Calibre Energy, Inc.
Form 10QSB/A
August 28, 2006

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

FORM 10-QSB/A

(Amendment No.2)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2006

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 000-50830

CALIBRE ENERGY, INC.
(Exact name of registrant as specified in its charter)

Nevada	**88-0343804**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1667 K Street NW, Suite 1230
Washington, DC 20006
(Address of principal executive offices)
(Zip Code)

(202) 223-4401
(Registrant's telephone number, including area code)

Indicate by check mark whether 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 _X_ No ___

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ___ No _X_

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

As of March 31, 2006, 53,980,806 shares of common stock were outstanding.

CALIBRE ENERGY, INC. QUARTERLY REPORT ON FORM 10-QSB
FOR THE QUARTERLY PERIOD ENDED

March 31, 2006

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Item 1. Financial Statements.

Calibre Energy, Inc.
Consolidated Balance Sheets
(unaudited)

	March 31, 2006	December 31, 2005
Assets		
Current Assets		
Cash	4,308,654	2,105,749
Accounts receivable		
Oil and gas sales	39,472	33,960
Note receivable - related party	350,000	300,000
Prepaid expenses and other	6,245	104,100
Total current assets	4,704,371	2,543,809
Noncurrent Assets		
Oil and gas properties, using full cost method	8,568,016	5,308,881
Furniture and office equipment	282,386	121,778
Less: Accumulated depreciation, depletion, amortization and impairment	(67,631)	(35,599)
Net property, furniture and office equipment	8,782,771	5,395,060
Other assets	11,100	-
Total assets	**13,498,242**	**7,938,869**
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable - trade	1,443,367	946,852
Accounts payable - employees	-	98,630
Accrued expenses	30,735	20,482
Total liabilities	1,474,102	1,065,964
Shareholders' Equity		
Preferred stock; $.001 par value; 10,000,000 authorized; none issued	-	-
Common stock; $.001 par value; 100,000,000 authorized; 53,980,806 and 47,000,000 issued and outstanding at March 31, 2006 and December 31, 2005, respectively	53,981	47,000
Additional paid-in capital	14,545,422	8,727,556
Accumulated deficit	(2,575,263)	(1,901,651)
Total shareholders' equity	12,024,140	6,872,905
Total liabilities and shareholders' equity	**13,498,242**	**7,938,869**

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Calibre Energy, Inc.
Consolidated Statement of Operations
For the Three Months Ended March 31, 2006
(unaudited)

Revenue	$ 39,342
Operating expenses	
Lease operating expense	9,296
Depletion expense	14,332
Compensation expense	155,006
Professional fees	246,568
General and administrative (excluding compensation expense)	311,866
Total operating expense	737,068
Loss from operations	(697,726)
Interest income	24,114
Net loss	$(673,612)
Earnings per share:	
Basic and diluted	$(0.01)
Weighted average shares outstanding	49,755,558

Calibre Energy, Inc.
Consolidated Statement of Shareholders' Equity
For the Three Months Ended March 31, 2006
(unaudited)

	Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Capital	Deficit	Total
Balance, December 31, 2005	47,000,000	$47,000	$8,727,556	$(1,901,651)	$6,872,905
Issuance of common stock for reverse merger	3,525,000	3,525	(3,525)		-
Issuance of common stock for cash, net of offering costs	3,160,000	3,160	5,811,434		5,814,594
Cashless exercise of warrants	295,806	296	(296)		-
Option expense			10,253		10,253
Net loss				(673,612)	(673,612)
Balance, March 31, 2006	53,980,806	$53,981	$14,545,422	$(2,575,263)	$12,024,140

Calibre Energy, Inc.
Consolidated Statement of Cash Flows
For the Three Months Ended March 31, 2006
(Unaudited)

