

DIGITAL ECOSYSTEMS CORP.

Form 8-K

May 15, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**  
**FORM 8-K**  
**CURRENT REPORT**  
**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
**Date of Report (Date of earliest event reported): May 12, 2006**  
**Digital Ecosystems Corp.**

(Exact name of registrant as specified in its charter)

Nevada

000-51152

98-0431245

(State or other jurisdiction  
of incorporation)

(Commission File Number)

(IRS Employer Identification No.)

1313 East Maple Street, Suite 223, Bellingham, WA 98225

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (360)685-4200

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Amendment No. 5 to Share Exchange Agreement

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**Item 1.01. Entry into a Material Definitive Agreement.**

On May 12, 2006, Digital Ecosystems Corp. (the Company ) entered into an Amendment No. 5 (the Amendment ) to the Share Exchange Agreement dated February 10, 2006 (as amended, the Agreement ), by and between the Company, GSL Energy Corporation, a Maryland corporation ( GSL ), MABio Materials Corporation, a Maryland corporation, and MAB Resources LLC, a Delaware corporation, and the shareholders of GSL named therein. The purpose of Amendment was to update certain disclosures on the schedules to the Agreement. The Amendment is attached hereto as Exhibit 10.1.

**Item 2.01. Completion of Acquisition or Disposition of Assets.**

On February 10, 2006, the Company entered into the Agreement for the purpose of acquiring the majority of the issued and outstanding shares of common stock of GSL, par value \$0.001 per share ( GSL Common Stock ), in exchange, on a one-for-one basis, of shares of the Company s common stock, par value \$0.001 per share ( Company Common Stock ), a copy of which was filed with the Company s Form 10-QSB for the three month period ended December 31, 2005.

On May 12, 2006, the parties to the Agreement completed the share exchange contemplated by the Agreement. Pursuant to the terms of the Agreement, the Company acquired 175,672,000 shares of GSL Common Stock from shareholders of GSL, which represents 86.92% of the issued and outstanding shares of GSL Common Stock, in exchange for 175,672,000 shares of Company Common Stock, which represents 85.96% of the issued and outstanding shares of Company Common Stock. As a part of the Agreement, the Company may, for fourteen days after May 12, 2006, acquire additional shares of GSL Common Stock from holders that are currently not party to the Agreement, on the same terms and conditions as provided for in the Agreement.

**Description of Business and Properties**

As a result of the closing of the transactions contemplated by the Agreement, the Company is changing its operations to those of GSL. GSL was formed on June 20, 2005. GSL s primary assets consist of five separate properties, described as (i) an undivided 50% working interest in certain leases and related properties in Colorado, Montana, and Utah; and (ii) the contractual rights under which the Company will acquire from MAB Resources LLC, a Delaware limited liability company ( MAB Resources ), an undivided 50% working interest in four exploration licenses covering seven million net mineral acres in the Northern Territory of Australia. These assets are referred to herein collectively as the Properties . MAB Resources is controlled by Marc A. Bruner, who was the largest shareholder of GSL, and is currently the largest shareholder of the Company. The Properties will be managed and operated in three groups: Heavy Oil, Piceance Basin, and Australia.

**HEAVY OIL PROPERTIES**

Great Salt Lake Utah. Pursuant to an Exploration Agreement effective as of June 1, 2005 (the Utah Agreement ) between MAB Resources and GSL, MAB Resources has assigned

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to GSL an undivided 50% leasehold and working interest and related real and personal property in oil and gas leases currently owned or under contract covering 173,851 acres in the northern area of the Great Salt Lake in Utah (the Utah Leases ). The Utah Leases allow for the exploration, development and production of hydrocarbons in the areas under the Utah Leases.

In exchange for this undivided 50% leasehold interest, GSL will pay for the first \$50,000,000 in costs paid or incurred in connection with or in respect to the acquisition, development and operations related to the Utah Leases, including for wells and associated or related facilities. The effect of GSL's obligation to pay for the first \$50,000,000 of costs ( Project Costs ) is that MAB Resources owns a carried interest equivalent to \$25,000,000. A portion of this carried interest is paid in the form of advances by GSL to MAB Resources in the amount of \$200,000 each month as a project development costs. The advances commenced June 1, 2005. The total amount of such advances are deducted from GSL's \$25,000,000 carried interest obligation. After \$50,000,000 in costs have been paid or incurred by GSL, GSL and MAB Resources will each pay for their respective 50% proportionate share all further costs paid or incurred in connection with or in respect to the development and operation of the Utah Leases. In addition, MAB Resources will retain a three percent overriding royalty interest of the gross proceeds of all sales of hydrocarbons on the Utah Leases or on lands pooled or unitized therewith.

Pursuant to the terms of the Utah Leases, one well must be drilled prior to the expiration date of the primary term under each Utah Lease. The primary terms of two of the Utah Leases end in June 2008, and the primary term of the third Utah Lease ends in May 2009. MAB Resources and GSL plan to drill at least one test well on each of the Utah Leases prior to the end of each respective primary term. Subsequent drilling and development, as well as any applications to extend the term of one or more of the Utah Leases, will be determined as MAB Resources and GSL evaluate the results of the first test well and as they further analyze the results of the seismic surveys.

