

U. S. SECURITIES AND EXCHANGE COMMISSION  
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 JUNE 30, 1997.

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

74-2095844

(State or other jurisdiction of incorporation or organization)

(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    X                      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 July 31, 1997
Common Stock (\$.10 Par Value)	6,315,738

PART 1 -- FINANCIAL INFORMATION

ITEM 1 -- FINANCIAL STATEMENTS

Incorporated herein is the following unaudited financial information:

Balance Sheet as of June 30, 1997.

Statements of Operations for the three and six month periods ended June 30, 1997 and 1996.

Statements of Cash Flows for the six month periods ended June 30, 1997 and 1996.

Notes to Financial Statements.

TGC INDUSTRIES, INC.  
BALANCE SHEET  
(UNAUDITED)

June 30,  
1997

## ASSETS

## CURRENT ASSETS

Cash and cash equivalents	\$ 250,996
Accounts receivable	1,319,911
Costs and estimated earnings in excess of billings on uncompleted contracts	285,062
Prepaid expenses	491,411
Total current assets	<u>2,347,380</u>

## PROPERTY AND EQUIPMENT - at cost

Machinery and equipment	8,016,090
Automobiles and trucks	642,071
Furniture and fixtures	317,167

	<u>8,975,328</u>
Less accumulated depreciation	(2,823,110)
	<u>6,152,218</u>

## OTHER ASSETS

65,232

## Total assets

\$8,564,830  
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See notes to Financial Statements

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

June 30,  
1997

## LIABILITIES AND STOCKHOLDERS' EQUITY

## CURRENT LIABILITIES

Trade accounts payable	\$1,939,139
Accrued liabilities	456,155
Billings in excess of costs and estimated earnings on uncompleted contracts	888,260
Current maturities of long-term obligations	948,490
Total current liabilities	<u>4,232,044</u>

## LONG-TERM OBLIGATIONS, less current maturities

1,251,397

## STOCKHOLDERS' EQUITY

Preferred stock, \$1.00 par value; 4,000,000 shares authorized; 1,148,850 issued and outstanding	1,148,850
Common stock, \$.10 par value; 25,000,000 shares authorized; 6,400,820 shares issued	640,082
Additional paid-in capital	5,605,104
Accumulated deficit	(4,113,458)
Treasury stock, at cost (85,082 shares)	(199,189)

3,081,389Total liabilities and stockholders' equity \$ 8,564,830  
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See notes to Financial Statements

TGC INDUSTRIES, INC.  
STATEMENTS OF OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	(Unaudited)		(Unaudited)	
	1997	1996	1997	1996
Revenue	\$4,733,331	\$2,225,255	\$7,056,651	\$4,459,927
Other income	7,339	-	424,372	-
	<u>4,740,670</u>	<u>2,225,255</u>	<u>7,481,023</u>	<u>4,459,927</u>
Cost of services	3,998,589	1,972,973	6,526,504	3,774,410
Selling, general, adm.	248,374	187,852	457,682	399,577
	<u>4,246,963</u>	<u>2,160,825</u>	<u>6,984,186</u>	<u>4,173,987</u>
INCOME FROM OPERATIONS	493,707	64,430	496,837	285,940
Interest expense	42,965	16,988	85,947	33,143
	<u>450,742</u>	<u>47,442</u>	<u>410,890</u>	<u>252,797</u>
INCOME FROM CONTINUING OPERATIONS	450,742	47,442	410,890	252,797
Discontinued operations				
Loss from operations	-	(730,046)	-	(1,405,115)
	<u>450,742</u>	<u>(682,604)</u>	<u>410,890</u>	<u>(1,152,318)</u>
NET INCOME (LOSS)	450,742	(682,604)	410,890	(1,152,318)
Less dividend requirement on preferred stock	114,885	-	229,770	-
	<u>\$ 335,857</u>	<u>\$(682,604)</u>	<u>\$181,120</u>	<u>\$(1,152,318)</u>
INCOME (LOSS) ALLOCABLE TO COMMON STOCKHOLDERS	\$ 335,857	\$(682,604)	\$181,120	\$(1,152,318)
Earnings (loss) per common and common equivalent share:				
Primary earnings (loss) per share:				
Continuing operations	\$ .05	\$ .01	\$ .03	\$ .04
Discontinued operations	-	(.12)	-	(.23)
	<u>\$ .05</u>	<u>\$(.11)</u>	<u>\$ .03</u>	<u>\$(.19)</u>
Fully diluted earnings per share:				
Continuing operations	\$ .03	\$ .01	\$ .03	\$ .04
Weighted average number of common and common equivalent shares:				
Primary	6,843,142	6,176,699	6,994,911	6,171,359
Fully diluted	14,516,118	6,176,699	14,653,911	6,171,359