Cash Flows from Operating Activities	
Net loss	$(673,612)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Noncash recapitalization expense	100,000
Accretion of stock option expense	10,253
Depreciation and depletion expense	32,032
Changes in working capital components:	
(Increase) in accounts receivable	(5,512)
(Increase) in other current assets	(2,145)
(Increase) in other assets	(11,100)
Increase in accounts payable	397,885
Increase in accrued expense	10,253
Net cash (used in) operating activities	(141,946)
Cash Flows from Investing Activities	
Additions to oil and gas properties	(3,259,135)
Additions to furniture, office equipment and leasehold improvements	(160,608)
Receipts on notes receivable	300,000
Disbursements on note receivable	(350,000)
Net cash (used in) investing activities	(3,469,743)
Cash Flows from Financing Activities	
Proceeds from sale of common stock	5,814,594
Net cash provided by financing activities	5,814,594
Net increase in cash	2,202,905
Cash	
Beginning of period	2,105,749
End of period	$4,308,654
Supplemental cash flow information:	
Interest paid	-

CALIBRE ENERGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Note 1. - Basis of Presentation

The accompanying unaudited interim financial statements of Calibre Energy, Inc. have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission, and should be read in conjunction with the audited financial statements and notes thereto contained in the Company's annual report filed with the SEC on Form 10K-SBA. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosure contained in the audited financial statements for the most recent fiscal year 2005 as reported in Form 10K-SBA, have been omitted.

Note 2. Organization and Business Operations

Calibre Energy, Inc. is an exploration and production company focused on the acquisition, exploitation and development of high quality, long-lived producing and non-producing fractured gas and oil shale properties in selected producing basins in North America. Headquartered in Washington, DC and Houston, Texas, Calibre is a Delaware corporation that was formed on August 17, 2005.

Calibre completed a reverse merger into a public company, Hardwood Doors and Milling Specialties, Inc. ("Hardwood"), on January 27, 2006, in which Calibre obtained a controlling interest. See Note 6 for details.

Calibre anticipates applying a business model to achieve substantial annual growth in production and reserves with a relatively low risk approach. These plans include deploying known techniques for use in identifying, predicting, and optimizing future production volumes and rates. Using multi-discipline teams with core competencies of petrophysics, reservoir and production engineering, geology and geophysics, the Calibre's emphasis will be on the practical integrated application of these technologies to identify previously "hidden" potential. This model mitigates conventional exploration risk because Calibre will focus on: a) shales that are laterally extensive (pervasive); b) basins where the target zones have been previously penetrated and found to be productive; c) shales that have been successfully fraced (contained); d) cuttings utilized to validate source rock potential, porosity, and permeability; and e) projects that will be financially leveraged.

Note 3. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Calibre's financials are based on a number of significant estimates, including oil and gas reserve quantities which are the bases for the calculation of depreciation, depletion and impairment of oil and gas properties, and timing and costs associated with its retirement obligations.

Employee Stock Plan

In December 2004, the FASB issued SFAS No.123R, "Accounting for Stock-Based Compensation" ("SFAS No. 123R"). SFAS No.123R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No.123R requires that the fair value of such equity instruments be recognized as expense in the historical financial statements as services are performed. Prior to SFAS No.123R, only certain pro forma disclosures of fair value were required. SFAS No.123R shall be effective for small business issuers as of the beginning of the first interim or annual reporting period that begins after December 15, 2005. Calibre adopted SFAS No. 123R as of January 1, 2006. See Note 7.

Note 4. Going Concern

As shown in the accompanying financial statements, Calibre has incurred operating losses since inception and expects to continue to incur losses through 2006. Calibre's business plan requires substantial capital investment prior to achieving sufficient positive cash flow to sustain its operations. Future profitability is dependent on the success of our exploration programs. These factors raise substantial doubt about our ability to continue as a going concern. Calibre's ability to achieve and maintain profitability and positive cash flow is dependent upon Calibre's ability to locate profitable properties, generate revenue from their planned business operations, and control exploration cost. Management plans to fund its future operations from additional financings and commercial production of its exploration programs. However, there is no assurance that we will be able to obtain additional financing from investors or private lenders and, if available, such financing may not be on commercial terms acceptable to Calibre or its shareholders or that our exploration programs will be successful.

Note 5. Related Party Transactions

Our President and Chairman, Mr. Prentis B. Tomlinson, Jr., owns approximately an 18% (on a fully diluted basis) stake of Kerogen Resources, Inc., a privately held oil and gas exploration company and served as a Director and Chairman of the Board of Directors from its formation in July 2005 until April 21, 2006.