**Montana Heavy Oil.** MAB Resources has entered into an agreement to obtain an interest in up to 15,000 net mineral acres in Carbon, Stillwater, and Yellowstone Counties in Montana (the Montana Agreement ). MAB Resources is required to pay an independent third party a finder's fee of \$2,000,000, plus an amount equal to \$1.00 per barrel sold of liquid hydrocarbons. MAB will assign an undivided 50% of the acquired interests to GSL, subject to an agreement similar to the terms of the Utah Agreement and the Colorado Agreement. GSL is obligated to pay MAB Resources monthly project development costs of \$20,000 per month commencing April 1, 2006, and the first \$100 million of project costs. The total amount of such advances are deducted from GSL's carried interest obligation.

**PICEANCE BASIN, COLORADO, PROPERTIES**

**Buckskin Mesa.** MAB Resources has acquired a 100% working interest, with a net revenue interest of 80%, in certain oil and gas leases covering at least 16,000 net mineral acres located in the Piceance Basin in Colorado (the Colorado Leases ). MAB Resources has paid \$3.1 million, and is obligated to pay at least an additional \$4.5 million, for the Colorado Leases. MAB Resources is acquiring the Colorado Leases for a cost of between \$300 and \$500 per net mineral acre. MAB Resources is obligated to drill one well during the first 12 months and four additional wells during the second 12 months on the Piceance Basin acreage.

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MAB Resources and GSL have entered into an Exploration Agreement (the Colorado Agreement ) under which GSL will receive a 50% working interest in the Colorado Leases and is obligated to pay 100% of the first \$50 million of the costs and expenses incurred by MAB Resources and GSL in connection with acquisition, drilling and development of the Colorado Leases, on terms similar to the Utah Agreement. However, under the Colorado Agreement, the monthly advance payments to MAB Resources as a project development costs are \$20,000 and commence July 1, 2005. The total amount of such advances are deducted from GSL's carried interest obligation. Thereafter, each party will be responsible for its proportionate interest. In addition, MAB Resources will retain a three percent overriding royalty interest of the gross proceeds of all sales of hydrocarbons on the Colorado Leases or lands pooled or unitized therewith.

Piceance II Colorado. MAB Resources obtained an interest in approximately 1,000 net mineral acres in Garfield County, Colorado, together with a right to acquire up to an additional 1,500 acres, which the third-party sellers are obligated to obtain, and which MAB Resource is obligated to purchase. MAB Resources will pay \$4,000 per net mineral acre, and is further obligated to commence the drilling of eight wells by August 1, 2006.

MAB Resources will assign an undivided 50% of the acquired interests to GSL, subject to an agreement similar to the terms of the Utah Agreement and the Colorado Agreement, and the agreement related to the Australian permits, and GSL will pay for the first \$50 million in costs and expenses incurred in connection with the drilling and development on this acreage. Under the Piceance II agreement, MAB receives an advance of \$20,000 a month, commencing November 1, 2005 as a project development costs. The total amount of such advances are deducted from GSL's carried interest obligation.

**AUSTRALIA PROPERTIES**

Northern Territory Australia. MAB Resources has obtained four exploration licenses (the Exploration Licenses ) covering seven million net mineral acres in the Northern Territory of Australia, for a purchase price of \$1 million, plus a minimum commitment of an additional \$3 million in exploration and development costs to be expended by December 31, 2006. MAB Resources will assign an undivided 50% working interest in the Exploration Licenses to GSL, subject to an agreement similar to the Utah Agreement and Colorado Agreement. GSL agrees to pay for the first \$100 million in costs paid or incurred in connection with or in respect to the acquisition and development of the Exploration Licenses, and the related production licenses that are likely to be issued to MAB Resources and GSL if hydrocarbons are discovered during the initial exploration phase under the permits. The terms of this carried interest are similar to the previously described agreements between MAB Resources and GSL. However the monthly advance payments to MAB Resources as a project development costs are \$100,000 and commenced March 1, 2006. The total amount of such advances are deducted from GSL carried interest obligation. In addition, MAB Resources will retain a three percent overriding royalty interest of the gross proceeds of all sales of hydrocarbons on the permits and related licenses.

**DEVELOPMENT AGREEMENT**

In addition to the agreements discussed above with MAB Resources, GSL has entered into a Management and Development Agreement with MAB Resources whereby GSL has the right to obtain and receive MAB Resource's knowledge and

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operating expertise, which includes the expertise of MAB Resources' oil and gas personnel. In general, it is anticipated that MAB Resources will provide operations services for GSL's Properties and operations.

**Risk Factors**

Risks Related to the Company's and GSL's Business:

**GSL is a newly formed company with no operating history, which makes it difficult to evaluate our business prospects.**

GSL was incorporated on June 20, 2005. Accordingly, we face all risks, expenses and difficulties frequently encountered in connection with the operation and development of a new business enterprise. We anticipate continued net losses during our initial start-up phase. We have no operating history, and our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in an early stage of development.