See notes to Financial Statements

Six Months Ended  
June 30,

	1997	1996
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income (Loss)	\$ 410,890	\$(1,152,318)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Loss from discontinued operations	-	1,405,115
Depreciation and amortization	596,815	388,721
Gain on disposal of property and equipment	(208,985)	(8,585)
Changes in operating assets and liabilities		
Accounts receivable	(432,505)	41,748
Billings in excess of cost and estimated earnings on uncompleted contracts	98,793	529,874
Prepaid expenses	(414,868)	(382,087)
Accounts payable	455,310	10,267
Accrued liabilities	261,296	28,914
<b>NET CASH PROVIDED BY CONTINUING OPERATIONS</b>	<b>766,746</b>	<b>861,649</b>
<b>NET CASH PROVIDED BY DISCONTINUED OPERATIONS</b>	<b>-</b>	<b>150,682</b>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>766,746</b>	<b>1,012,331</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(680,320)	(197,695)
Proceeds from sale of property and equipment	210,332	11,500
Increase in other assets	(33,840)	(1,019)
<b>INVESTING ACTIVITIES OF DISCONTINUED OPERATIONS</b>	<b>-</b>	<b>(88,063)</b>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(503,828)</b>	<b>(275,277)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advance of private placement proceeds	-	150,000
Dividends paid	(459,840)	-
Proceeds from issuance of debt	142,700	125,813
Proceeds from issuance of stock	-	3,750
Other	(13,060)	-
Principal payments of debt obligations	(337,002)	(96,715)
<b>FINANCING ACTIVITIES OF DISCONTINUED OPERATIONS</b>	<b>-</b>	<b>(905,161)</b>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(667,202)</b>	<b>(722,313)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(404,284)</b>	<b>14,741</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>655,280</b>	<b>114,868</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 250,996</b>	<b>\$ 129,609</b>
	=====	=====

TGC INDUSTRIES, INC.  
Statements of Cash Flows (Unaudited) Continued

Six Months Ended  
June 30,

	1997	1996
Supplemental cash flow information		
Cash paid during the year		
Interest	\$ 85,947	\$ 11,936
Income taxes	\$ -	\$ -

Noncash investing and financing activities

(1) On January 7, 1997, options for 4,668 shares and 47,500 shares of Common Stock at an exercise price of \$1.00 and \$.40 respectively per share were exercised. The Company received 14,025 shares of its Common Stock at a market value of \$1.6875 per share as payment for the exercise of its options.

(2) In March 1997, the Company financed the acquisition of equipment through a capital lease in the amount of \$876,656.

See note to Financial Statements

TGC INDUSTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)  
June 30, 1997

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 generally accepted accounting principles.

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, 1996 filed on Form 10-KSB.

NOTE C -- EARNINGS (LOSS) PER SHARE

Primary earnings (loss) per common and common equivalent share are computed by dividing net earnings (loss), after deducting preferred stock dividends, by the weighted average number of common shares outstanding during each period plus the incremental shares that would have been outstanding upon the assumed exercise of dilutive stock options and warrants. Fully diluted earnings (loss) per share are computed by dividing net earnings (loss) by the weighted average number of common shares outstanding during each period plus the incremental shares that would have been outstanding upon the assumed exercise of dilutive stock options, warrants and conversion of the preferred shares. There were no preferred shares outstanding during the three and six month periods ended June 30, 1996.