We are parties to a letter agreement with Kerogen Resources pursuant to which we are participating in the Reichmann project. During the period ending March 31, 2006, pursuant to such agreement we have paid Kerogen $1,361,643. Kerogen then paid such amount to Reichmann Petroleum Corporation as reimbursement of operating expenses.

We have entered into a Participation Agreement with Kerogen Resources for the exploration and development of prospects in the South Fort Worth Basin. Pursuant to this agreement we are obligated to pay Kerogen Resources $597,000 for its identification of prospects; we have paid Kerogen Resources $500,000 of such amount to date, although no payments were made in the period ending March 31, 2006 in respect to this agreement. Additionally, we have advanced $666,637 to Kerogen for participation in leases in the Hill County area of Texas. The price paid for leases represented market prices for similar acreage in the area.

We have entered into a Participation Agreement with Kerogen Resources for the exploration and development of prospects in the Williston Basin. Pursuant to this agreement we are obligated to pay Kerogen Resources $638,600 for its identification of prospects; we have paid Kerogen Resources $550,000 of such amount to date. However, we made no payments to Kerogen during the period ending March 31, 2006 in respect to this agreement. The terms of participation by Calibre in the Agreements for both the Ft. Worth Basin and the Williston Basin are similar to

Agreements entered into with other industry companies with KRI in these basins.

We held a promissory note issued by Kerogen Resources. The principal owed pursuant to the note was $300,000 bearing interest at the rate of 6.25% per annum. The principal of this note and accrued interest thereon was due and payable in a single installment on the maturity date. The maturity date was the earlier of September 30, 2006 or the date on which Kerogen Resources received gross proceeds of at least $6,000,000 from a sale of equity, in one or more transactions. This note was entered into by Mr. Tomlinson, a founder of Calibre Energy, in anticipation of the formation of Calibre Energy. After the incorporation of Calibre Energy, the company entered into agreements with Kerogen for the purpose of identification, exploration and development of prospects in the Fort Worth Basin and Williston Basin. The Reichmann Petroleum Project and South Fort Worth Basin project are projects identified by these agreements. On March 24, 2006, Kerogen Resources repaid $314,623.29, the full amount of the promissory note and all interest due.

On March 24, 2006, we loaned $350,000 to Standard Drilling, Inc. pursuant to a loan bearing interest at 4% per annum. On April 7, 2006 Standard Drilling, Inc. repaid us $350,544.54, the full amount of the loan with all interest due. Mr. Tomlinson, our President, controls a limited liability company that, at the time of the loan, owned 53% of Standard Drilling, Inc.

Several of our officers, including our President and CFO, are also employed as officers and/or directors of Standard Drilling, Inc., a company engaged in the business of drilling services.

We believe all of the transactions with related parties have been on terms no less favorable to us than those terms which may have been obtained from unrelated third parties.

Note 6. Shareholders' Equity

Reverse Merger

On January 27, 2006, pursuant to an Amended and Restated Agreement and Plan of Reorganization dated as of January 17, 2006 by and among Hardwood Doors and Milling Specialties, Inc., a Nevada corporation ("Hardwood"), Calibre Acquisition Co., a Delaware corporation ("Merger Sub"), and Calibre Energy, Inc., a Delaware corporation ("Calibre Energy Delaware"), (the "Merger Agreement"), Merger Sub was merged with and into Calibre Energy Delaware, and Calibre Energy Delaware became a wholly-owned subsidiary of Hardwood (the "Merger"). As a result of the Merger, Hardwood, which previously had no material operations, acquired the business of Calibre Energy Delaware. For accounting purposes, this reorganization was treated as a reverse merger, with Calibre Energy, Inc. being the accounting acquirer and the go-forward financial statements reflect Calibre's history from its inception on August 17, 2005.

Each outstanding share of common stock of Calibre Energy Delaware was converted into one share of common stock of Hardwood. All outstanding options and warrants to purchase common stock of Calibre Energy Delaware were assumed by Calibre and converted into options and warrants to purchase an equal number of shares of common stock of Hardwood. The Merger resulted in a change of control of Hardwood, with the former security holders of Calibre Energy Delaware owning approximately 93.0% of Hardwood's outstanding common stock, or approximately 93.7% assuming the exercise of all outstanding options and warrants, following the closing of the Merger.