**Reserve estimates depend on many assumptions that may turn out to be inconclusive, subject to varying interpretations, or inaccurate.**

Estimates of natural gas and oil reserves are based upon various assumptions, including assumptions relating to natural gas and oil prices, drilling and operating expenses, capital expenditures, ownership and title, taxes and the availability of funds. The process of estimating natural gas and oil reserves is complex. It requires interpretations of available geological, geophysical, engineering and economic data for each reservoir. Therefore, these estimates are inherently imprecise. Further, potential for future reserve revisions, either upward or downward, is significantly greater than normal because 100% of our reserves are undeveloped.

Actual natural gas and oil prices, future production, revenues, operating expenses, taxes, development expenditures and quantities of recoverable natural gas reserves will most likely vary from those estimated. Any significant variance could materially affect the estimated quantities and present value of future net revenues at any time. A reduction in natural gas and oil prices, for example, would reduce the value of reserves and reduce the amount of natural gas and oil that could be economically produced, thereby reducing the quantity of reserves. At any time, there might be adjustments of estimates of reserves to reflect production history, results of exploration and development, prevailing natural gas prices and other factors, many of which are beyond our control.

Undeveloped reserves, by their nature, are less certain. Recovery of undeveloped reserves requires significant capital expenditures and successful drilling operations. Any reserve data assumes that we will make significant capital expenditures to develop our reserves. To the extent that the Company has prepared estimates of its natural gas and oil reserves and of the costs associated with these reserves in accordance with industry standards, the Company cannot assure you that the estimated costs are accurate, that development will occur as scheduled or that the actual results will be as estimated. The Company might not be able to raise the capital it needs to develop these reserves.

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**Market conditions or operation impediments may hinder our access to natural gas and oil markets or delay our production.**

The marketability of our production depends in part upon the availability, proximity and capacity of pipelines, natural gas gathering systems and processing facilities. This dependence is heightened where this infrastructure is less developed. Therefore, if drilling results are positive in certain areas of the Leases, a new gathering system would need to be built to handle the potential volume of gas produced. We might be required to shut in wells, at least temporarily, for lack of a market or because of the inadequacy or unavailability of transportation facilities. If that were to occur, we would be unable to realize revenue from those wells until arrangements were made to deliver production to market.

Our ability to produce and market natural gas and oil is affected and also may be harmed by:

the lack of pipeline transmission facilities or carrying capacity;

government regulation of natural gas and oil production;

government transportation, tax and energy policies;

changes in supply and demand; and

general economic conditions.

**We might incur additional debt in order to fund our exploration and development activities, which would continue to reduce our financial flexibility and could have a material adverse effect on our business, financial condition or results of operations.**

If we incur indebtedness, our ability to meet our debt obligations and reduce our level of indebtedness depends on future performance. General economic conditions, oil and gas prices and financial, business and other factors affect our operations and future performance. Many of these factors are beyond our control. We cannot assure you that we will be able to generate sufficient cash flow to pay the interest on our debt or that future working capital, borrowings or equity financing will be available to pay or refinance such debt. Factors that will affect our ability to raise cash through an offering of our capital stock or a refinancing of our debt include financial market conditions, the value of our assets and performance at the time we need capital. We cannot assure you that we will have sufficient funds to make such payments. If we do not have sufficient funds and are otherwise unable to negotiate renewals of our borrowings or arrange new financing, we might have to sell significant assets. Any such sale could have a material adverse effect on our business and financial results.

**We have significant future capital requirements. If these obligations are not met, our growth and operations could be non-functional.**

Our future growth depends on our ability to make large capital expenditures for the development of the working interests we have acquired. In addition, we may acquire interests in additional oil and gas leases where we will be required to pay for a specific amount of the initial costs and expenses related to the development of those leases. We intend to finance our



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foreseeable capital expenditures through additional fundings for which we have no commitments at this time. Future cash flows and the availability of financing will be subject to a number of variables, such as:

the success of the leases;

success in locating and producing new reserves; and

prices of natural gas and oil.

Additional financing sources will be required in the future to fund developmental and exploratory drilling. Issuing equity securities to satisfy our financing requirements could cause substantial dilution to our existing stockholders.

Additional debt financing could lead to:

a substantial portion of operating cash flow being dedicated to the payment of principal and interest;

the Company being more vulnerable to competitive pressures and economic downturns; and

restrictions on the Company's operations.

Financing might not be available in the future, or we might not be able to obtain necessary financing on acceptable terms, if at all. If sufficient capital resources are not available, we might be forced to curtail drilling and other activities or be forced to sell some assets on an untimely or unfavorable basis, which would have an adverse affect our business, financial condition and results of operations.

**The leases and/or future properties might not produce as anticipated, and the Company might not be able to determine reserve potential, identify liabilities associated with the properties or obtain protection from sellers against them, which could cause the Company to incur losses.**

Although the Company has reviewed and evaluated the leases in a manner consistent with industry practices, this review and evaluation might not necessarily reveal all existing or potential problems. This is also true for any future acquisitions made by the Company. Inspections may not always be performed on every well, and environmental problems, such as groundwater contamination, are not necessarily observable even when an inspection is undertaken. Even when problems are identified, a seller may be unwilling or unable to provide effective contractual protection against all or part of those problems, and the Company often assumes environmental and other risks and liabilities in connection with the acquired properties.

