exploration programs on the mineral property; and
- .

our ability to find joint venture partners for the development of our property interests

Due to our lack of operating history and present inability to generate revenues, our auditors have stated in their opinion that there currently exists a substantial doubt about our ability to continue as a going concern. Even if we complete our current exploration program, and it is successful in identifying a mineral deposit, we will have to spend substantial funds on further drilling and engineering studies before we will know if we have a commercially viable mineral deposit or reserve.

Accounting and Audit Plan

Our independent auditor is expected to charge approximately \$1,000 to review our quarterly financial statements and approximately \$4,000 to audit our annual financial statements. In the next twelve months, management anticipates spending approximately \$7,000.

Legal Expense Plan

Management expects to incur legal costs of approximately \$500 per quarter to support three quarterly 10-Q filings and \$1,000 to support one annual 10-K filing. In the next twelve months, management anticipates spending approximately \$2,500.

Risks and Uncertainties

Our operations and financial results are subject to various risks and uncertainties that could adversely affect our business, financial condition and results of operations. Risk Related to Our Business section of our Form SB-2 dated November 14, 2007, includes a detailed discussion of these factors which have not changed materially from those included in this Form 10-Q,

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements including arrangements that would affect our liquidity, capital resources, market risk support and credit risk support or other benefits.

Forward Looking Statements

The information in this quarterly report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). These forward-looking statements involve risks and uncertainties, including statements regarding the Company's capital needs, business strategy and expectations. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as may, will, should, expect, plan, intend, anticipate, believe, potential or continue, the negative of such terms or other comparable terminology. Actual events or results may differ materially. In evaluating these statements, you should consider various factors, including the risks outlined from time to time, in other reports we file with the Securities and Exchange Commission (the SEC). These factors may cause our actual results to differ materially from any forward-looking statement. We disclaim any obligation to publicly update these statements, or disclose any difference between its actual results and those reflected in these statements. The information constitutes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

Item 3. Qualitative and Quantitative Disclosure about Market Risks

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our Principal Executive Officer and Principal Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report, have concluded that, based on the evaluation of these controls and procedures, that our disclosure controls and procedures were effective.

Controls and Procedures over Financial Reporting

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We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

The Company currently is not a party to any legal proceedings and, to the Company's knowledge; no such proceedings are threatened or contemplated.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Default Upon Senior Securities.

None.

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

None.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K.

a.

Exhibits

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
3.1*	Articles of Incorporation*
3.2*	Bylaws*
31.1	<u>Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1	<u>Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002.</u>

*Previously filed.

SIGNATURES

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

SEWELL VENTURES, INC.

(Registrant)

Date: August 13, 2008

By: /s/ Jabeen Boga

Jabeen Boga

Principal Executive Officer

Principal Financial Officer and Director

P>

Weighted average shares used in calculation of GAAP diluted net income per share

138,937 143,433 137,096 133,607 108,308 97,508

Weighted average dilutive potential common shares issuable of redeemable convertible senior notes

(3,783) (9,058) (6,497) (6,771) (1,357)

Weighted average potential common shares excluded due to anti-dilutive effect (j)

9,909

Weighted average shares used in calculation of Non-GAAP diluted net income per share

135,154 134,375 130,599 126,836 116,860 97,508

(a) Pro forma impact of weighted average shares represents the impact of double dilution associated with the accounting treatment of the company's outstanding convertible debt and the corresponding call option

(b) The Company relocated its headquarters to a new facility in San Diego, California during the second half of 2011. Headquarter relocation expense in fiscal year 2011 is primarily non-cash in nature and includes a cease-use loss upon vacating certain buildings of our prior headquarters, accelerated depreciation expense, and double rent expense during the transition to our new headquarter facility.

(c) Non-cash interest expense is calculated in accordance with the authoritative accounting guidance for convertible debt instruments that may be settled in cash.

(d) Acquisition related (gain) expense, net includes the following current year and prior year adjustments:

2011 adjustments:

IPR&D charge of \$5.4 million related to milestone payments for a prior acquisition

Gain of \$4.5 million for changes in fair value of contingent consideration, \$1.5 million of which was recorded in Q4 2011

2010 adjustments:

IPR&D charge of \$1.3 million related to milestone payments for a prior acquisition

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Acquisition expenses of \$0.5 million

Gain on acquisition of \$2.9 million recorded for the difference between the carrying value of a cost-method investment prior to acquisition and the fair value of that investment at the time of acquisition

Gain of \$10.4 million recorded in Q4 2010 for changes in fair value of contingent consideration

2009, 2008, & 2007 adjustments:

Research and development charges related to acquisitions

(e) Contingent compensation expense represents contingent consideration for post-combination services associated with acquisitions.

(f) Incremental non-GAAP tax expense reflects the increase to GAAP tax expense related to the non-GAAP adjustments listed above.

(g) Non-GAAP net income per share and net income exclude the effect of the pro forma adjustments as detailed above. Non-GAAP diluted net income per share and net income are key drivers of our core operating

(h) Adjusted as necessary to reflect a two-for-one stock split effective September 22, 2008

(i) Adjusted to reflect retroactive adoption of authoritative accounting guidance for convertible debt instruments that may be settled in cash upon conversion effective December 28, 2008.

(j) Weighted average shares excluded from calculation of GAAP diluted net income per share for 2007 due to anti-dilutive effect on GAAP net loss.

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