In the Merger, Hardwood issued 47,000,000 shares of its common stock in exchange for 47,000,000 shares of common stock of Calibre Energy Delaware and reserved for issuance (1) 10,000,000 shares of common stock pursuant to outstanding warrants to purchase common stock of Calibre Energy Delaware that were assumed by Hardwood, and (2) 6,425,000 shares of common stock pursuant to outstanding options to purchase common stock of Calibre Energy Delaware pursuant to the Calibre Energy, Inc. 2005 Stock Incentive Plan that were assumed by Hardwood. In connection with the Merger, Calibre paid Hardwood $100,000 as a deposit pursuant to the Merger Agreement. A condition to the Merger was an agreement by the then principal stockholder of Hardwood to cancel, immediately prior to the Merger, 19,575,000 outstanding shares of common stock of Hardwood that had been issued to the principal shareholder. In consideration of such cancellation, Hardwood paid the principal shareholder $100,000, and Calibre recognized recapitalization expense of $100,000. The then principal shareholder of Hardwood also assumed the net liabilities of Hardwood. As a result of the Merger, Hardwood has 50,525,000 shares of common stock issued and outstanding and an additional 18,425,000 shares of common stock reserved for issuance as described above.

In connection with the consummation of the Merger, we changed our name to Calibre Energy, Inc.

Note 7. 2005 Stock Incentive Plan.

Calibre adopted the 2005 Stock Incentive Plan (the "Plan") in October 2005. The Plan is designed to qualify under the Internal Revenue Code as an incentive stock option plan. Under the Plan, options may be granted to key employees and other persons who contribute to the success of Calibre. Calibre has reserved 9,000,000 shares of common stock for the plan. Option awards are generally granted with an exercise price equal to the market price of Calibre's stock at the date of grant. No options were granted or exercised during the three month period ended March 31, 2006.

During 2005, we granted a total of 5,800,000 fully vested options including 5,150,000 options at an exercise price of $.05 per share and 650,000 shares at an exercise price ranging from $0.12 to $0.24 per share. Compensation expense recorded through December 31, 2005 for the options granted was $1,504,500.

We also granted a total of 650,000 nonvested options including options to purchase 50,000 shares of common stock at an exercise price of $.12 per share, and options to purchase 600,000 shares of common stock at an exercise price of

$.24 per share. All nonvested options vest over a four year service period and expire 10 years after the date of grant. For the three month period ended March 31, 2006, Calibre recorded compensation expense of $10,251 to amortize the cost of nonvested options issued prior to the adoption of SFAS No. 123R.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: dividend yield $0, expected volatility of 57.99%, risk-free interest rate of 5.0%, and expected lives of 10 years. The expected term of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

A summary of Calibre's nonvested shares as of March 31, 2006, and changes during the three months ended March 31, 2006, is presented below:

Nonvested Shares	Shares	Weighted-Average Grant-Date Fair Value
Nonvested at January 1, 2006	650,000	$162,629
Granted	-	
Vested	-	
Forfeited	-	
Nonvested at March 31, 2006	650,000	$162,629

As of March 31, 2006, there was $152,378 of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of 3.75 years. No shares vested during the three month period ended March 31, 2006.

Note 8. Subsequent Events

Private Placement

On April 18, 2006 Calibre completed a private placement to institutional and other accredited investors in which it sold 5,780,000 units. Each unit, composed of one share of common stock and a warrant to purchase a share of common stock, was sold at a price of $2.00 per unit. Aggregate gross proceeds to Calibre were $11,560,000. Offering costs were $ 892,000 and will be reflected as a reduction in the proceeds. At March 31, 2006, Calibre had received net proceeds from stock issuances of $5,814,594 (gross proceeds of $6,320,000 less $505,406 of offering costs).