**We do not plan to insure against all potential operating risks. We might incur substantial losses and be subject to substantial liability claims as a result of our natural gas and oil operations.**

We do not intend to insure against all risks. We intend to maintain insurance against various losses and liabilities arising from operations in accordance with customary industry practices and in amounts that management believes to be prudent. Losses and liabilities arising

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from uninsured and underinsured events or in amounts in excess of existing insurance coverage could have a material adverse effect on our business, financial condition or results of operations. Our natural gas and oil exploration and production activities will be subject to hazards and risks associated with drilling for, producing and transporting natural gas and oil, and any of these risks can cause substantial losses resulting from:

environmental hazards, such as uncontrollable flows of natural gas, oil, brine, well fluids, toxic gas or other pollution into the environment, including groundwater and shoreline contamination;

abnormally pressured formations;

mechanical difficulties, such as stuck oil field drilling and service tools and casing collapse;

fires and explosions;

personal injuries and death;

regulatory investigations and penalties; and

natural disasters.

Any of these risks could have a material adverse effect on our ability to conduct operations or result in substantial losses. We might elect not to obtain insurance if we believe that the cost of available insurance is excessive relative to the risks presented. In addition, pollution and environmental risks generally are not fully insurable. If a significant accident or other event occurs and is not fully covered by insurance, it could have a material adverse effect on our business, financial condition and results of operations.

**Risks Relating to the Oil and Gas Industry:**

**A substantial or extended decline in natural gas and oil prices may adversely affect our ability to meet our capital expenditure obligations and financial commitments.**

Our revenues, operating results and future rate of growth are substantially dependent upon the prevailing prices of, and demand for, natural gas and oil. Declines in the prices of, or demand for, natural gas and oil may adversely affect our financial condition, liquidity, ability to finance planned capital expenditures and results of operations. Lower natural gas and oil prices may also reduce the amount of natural gas and oil that we can produce economically. Historically, natural gas and oil prices and markets have been volatile, and they are likely to continue to be volatile in the future. A decrease in natural gas or oil prices will not only reduce revenues and profits, but will also reduce the quantities of reserves that are commercially recoverable and may result in charges to earnings for impairment of the value of these assets. If natural gas or oil prices decline significantly for extended periods of time in the future, we might not be able to generate enough cash flow from operations to meet our obligations and make planned capital expenditures. Natural gas and oil prices are subject to wide fluctuations in response to relatively minor changes in the supply of, and demand for, natural gas and oil, market uncertainty and a variety of additional factors that are beyond our control. Among the factors that could cause this fluctuation are:

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changes in supply and demand for natural gas and oil;

levels of production and other activities of the Organization of Petroleum Exporting Countries, or OPEC, and other natural gas and oil producing nations;

market expectations about future prices;

the level of global natural gas and oil exploration, production activity and inventories;

political conditions, including embargoes, in or affecting other oil producing activity; and

the price and availability of alternative fuels.

Lower natural gas and oil prices may not only decrease our revenues on a per unit basis, but also may reduce the amount of natural gas and oil that we can produce economically. A substantial or extended decline in oil or natural gas prices may materially and adversely affect our business, financial condition and results of operations.

**Drilling for and producing natural gas and oil are high-risk activities with many uncertainties that could adversely affect our business, financial condition or results of operations.**

Our future success depends on the success of our exploration, development and production activities in the leases. These activities are subject to numerous risks beyond our control, including the risk that we will not find any commercially productive natural gas or oil reservoirs. Our decisions to purchase, explore, develop or otherwise exploit prospects or properties will depend in part on the evaluation of data obtained through geophysical and geological analyses, production data and engineering studies, the results of which are often inconclusive or subject to varying interpretations. The cost of drilling, completing and operating wells is often uncertain before drilling commences. Overruns in budgeted expenditures are common risks that can make a particular project uneconomical. Further, many factors may curtail, delay or prevent drilling operations, including:

unexpected drilling conditions;

pressure or irregularities in geological formations;

equipment failures or accidents;

pipeline and processing interruptions or unavailability;

title problems;

adverse weather conditions;

lack of market demand for natural gas and oil;

delays imposed by or resulting from compliance with environmental and other regulatory requirements;

shortages of or delays in the availability of drilling rigs and the delivery of equipment; and

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reductions in natural gas and oil prices.

Our future drilling activities might not be successful, and drilling success rate overall or within a particular area could decline. We could incur losses by drilling unproductive wells. Although we have identified numerous potential drilling locations, we cannot be sure that we will ever drill them or will produce natural gas or oil from them or from any other potential drilling locations. Shut-in wells, curtailed production and other production interruptions may negatively impact our business and result in decreased revenues.

**Competition in the oil and gas industry is intense, and many of our competitors have greater financial, technological and other resources than we do, which may adversely affect our ability to compete.**

We operate in the highly competitive areas of oil and gas exploration, development and acquisition with a substantial number of other companies. We face intense competition from independent, technology-driven companies as well as from both major and other independent oil and gas companies in each of the following areas:

seeking oil and gas exploration licenses and production licenses;

acquiring desirable producing properties or new leases for future exploration;

marketing natural gas and oil production;

integrating new technologies; and

acquiring the equipment and expertise necessary to develop and operate properties.