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

RESULTS OF OPERATIONS

TGC Industries, Inc. ("TGC") reported record revenues and income from continuing operations for the second quarter ended June 30, 1997. Revenue from continuing operations increased significantly to \$4,733,331 for the three months ended June 30, 1997, compared with revenues from continuing operations of \$2,225,255 for the same period of the prior year. Income from continuing operations, before the dividend requirement on preferred stock, increased to \$450,742 compared with \$47,442 in the second quarter of 1996. There were no preferred stock dividends incurred in the first six months of 1996. Income per common share, on a fully diluted basis, from continuing operations was \$.03 for the second quarter of 1997, as compared with income from continuing operations of \$.01 for the same period of 1996.

For the six month period ended June 30, 1997, TGC had revenues from

continuing operations of \$7,056,651 and income, before dividend requirements on preferred stock, of \$410,890. This compares to revenue of \$4,459,927 and income from continuing operations of \$252,797 for the same period in 1996. Income per common share on a fully diluted basis, from continuing operations, was \$.03 for the first six months of 1997, as compared to \$.04 for the same period in 1996.

TGC has two state-of-the-art Eagle 1500 Channel crews and these crews are under contract the remainder of 1997, and TGC is booking business for 1998. During the third quarter of 1997, TGC expects to add an additional 500 channels to each of the two systems to improve productivity, capabilities, and revenue; TGC is in the process of obtaining financing for this equipment.

The geophysical business continues to be favorable and strong and management believes that 1997 will be a record year for revenues and earnings. However, with the unpredictable nature of forecasting weather, the potential for contract delay or cancellation and the potential for fluctuations in oil and gas prices, no assurance can be given that management's expectations can be achieved.

#### FINANCIAL CONDITION

Cash of \$766,746 was provided from continuing operations for the first six months of 1997 compared with cash provided from continuing operations of \$861,649 for the first six months of 1996. The funds generated in the first six months of 1997 were primarily attributable to net earnings before non-cash depreciation charges. Cash used in investing activities for the first six months of 1997 was primarily for additions to machinery and equipment for geophysical field operations. Cash used in financing activities for the first six months of 1997 was primarily for preferred stock dividend payments of \$459,840 and principal payments of debt obligations in the amount of \$337,002.

Working capital decreased \$599,135 to \$(1,884,664) from the December 31, 1996 balance of \$(1,285,529) primarily as a result of an increase in trade accounts payable and current maturities of long-term obligations. The Company's current ratio was .6 to 1 at both June 30, 1997, and December 31, 1996.

As a result of one of the Company's crews suffering immobilization and equipment losses in the first quarter of 1997 in the California floods, the Company was able to secure a loan in May 1997 in the amount of \$142,600 from the Small Business Administration on very favorable terms.

Stockholders equity increased \$64,083 from the December 31, 1996 balance of \$3,017,306 to \$3,081,389 at June 30, 1997. This increase is primarily attributable to income allocable to common stockholders, for the six months ended June 30, 1997, of \$181,120 less a charge associated with the completion of the spin-off of Chase Packaging Corporation on March 7, 1997 which resulted in a decrease in stockholders equity of \$103,977.

#### PART II - OTHER INFORMATION

##### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The annual meeting of shareholders was held on June 5, 1997. The following matters were voted upon and approved by the Company's shareholders:

a. Nominated and elected to the Board of Directors were Messrs. William J. Barrett, Robert J. Campbell, Herbert M. Gardner, Allen T. McInnes and Wayne A. Whitener.

b. Ratification of the selection of the Company's auditors, Grant Thornton LLP was approved by the shareholders by a vote of 5,014,376 to 7,507.

##### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits -- None.

b. Reports -- No reports on Form 8-K have been filed during the quarter for which this report is 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, thereunto duly authorized.

TGC INDUSTRIES, INC.

Date: August 12, 1997

/s/ Robert J. Campbell  
Robert J. Campbell  
Vice Chairman of the Board  
(Principal Executive Officer)

Date: August 12, 1997

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

6-MOS  
DEC-31-1997  
JAN-01-1997  
JUN-30-1997  
250,996  
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1,319,911  
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2,347,380  
8,975,328  
2,823,100  
8,564,830  
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