Each warrant issued entitles the holder to acquire one additional share of Calibre common stock at an exercise price of U.S. $2.75 per share at any time on or before two years following the date of issuance. Provided that if the closing price of our common stock on any exchange on which the common stock is traded or quoted equals or exceeds U.S.$4.00 for 20 consecutive trading days and if either: (i) a registration statement registering the re-sale of the shares issuable upon exercise of the warrants has been declared effective, or (ii) Calibre has completed a "Canadian Going Public Transaction" as referred to in the Warrant under the caption "Canadian Reporting Issuer Status," then the warrant term shall be automatically reduced to 30 days from the date of initial issuance of a news release by Calibre

announcing the change to the warrant term.

In connection with sales outside the United States, Calibre Energy paid finders fees totaling $ 892,000 and issued to the finders warrants to acquire a total of 577,500 shares on the same terms as those warrants issued to the investors except that the exercise price for the finders warrants is $2.00 per share

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read in conjunction with the unaudited consolidated financial statements and notes thereto included elsewhere in this report. The terms "Calibre Energy," "Calibre," "we," "us" and "our" refer to Calibre Energy, Inc.

Overview

Cautionary Statement Regarding Forward-Looking Statements

This report contains certain "forward-looking statements". Statements included in this report that are not historical facts, that address activities, events or developments that we expect or anticipate will or may occur in the future, including things such as plans for growth of the business, future capital expenditures, competitive strengths, goals, references to future goals or intentions or other such references are forward-looking statements. These statements can be identified by the use of forward-looking terminology, including "may," "believe," "expect," "anticipate," "estimate," "continue," or si words. These statements are made by us based on our past experience and our perception of historical trends, current conditions and expected future developments as well as other considerations we believe are appropriate under the circumstances. Whether actual results and developments in the future will conform to our expectation is subject to numerous risks and uncertainties, many of which are beyond our control. Therefore, actual outcomes and results could materially differ from what is expressed, implied or forecast in these statements. Any differences could be caused by a number of factors, including, but not limited to:

- a decline in or substantial volatility of crude oil and natural gas commodity prices;
- the incurrence of significant costs and liabilities in the future resulting from our failure to comply with new or existing environmental regulations or an accidental release of hazardous substances into the environment; and
- other financial, operational and legal risks and uncertainties detailed from time to time in our Securities and Exchange Commission filings.

All forward-looking statements included in this report and all subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. The forward-looking statements speak only as of the date made, other than as required by law, and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Overview - Plan of Operation

We are engaged in oil and natural gas exploration and exploitation activities in the Barnett Shale development in Ft. Worth Basin located northern Texas, the Bakkan Shale development in the Williston Basin located in Montana and North Dakota, and the Fayetteville Shale development in the Arkoma Basin located in Arkansas. We have a limited operating history as our predecessor company for financial reporting purposes was formed on August 17, 2005. We are engaged in the acquisition, exploitation and development of producing and non-producing oil and gas-shale (source rock) properties in selected producing basins in North America. Our oil and gas business was commenced in August 2005. Our current activities are in the Barnett Shale development in Northern Texas and the Fayetteville Shale development in Arkansas.

Our goal is to expand and develop our exploration and production business and our reserves by initially emphasizing the identification and development of shale gas opportunities in the Barnett Shale and the Fayetteville Shale. We

believe both the Mississippian development of the Barnett Shale in the Ft. Worth Basin and the Fayetteville Shale development in the Arkoma Basin provides the greatest near term economic value to us as we believe these developments have the most promising economics of any shale gas wells compared to the various producing basins in the United States.

Acquisition, exploration and development.

We follow the full cost method of accounting for oil and gas properties. Accordingly, all costs associated with acquisition, exploration, and development of oil and gas reserves, including directly related overhead costs and related asset retirement costs, are capitalized.

General and administrative. General and administrative expenses consist primarily of salaries and benefits, office expense, professional services fees, and other corporate overhead costs. We anticipate increases in general and administrative expenses as we continue to develop and prepare for commercialization of our technology

Results of Operations

We commenced our oil and gas operations in August 2005. Prior to that time we did not have any significant activities or assets. Consequently, we are not able to compare results of operations for the three months ended March 31, 2006 to any earlier period.

Net Sales.

For the three months ended March 31, 2006, our oil and gas net sales were $ 39,342. We are in the operational development stage of our exploration program. Accordingly, we do not expect to generate substantial revenues during the majority of 2006 until the completion of the initial stages of our drilling program.

