

PRB Energy, Inc.
Form 10-Q
August 14, 2007

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

Form 10-Q

(Mark One)

**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

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES OF**

For the transition period from to

Commission file number 001-32471

PRB ENERGY, INC.

(Exact Name of Registrant as Specified in its Charter)

Nevada
(State or Other Jurisdiction
of Incorporation or Organization)

20-0563497
(I.R.S. Employer
Identification No.)

1875 Lawrence Street, Suite 450
Denver, CO
(Address of Principal Executive Offices)

80202
(Zip Code)

Telephone Number: **(303) 308-1330**

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

Indicate by check mark whether the registrant 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.

Large accelerated filer Accelerated filer Non-accelerated filer

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

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

Class	Outstanding as of August 10, 2007
Common Stock, \$0.001 par value	8,601,994 Shares

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When we refer to PRB, the Company, us, we or our, we are describing PRB Energy, Inc. and its subsidiaries.

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PRB ENERGY, INC.

Consolidated Balance Sheets

(In thousands, except share amounts)

	June 30, 2007 (Unaudited)	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,905	\$ 11,157
Restricted cash	2,157	2,078
Accounts receivable, net	2,871	2,527
Note receivable	2,250	
Inventory	51	
Prepaid expenses	535	789
Total current assets	10,769	16,551
Oil and gas properties accounted for under the successful efforts method of accounting:		
Proved properties	5,489	5,436
Unproved leaseholds	9,729	9,282
Wells-in-progress	5,020	5,794
Total oil and gas properties	20,238	20,512
Less: accumulated depreciation, depletion and amortization	(1,245)	(766)
Net oil and gas properties	18,993	19,746
Gathering and other property and equipment	15,325	11,603
Less: accumulated depreciation and amortization	(2,911)	(1,919)
Net gathering and other property and equipment	12,414	9,684
Other non-current assets:		
Deferred debt issuance costs	2,107	2,086
Less: accumulated amortization	(771)	(375)
Net deferred debt issuance costs	1,336	1,711
Other non-current assets	2,499	2,151
Total other non-current assets	3,835	3,862
Total Assets	\$ 46,011	\$ 49,843
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 1,408	\$ 1,854
Accrued expenses and other current liabilities	650	979
Deferred gain	883	
Current portion of debentures	1,125	
Total current liabilities	4,066	2,833
Secured notes, debentures and other debt, less current portion	35,841	36,972
Discount on debentures, net of amortization	(3,287)	(4,326)
Capital lease, less current portion	2,974	
Other non-current liabilities	3,135	3,140
Total liabilities	42,729	38,619
Commitments and Contingencies		
Stockholders equity:		
Common stock, 40,000,000 shares authorized; 8,601,994 and 8,231,894 issued, respectively, and 8,601,994 outstanding	10	10
Treasury stock	(1,257)	(1,257)
Additional paid-in-capital	26,823	26,406
Accumulated deficit	(22,294)	(13,935)
Total stockholders equity	3,282	11,224

Total Liabilities and Stockholders Equity	\$ 46,011	\$ 49,843
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The accompanying notes are an integral part of these consolidated financial statements.

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PRB ENERGY, INC.

Consolidated Statements of Operations

(In thousands, except share amounts)

(Unaudited)

	Three Months Ended June 30, 2007		Six Months Ended June 30, 2007	
		2006		2006
Revenues:				
Natural gas sales	\$ 346	\$ 48	\$ 759	\$ 106
Gas gathering and processing	364	603	872	1278
Other	10	52	14	146
Total revenues	720	703	1,645	1,530
Natural gas gathering expense	(47)	(15)	(103)	(27)
Natural gas production taxes	(37)	(5)	(77)	(12)
Net revenues	636	683	1,465	1,491
Operating expenses:				
Natural gas lease operating	612		1,273	
Gas gathering and processing	593	648	1,026	1217
Depreciation, depletion, amortization and accretion	951	336	1,806	656
General and administrative	1,194	1,129	2,794	2,146
Other expense		48		223
Total operating expenses	3,350	2,161	6,899	4,242
Operating loss	(2,714)	(1,478)	(5,434)	(2,751)
Other income (expense):				
Interest and other income	582	284	853	471
Gain on RMG settlement and sale of assets, net	240		240	
Interest and other expense:				
Convertible notes and debentures	(1,041)	(523)	(2,071)	(869)
Debt issuance costs and discount on debentures	(804)	(101)	(1,550)	(163)
Other	(191)		(396)	
Total other expense	(1,214)	(340)	(2,924)	(561)
Net loss	\$ (3,928)	\$ (1,818)	\$ (8,358)	\$ (3,312)
Net loss per share basic and diluted	\$ (0.46)	\$ (0.24)	\$ (0.97)	\$ (0.44)
Basic and diluted weighted average shares outstanding	8,601,994	7,471,235	8,601,994	7,450,679

The accompanying notes are an integral part of these consolidated financial statements.

PRB ENERGY, INC.**Consolidated Statements of Cash Flows****(In thousands)****(Unaudited)**

	Six Months Ended	
	June 30,	
	2007	2006
Cash flows from operating activities:		
Net loss	\$ (8,358)	\$ (3,312)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation, depletion, amortization and accretion	1,806	656
Exploration expense		50
Amortization of debt issuance costs	510	164
Amortization of discount on debentures	1,039	
Non share based warrants issued for services rendered		71
Gain on RMG settlement	(384)	
Loss on sale of assets	104	
Bad debt expense	317	
Share-based compensation expense	417	392
Capitalized interest	(159)	(32)
Changes in assets and liabilities:		
Accounts receivable	(873)	(366)
Inventory	(5)	417
Prepaid expenses	254	(472)
Other non-current assets	(427)	11
Accounts payable	(461)	(1,057)
Accrued expenses and other current liabilities	(246)	757
Deferred revenue	46	
Other non-current liabilities		6
Net cash used in operating activities	(6,421)	(2,715)