Many of our competitors have substantially greater financial, managerial, technological and other resources. These companies might be able to pay more for exploratory prospects and productive oil and gas properties and may be able to define, evaluate, bid for and purchase a greater number of properties and prospects than our financial or human resources permit. To the extent competitors are able to pay more for properties than we are able to afford, we will be at a competitive disadvantage. Further, many competitors may enjoy technological advantages and may be able to implement new technologies more rapidly. Our ability to explore for natural gas and oil prospects and to acquire additional properties in the future will depend upon its ability to successfully conduct operations, implement advanced technologies, evaluate and select suitable properties and consummate transactions in this highly competitive environment.

**Shortages of rigs, equipment, supplies and personnel could delay or otherwise adversely affect our cost of operations or our ability to operate according to our business plans.**

If drilling activity increases in the United States generally, shortage of drilling and completion rigs, field equipment and qualified personnel could develop. From time to time, these costs have sharply increased in various areas around the world and could do so again. The demand for and wage rates of qualified drilling rig crews generally rise in response to the increasing number of active rigs in service and could increase sharply in the event of a shortage. Shortages of drilling and completion rigs, field equipment or qualified personnel could delay,

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restrict or curtail our exploration and development operations, which could in turn harm its operating results.

**To the extent that we establish natural gas and oil reserves, it will be required to replace, maintain or expand its natural gas and oil reserves in order to prevent its reserves and production from declining, which would adversely affect cash flows and income.**

In general, production from natural gas and oil properties declines over time as reserves are depleted, with the rate of decline depending on reservoir characteristics. If we establish reserves, of which there is no assurance, and are not successful in our subsequent exploration and development activities or in subsequently acquiring properties containing proved reserves, our proved reserves will decline as reserves are produced. Our future natural gas and oil production is highly dependent upon our ability to economically find, develop or acquire reserves in commercial quantities.

To the extent cash flow from operations is reduced, either by a decrease in prevailing prices for natural gas and oil or an increase in finding and development costs, and external sources of capital become limited or unavailable, our ability to make the necessary capital investment to maintain or expand our asset base of natural gas and oil reserves would be impaired. Even with sufficient available capital, our future exploration and development activities may not result in additional proved reserves, and we might not be able to drill productive wells at acceptable costs.

**Plan of Operation**

Our plan of operations is to form three primary business units and manage the assets under these units.

1. Unconventional natural gas exploration in Colorado,
2. Heavy crude exploration and processing in Montana and Utah,
3. Exploration of an oil and gas field in Australia.

The development of our Colorado properties will include:

Drilling of wells in our 1,000 acre holdings in Piceance Basin. We expect to complete approximately 8 wells and have gas production by the end of the 2006 calendar year.

Exploration of our 16,000 acre lease near Buckskin Mesa/Powell Park discovery wells in the northern Piceance Basin. Our plan is to reprocess 3 D seismic data. Based on results of this analysis, we anticipate a five (5) well exploration program will be completed in calendar year 2006. These wells will be to an estimated depth of 10,000 to 12,000 feet, to test the Williams Fork, Cameo and Ft. Union formations.

Associated with the development of our Colorado properties, we anticipate that, over the next twelve (12) months, we will incur the following costs;

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\$15,000,000 to \$25,000,000 in connection with the Piceance II project, to include seismic, drilling, completion and production facilities.

\$5,000,000 to \$14,000,000 in connection with the Buckskin Mesa project, to include seismic, and drilling. The development of our heavy oil prospects in Montana and Utah will include:

The development of 15,000 acres of prime heavy oil acreage in Montana.

The development of 173,000 acres owned or under contract in the Great Salt Lake.

We anticipate that, over the next twelve (12) months, we will incur the following costs related to our heavy oil prospects in Montana and Utah:

\$7,000,000 to \$12,500,000 to add land in Montana in areas where we have already completed acquisitions

\$5,000,000 to \$11,000,000 in connection with the Fiddler Creek project, to include drilling, completion and production facilities

\$1,000,000 to \$2,000,000 in connection with the Great Salt Lake project, to include project design, and project equipment procurement

In Australia we plan to explore and develop the 7,000,000 acre prospect in northwestern Australia (Beetaloo Basin). During 2006, we plan to reprocess over 700 kilometers of seismic data and field development of 600 (six hundred) kilometers of 2-D seismic. We anticipate that, over the next twelve (12) months, we will incur \$3,000,000 to \$6,000,000 in costs related to seismic reprocessing and field acquisition of seismic.

Neither GSL nor the Company has not commenced principal operations nor earned revenue as of September 30, 2005, and is considered a development stage company. In order to fund its planned exploration and development of oil and gas properties, the Company will require significant additional funding, in addition to the funds raised under private placement offerings completed by GSL.

