

UNITED STATES  
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, 2001.

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 (I.R.S. Employer  
incorporation or organization) 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, 2001
Common Stock (\$.30 Par Value)	2,428,669

PART I -- FINANCIAL INFORMATION

ITEM 1 -- FINANCIAL STATEMENTS

Incorporated herein is the following unaudited financial information:

Balance Sheet as of June 30, 2001.

Statements of Operations for the three and six month periods ended  
June 30, 2001 and 2000.

Statements of Cash Flows for the six month periods ended June 30,  
2001 and 2000.

Notes to Financial Statements.

TGC INDUSTRIES, INC  
BALANCE SHEET  
(UNAUDITED)

JUNE 30,  
2001

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,373,062
Accounts receivable	675,751
Cost and estimated earnings in excess of billings on uncompleted contracts	39,964
Prepaid expenses and other	126,211
Total current assets	<u>2,214,988</u>

PROPERTY AND EQUIPMENT - at cost

Machinery and equipment	11,299,710
Automobiles and trucks	839,052
Furniture and fixtures	323,323
Other	18,144
	<u>12,480,229</u>
Less accumulated depreciation and amortization	(9,098,394)
	<u>3,381,835</u>

OTHER ASSETS

1,824

Total assets \$ 5,598,647  
=====

See notes to Financial Statements

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

JUNE 30,  
2001

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Trade accounts payable	\$	875,905
Accrued liabilities		140,793
Billings in excess of costs and estimated earnings on uncompleted contracts		999,514
Current maturities of long-term obligations		101,870
Total current liabilities		<u>2,118,082</u>

LONG-TERM OBLIGATIONS, less current maturities

139,253

STOCKHOLDERS' EQUITY

Preferred stock, \$1.00 par value; 4,000,000 shares authorized: 8-1/2% Senior convertible preferred stock; 2,456,062 shares issued and outstanding		2,456,062
8% Series C convertible exchangeable preferred stock; 1,150,350 shares issued, 1,070,650 shares outstanding		1,070,650
Common stock, \$.30 par value; 25,000,000 shares authorized; 2,423,669 shares issued		727,101
Additional paid-in capital		5,508,968
Accumulated deficit		(6,206,155)
Treasury stock, at cost (31,944 shares)		(215,314)
		<u>3,341,312</u>
Total liabilities and stockholders' equity	\$	<u>5,598,647</u> =====

See notes to Financial Statements

TGC INDUSTRIES, INC  
STATEMENTS OF OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	(Unaudited)		(Unaudited)	
	2001	2000	2001	2000
Revenue	\$2,573,480	\$1,439,829	\$3,455,632	\$ 1,798,367
Cost of services	2,606,298	1,733,277	3,787,357	2,466,339
Selling, general, adm.	254,688	249,409	491,286	484,891
	<u>2,860,986</u>	<u>1,982,686</u>	<u>4,278,643</u>	
2,951,230				
LOSS FROM OPERATIONS (1,152,863)	(287,506)	(542,857)	(823,011)	
Interest expense	5,439	45,697	11,304	121,896
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
NET LOSS (1,274,759)	(292,945)	(588,554)	(834,315)	
Less dividend requirements on preferred stock	164,514	116,207	330,092	227,232
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
LOSS ALLOCABLE TO COMMON STOCKHOLDERS \$1,501,991)	\$ (457,459)	\$ (704,761)	\$(1,164,407)	
Loss per common share:				
Basic and diluted	\$ (.19)	\$ (.31)	\$ (.49)	\$ (.66)
Weighted average number of common shares:				
Basic and diluted	2,368,786	2,276,146	2,354,659	2,269,362

See notes to Financial Statements

TGC INDUSTRIES, INC  
Statements of Cash Flows (Unaudited)

	Six Months Ended June 30,	
	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (834,315)	\$(1,274,759)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	806,252	816,477
(Gain) on disposal of property and equipment	(500)	(3,901)
Changes in operating assets and liabilities		
Trade accounts receivable	219,013	(696,177)
Billings in excess of cost and estimated earnings		
on uncompleted contracts	789,050	813,207
Prepaid expenses	(54,126)	(158,822)
Other assets	(1,429)	-
Accounts payable	539,029	277,458

Accrued liabilities	258	247,857
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,463,232	21,340
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(225,854)	(456,346)
Proceeds from sale of property and equipment	500	3,901
NET CASH (USED IN) INVESTING ACTIVITIES	(225,354)	(452,445)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of warrants	3,766	-
Proceeds from issuance of debt	43,300	77,580
Principal payments of debt obligations	(171,013)	(457,223)
NET CASH (USED IN) FINANCING ACTIVITIES	(123,947)	(379,643)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,113,931	(810,748)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	259,131	1,898,674
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 1,373,062	\$ 1,087,926
	=====	=====
Supplemental cash flow information		
Interest paid	\$ 11,304	\$ 41,618
Income taxes paid	\$ -	\$ -

See notes to Financial Statements

TGC INDUSTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)  
June 30, 2001

#### 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, 2000 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 loss available to common stockholders was \$.07 and \$.05 for the three months ended June 30, 2001 and 2000, respectively, and \$.14 and \$.10 for the six months ended June 30, 2001 and 2000, respectively.