Management believes that upon successful completion of private placements offerings, the Company will have sufficient capital to meet its obligations during the remainder of the current fiscal year. We expect that we will require additional funding for anticipated costs of our projects subsequent to 2006 and that the additional funding will be in the form of equity financing from the sale of our common stock. However, we cannot provide any assurance that we will be able to raise sufficient funding from the sale of our common stock to fund our projects, and other working capital requirements. We believe that debt financing will not be an

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alternative for our exploration program. We do not have any arrangements in place for any future equity financing.

**Security Ownership of Certain Beneficial Owners and Management**

Unless provided for otherwise, the address for each of the beneficial owners named below is the Company's business address.

<b>Name and Address of Beneficial Owner</b>	<b>Number of Shares Beneficially Owned</b>	<b>Percent of Class</b>
Kelly H. Nelson (1)	500,000	*
Gregory Leigh Lyons	500,000	*
Dr. Anthony K. Yates	0	0%
All officers and directors as a group	1,000,000	*
Marc A. Bruner (2)	100,000,000	48.93%

\* Less than one percent.

(1) Consists of  
 (i) 100,000 shares of Company common stock held by Mr. Nelson, and  
 (ii) an option to acquire 400,000 shares of Company common stock at an exercise price of \$.50, which expires on August 10, 2010.

(2) Consists of  
 (i) 98,000,000 shares of Company common stock held by MAB Resources LLC, an entity 100% owned by

Mr. Bruner and his family trust, and (ii) 2,000,000 shares of Company common stock held by MABio Materials Corporation, an entity 68.83% owned by Mr. Bruner, and over which Mr. Bruner has investment and voting control.

### **Directors and Executive Officers**

#### Directors:

Gregory Leigh Lyons, age 47, has been a director of the Company since September 2005. Mr. Lyons was President, CEO, and Secretary of the Company from September 2005 until May 12, 2006. Mr. Lyons is also currently a director of Benem Ventures, Inc., a position he has held since September 2005, and President and director of Radial Energy Inc (formerly BV Pharmaceutical Inc.), positions he has held since February 2006. Prior to been associated with the Company, Mr. Lyons was Project Director and Chief Operating Officer of Gas TransBoliviano S.A. from October 2000 until July 2005.

Dr. Anthony K. Yates, age 71, has been a director of the Company since February 2006. Dr. Yates has participated in the development of numerous exploration stage ventures identifying mineral as well as oil and gas resource opportunities globally. His career has included the role of Chief Geologist, Geophysicist and Team Leader for Royal Dutch Shell in Africa and Indonesia; as Exploration Coordinator for BP's Global Basin Group, then as Chief Geologist for a number of regional acquisitions undertaken by British Petroleum at a variety of locations throughout the Middle East, Africa, Canada and Europe. Throughout the late 1990's Dr. Yates was highly active as the Manager of a consortium undertaking hydrocarbon exploration in Kazakhstan, Azerbaijan, Turkmenistan and Russia where he was responsible for the generation of new ventures, including the acquisition of already existing discoveries. Recently, Dr. Yates has been active as both the Vice President of a resource investment company in Canada with exploration interests in gravel,



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titanium, and kimberlites, and in the development of his own venture undertaking research projects at the University of Cambridge as well as providing consulting expertise for companies in geology and exploration management. Over the years he has developed extensive contacts with the financial community in Edinburgh and London which specialize in the raising of capital for oil and gas ventures particularly from UK, French, Canadian and Middle East sources.

**Officers:**

Kelly H. Nelson, age 49, is President and Chief Executive Officer of the Company, and President and Director of GSL Energy Corporation. Mr. Nelson is the cofounder Equistar Capital, LLC, a Merchant Banking firm with offices in Salt Lake City, Utah and Zurich, Switzerland, and has served as Equistar's Managing Partner since its inception in 1999. While with Equistar, Mr. Nelson has been actively involved in raising investment capital and financing for Equistar's energy sector portfolio companies. Since August 2003, Mr. Nelson has also served as chief financial officer and director of BioComposites International, Inc., one of Equistar's portfolio companies. Mr. Nelson also is a director for two non-profit organizations, The Center for Ancient American Culture and the Utah Spiders, Women's Professional Soccer League. Mr. Nelson earned his Bachelor's degree in Business Administration from the University of Utah and has completed management seminars and courses through the University of Southern California and Wharton School of Business.

**Officers of GSL:**

Carmen J. Lotito, age 61, is Executive Vice President, Chief Financial Officer, Treasurer, Secretary, and Director of GSL. Mr. Lotito has been a director and chairman of the audit and compensation committees of Gasco Energy, Inc. since April 2001, and a director of Galaxy Energy Corporation since November 2002. He served as chief financial officer and treasurer of Galaxy Energy Corporation from November 2002 to July 2005, and as executive vice president from August 2004 to July 2005. Both Gasco Energy and Galaxy Energy are subject to the reporting requirements of the Securities Exchange Act of 1934. Mr. Lotito served as vice president, chief financial officer, and director of Coriko Corporation, a private business development company, from November 2000 to August 2002. Prior to joining Coriko, Mr. Lotito was self-employed as a financial consultant. Mr. Lotito holds a B.S. degree in accounting from the University of Southern California.

Garry Lavold, age 60, is Chief Operating Officer of GSL. Mr. Lavold was the chief operating officer of BioComposites International from January 2003 to July 2005, where he assisted in the development of biocomposite plants to product composite materials. From August 2001 until December 2002 Mr. Lavold was the director of engineering at Coach House, developing composite material projects. From October 2000 to July 2001 Mr. Lavold was chief operating officer of Alpha Fibre, developing petroleum-based composite materials. Prior to working for Alpha Fibre, Mr. Lavold worked for Nova An Alberta Corporation and Gulf Oil Canada. Mr. Lavold composed a chapter in *Project Management Handbook*, eds. David Cleland and William King, N.Y: Van Nostrand Reinhold, 1983. Mr. Lavold received a B.S. in Chemical Engineering and an MBA from the University of Alberta, and is a registered Professional Engineer in Alberta and Ontario, Canada.

**Table of Contents****Committees of the Board Of Directors**

The Company currently does not have an audit committee, compensation committee, or nominating committee, primarily since the Company previously did not have any significant operations.

**Audit Committee Financial Expert**

The board of directors of the Company currently has not determined whether the Company has audit committee financial expert, primarily since the Company previously did not have any significant operations.

**Executive Compensation**

The following table summarizes the annual compensation paid to the Company's Chief Executive Officer for the year ended March 31, 2006. The Company did not have any other officers during the last fiscal year.

Name and Position	Year	Annual Comp Salary	Long-Term Compensation Awards Securities Underlying Stock Options
Gregory Leigh Lyons, President, Secretary, Treasurer, Chief Executive Officer and Chief Financial Officer (1)	2006	\$ 70,000	0

(1) Mr. Lyons was appointed as an officer of the Company on September 15, 2005. Mr. Lyons resigned from all of his officer positions with the Company on May 12, 2006.

Effective May 12, 2006, Kelly H. Nelson was appointed as the Company's Chief Executive Officer and President. For these roles, as well as his role as President of GSL, the Company pays Mr. Nelson \$25,000 per month. Carmen J. Lotito, Executive Vice President, Chief Financial Officer, Treasurer, and Secretary of GSL is currently paid \$20,000 per month. Garry Lavold, the Chief Operating Officer of GSL, is currently paid \$22,500 per month.

**Equity Compensation**

Under the Agreement, the Company has assumed GSL's Stock Option Plan (the Plan) for the granting of both incentive and non-qualified options to purchase shares of common stock. The Plan is authorized to grant options covering up to 20,000,000 shares. Under this Plan the GSL has granted, and the Company has assumed the obligation to grant, options to purchase 19,000,000 shares of common stock, 13,000,000 to MAB Operating Company and 2,000,000 each to Kelly Nelson, Carmen Lotito, and Garry Lavold. Twenty percent of each of the options granted is exercisable immediately, and twenty percent of each option becomes exercisable on August 10<sup>th</sup> of 2006, 2007, 2008, and 2009. Each option has an exercise price of \$0.50 per share, and each option expires and terminates, if not exercised sooner, on August 10, 2010.

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**Director Compensation**

The Company currently does not pay compensation to the Company's directors, however the Company is currently evaluating possible compensation arrangements for its directors.

**Certain Relationships and Related Transactions**

As indicated above, GSL has several agreements with MAB Resources, our largest shareholder. For information on those agreements, please refer to "Description of Business and Properties" above.

**Description of Securities**

The information provided in our Amendment No. 4 to Registration Statement on Form SB-2 (File No. 333-119073) under "Description of Securities" is incorporated herein by reference. As of May 12, 2006, there were 204,372,000 shares of Company Common Stock issued and outstanding.

**Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters**

**Market Information**

Our shares of common stock have traded on the OTC Bulletin Board since April 20, 2005 and currently trades under the symbol "DGEO". The high and the low bid prices for our shares since April 20, 2005, as reported by the OTC Bulletin Board were:

1 <sup>st</sup> Quarter 2005	\$ 0.53	\$ 0.06
2 <sup>nd</sup> Quarter 2005	\$ 1.79	\$ 0.06
3 <sup>rd</sup> Quarter 2005	\$ 1.79	\$ 0.05
4 <sup>th</sup> Quarter 2005	\$ 3.36	\$ 1.1
1 <sup>st</sup> Quarter 2006	\$ 4.22	\$ 2.74

**Dividends**

We have neither declared nor paid any cash dividends on our capital stock and do not anticipate paying cash dividends in the foreseeable future. Our current policy is to retain any earnings in order to finance the expansion of our operations. Our board of directors will determine future declaration and payment of dividends, if any, in light of the then-current conditions they deem relevant and in accordance with applicable corporate law.

**Recent Sales of Unregistered Securities**

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On May 12, 2006, the shares of Company Common Stock issued in exchange for the GSL Common Stock pursuant to the transactions contemplated by the Agreement were issued in reliance on Section 4(2) of the Securities Act of 1933 and Rule 506 promulgated thereunder as the basis for its exemption from registration. It is the Company's understanding that each GSL shareholder that received Company Common Stock is an accredited investor as defined under Rule 501 promulgated under the Securities Act of 1933, as amended. The Company did not engage in any public advertising or general solicitation in connection with the issuance of these shares of Company Common Stock.