Outstanding warrants that were not included in the diluted calculation because their effect would be anti-dilutive totaled 850,000 for each of the three and six month periods ended June 30, 2001, and 1,136,575 for each of the three and six month periods ended June 30, 2000. Outstanding options that were not included in the diluted calculation because their effect would be anti-dilutive totaled 241,100 for each of the three and six month

TGC INDUSTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)  
June 30, 2001  
(Continued)

NOTE C -- EARNINGS (LOSS) PER SHARE - Continued

periods ended June 30, 2001, and 167,497 for each of the three and six month periods ended June 30, 2000.

NOTE D DIVIDENDS

Holder 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 June 30, 2001, cumulative dividends of approximately \$1,070,650 were in arrears on the Company's Series C Preferred Stock.

Holder 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 agreement. The holders of the Company's Senior Preferred Stock elected to receive the June 2001 dividend in additional shares of Senior Preferred Stock in accordance with the terms of the agreement. At June 30, 2001, 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

TGC Industries, Inc. ("TGC") reported revenue of \$2,573,480 and a net loss, before dividend requirements on preferred stock, of \$(292,945) for the three month period ended June 30, 2001, compared with revenue of \$1,439,829 and a net loss, before dividend requirements on preferred stock, of \$(588,554) for 2000. Loss per common share, on a basic and diluted basis, was \$(.19) for the three month period ended June 30, 2001, compared with a loss per common share of \$(.31) for 2000.

For the six month period ended June 30, 2001, TGC had revenue of \$3,455,632 and a net loss, before dividend requirements on preferred stock, of \$(834,315). This compares with revenue of \$1,798,367 and a net loss, before dividend requirements on preferred stock, of \$(1,274,759) for 2000. Loss per common share, on a basic and diluted basis, was \$(.49) for the six month period ended June 30, 2001, compared with a loss per common share of \$(.66) for 2000.

As a result of TGC reporting a loss for the three and six month periods ended June 30, 2001 and 2000, the number of shares used in the loss per share computation does not include any common shares issuable for stock options, warrants or convertible securities because the effect of their inclusion would be anti-dilutive.

TGC secured a sufficient number of contracts to deploy a second seismic crew during the second quarter of 2001, and had a backlog of \$7,846,000 at June 30, 2001. TGC's other seismic crew was fully employed during the second quarter of 2001. This resulted in a significant increase in revenue over the first quarter of 2001. This increase in revenue enabled TGC to significantly reduce its losses in the second quarter of 2001 compared with the first quarter of 2001. Despite the recent difficult industry conditions, management believes that the geophysical services industry has favorable long-term prospects. Geophysical services should be in greater demand due to the recent increase in seismic bidding activity and the prospect of oil and natural gas prices remaining at or near their current levels. Though there can be no assurance, such conditions should enable TGC to keep both of its seismic crews employed the remainder of 2001 thereby further improving the Company's performance in 2001.

Non-cash charges for depreciation and amortization were \$806,252 for the six month period ended June 30, 2001 compared with \$816,477 for the same period of 2000.

At December 31, 2000, TGC had net operating loss carryforwards of approximately \$7,800,000 available to offset future taxable income, which expire at various dates through 2020.

#### FINANCIAL CONDITION

Cash of \$1,463,232 was provided from operations for the six month period ended June 30, 2001 compared with cash provided from operations of \$21,340 for the same period of 2000. This increase was primarily the result of a decrease in accounts receivable, a reduction in the net loss, and an increase in accounts payable. Cash used in investing activities for the six month periods ended June 30, 2001 and 2000, was \$225,354 and \$452,445, respectively. These funds were used principally for the addition of equipment. Cash used in financing activities for the six month periods ended June 30, 2001 and 2000, was \$123,947 and \$379,643, respectively. These funds were used primarily for principal payments of debt obligations.

Working capital decreased \$232,628 to \$96,906 from the December 31, 2000 balance of \$329,534. The Company's current ratio was 1.05 at June 30, 2001, compared with 1.36 at December 31, 2000. Stockholders' equity decreased \$830,548 from the December 31, 2000 balance of \$4,171,860 to \$3,341,312 at June 30, 2001. This decrease was primarily attributable to the net loss, before dividend requirements on preferred stock, of \$834,315.

The Company anticipates that available funds, together with anticipated cash flows generated from future operations will be sufficient to meet the Company's cash needs during 2001.

#### 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, without limitation, the unpredictable nature of forecasting weather, the potential for contract delay or cancellation, and the potential for fluctuations in oil and gas prices. 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.

#### PART II - OTHER INFORMATION

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

The annual meeting of shareholders was held on June 14, 2001. The following matters were voted upon and approved by the Company's shareholders:

a. Election to the Board of Directors of Messrs. William J. Barrett, Edward L. Flynn, Herbert M. Gardner, Allen T. McInnes, Pasquale V. Scaturro, William H. White and Wayne A. Whitener was approved by the shareholders by a majority vote by a vote of 5,222,862 to 25,398.

b. Ratification of the selection of the Company's auditors, Grant Thornton LLP, was approved by the shareholders by a majority vote by a vote of 5,241,710 shares voted for, 4,646 voted against (with 1,904 shares abstaining).

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

- a. Exhibits -- None.
- b. Reports -- 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: August 13, 2001

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

Date: August 13, 2001

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