**Indemnification of Directors and Officers**

The information provided in our Amendment No. 4 to Registration Statement on Form SB-2 (File No. 333-119073) under Part II, Item 24 is incorporated herein by reference.

In accordance with General Instruction B.2 of Form 8-K, the information in this report shall not be deemed filed for the purpose of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing.

**Item 3.02. Unregistered Sales of Equity Securities**

To the extent applicable, the information provided under Item 2.01 above is incorporated herein by reference.

**Item 5.02. Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers**

On May 12, 2006, Allan D. Laird, a director of the Company, resigned from the Company's board of directors due to personal reasons.

On May 12, 2006, Gregory Leigh Lyons resigned all of his officer and director positions with the Company, including Director, President, Chief Executive Officer, and Secretary.

On May 12, 2006, the board of directors of the Company appointed Kelly H. Nelson as President and Chief Executive Officer of the Company. To the extent applicable, the information provided in Item 2.01 above is incorporated herein by reference.

**Item 5.06. Change in Shell Company Status**

To the extent applicable, the information provided under Item 2.01 above is incorporated herein by reference.

**Item 9.01. Financial Statements and Exhibits.**

(a) Financial Statements of Businesses Acquired

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**GSL ENERGY CORPORATION  
(A Development Stage Company)  
Index to Financial Statements**

Report of Independent Registered Public Accounting Firm	F-2
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Statement of Stockholders' Equity Period from Inception (June 20, 2005) to September 30, 2005	F-5
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Notes to Financial Statements	F-7 to F-19
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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors  
GSL Energy Corporation  
Denver, Colorado

We have audited the balance sheet of GSL Energy Corporation (the Company), a development stage company, as of September 30, 2005, and the related statements of operations, stockholders' equity and cash flows for the period from inception (June 20, 2005) to September 30, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provided a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of September 30, 2005, and the results of its operations and its cash flows for the period from inception (June 20, 2005) to September 30, 2005 in conformity with U.S. generally accepted accounting principles. As disclosed in Note 11, the Company has raised approximately \$50,000.00 in convertible debt and equity subsequent to September 30, 2005.

**Hein & Associates LLP**

Denver, Colorado  
March 12, 2006

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**GSL ENERGY CORPORATION**  
**(A Development Stage Company)**  
**BALANCE SHEET**  
**SEPTEMBER 30, 2005**

**ASSETS****Current Assets**

Cash	\$ 1,250,242
Prepays	7,699

Total Current Assets	1,257,941
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<b>Undeveloped oil and gas properties, at cost, full cost method of accounting</b>	7,231,443
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<b>Deferred financing costs</b>	10,563
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<b>Total Assets</b>	<b>\$ 8,499,947</b>
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**LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)****Current Liabilities**

Accounts payable and accrued expenses	\$ 475,107
Accrued interest payable	23,029
Due to shareholder	648,421
Contracts payable-oil and gas properties	5,512,500
Convertible notes payable	3,037,000

Total Current Liabilities	9,696,057
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**Commitments and Contingencies (Notes 3, 4 and 10)****Stockholders Equity**

Preferred stock, \$.001 par value	
Authorized 1,000,000 shares	
Issued none	
Common stock, \$.001 par value	
Authorized 500,000,000 shares	
Issued and outstanding 100,000,000 shares	100,000
Capital in excess of par value	822,710
Deficit accumulated during the development stage	(2,118,820)

Total Stockholders Equity (Deficit)	(1,196,110)
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**Total Liabilities and Stockholders Equity (Deficit)** \$ 8,499,947

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

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**GSL ENERGY CORPORATION  
(A Development Stage Company)  
STATEMENT OF OPERATIONS  
PERIOD FROM INCEPTION (JUNE 20, 2005) TO SEPTEMBER 30, 2005**

<b>Revenue</b>	\$
<b>Costs and expenses</b>	
General and administrative	1,235,791
Property development costs-related	860,000
	2,095,791
<b>Other income (expense)</b>	
Interest expense	(23,029)
<b>Net loss</b>	\$ (2,118,820)
<b>Net loss per common share basic and diluted</b>	\$ (0.02)
<b>Weighted average number of common shares outstanding basic and diluted</b>	100,000,000

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

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**GSL ENERGY CORPORATION**  
**(A Development Stage Company)**  
**STATEMENT OF STOCKHOLDERS' EQUITY**  
**PERIOD FROM INCEPTION (JUNE 20, 2005) TO SEPTEMBER 30, 2005**

	Common Stock		Capital in Excess of Par Value	Deficit Accumulated During the Development Stage
	Shares	Amount	\$	\$
<b>Balance, June 20, 2005 (inception)</b>		\$	\$	\$
Issuance of common stock at \$.001 per share	100,000,000	100,000		
Stock based compensation costs for options granted to non-employees			822,710	
Net loss				(2,118,820)
<b>Balance, September 30, 2005</b>	100,000,000	\$ 100,000	\$ 822,710	\$ (2,118,820)

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

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**GSL ENERGY CORPORATION  
(A Development Stage Company)  
STATEMENT OF CASH FLOWS  
PERIOD FROM INCEPTION (JUNE 20, 2005) TO SEPTEMBER 30, 2005**