General and Administrative Expenses.

For the three months ended March 31, 2006, general and administrative expenses were $713,440. A total of $311,866 was for actual costs associated with our general and administrative expense, $246,568 was for professional fees, and $155,006 was for compensation expense.

Net loss.

For the three months ended March 31, 2006, we had a net loss of $673,612. The net loss is primarily attributable to minimal operating revenues to support general and administrative costs until such time as we achieve operating results from our drilling program.

Liquidity and Capital Resources

As of March 31, 2006, we had cash of $4,308,654 and working capital of $3,230,269. Since our inception, our primary sources of liquidity have been generated by the sale of equity securities (including the issuance of securities in exchange for goods and services to third parties and to pay costs of employees). To date, the net proceeds from the sales of securities have been used to fund our exploration programs and our general and administrative costs. Our future liquidity depends on the success of our exploration programs and our continued ability to obtain sources of capital to fund our continuing development.

On October 31, 2005, we raised an aggregate of $8,000,000 ($7,243,056 net of offering costs) through the sale of 20,000,000 shares of common stock and warrants to purchase 10,000,000 shares of common stock at an exercise price of $0.75 and a term of 2 years. As of March 31, 2006, 400,000 warrants to purchase our common stock have been exercised.

In March and April 2006, we raised an aggregate of $11,560,000 ($10,668,000 net of offering costs) through the sale of 5,780,000 shares of common stock and warrants to purchase 5,780,000 shares of common stock at an exercise price

of $2.75 and a term of 2 years.

Cash flow from operating activities

For the three month period ending March 31, 2006 cash used in operating activities was $141,946, primarily attributed to a net loss of $673,612 in the period and to an increase in accounts payable of $397,885.

Cash flow from investing activities

For the three month period ending March 31, 2006, net cash used in investing activities was $3,469,743, driven primarily by our investment in oil and gas properties in the Ft. Worth Basin.

Cash flow from financing activities

For the three month period ending March 31, 2006, net cash provided by financing activities was $5,814,594, which was attributed to our sale of common stock and purchase warrants. At March 31, 2006, Calibre had received net proceeds from stock issuances of $5,814,594 (gross proceeds of $6,320,000 less $505,406 of offering costs).

Hedging

We did not hedge any of our oil or natural gas production during 2005 and have not entered into any such hedges from January 1, 2006 through the date of this filing.

Contractual Commitments

	Total	Payments Due By Period			
		Less Than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Contractual Obligations					
Operating Lease Obligations	$ 258,335	$ 101,554	$ 156,781		
Drilling Well in Progress	3,183,898	3,183,898			
Total	$ 3,442,233	$ 3,285,452	$ 156,781		

As of March 31, 2006, we had no Long-term Debt Obligations, Capital Lease Obligations, Purchase Obligations or other Long-term Liabilities reflected on the balance sheet.

Off-Balance Sheet Arrangements

As of March 31, 2006, we had no off-balance sheet arrangements.

Related Party Transactions

Our President and Chairman, Mr. Prentis B. Tomlinson, Jr., owns approximately an 18% (on a fully diluted basis) stake of Kerogen Resources, Inc., a privately held oil and gas exploration company and served as a Director and Chairman of the Board of Directors from its formation in July 2005 until April 21, 2006.

We are parties to a letter agreement with Kerogen Resources pursuant to which we are participating in the Reichmann project. During the period ending March 31, 2006, pursuant to such agreement we have paid Kerogen $1,361,643. Kerogen then paid such amount to Reichmann Petroleum Corporation as reimbursement of operating expenses.

We have entered into a Participation Agreement with Kerogen Resources for the exploration and development of prospects in the South Fort Worth Basin. Pursuant to this agreement we are obligated to pay Kerogen Resources $597,000 for its identification of prospects; we have paid Kerogen Resources $500,000 of such amount to date, although no payments were made in the period ending March 31, 2006 in respect to this agreement. Additionally, we

have advanced $666,637 to Kerogen for participation in leases in the Hill County area of Texas. The price paid for leases represented market prices for similar acreage in the area.

We have entered into a Participation Agreement with Kerogen Resources for the exploration and development of prospects in the Williston Basin. Pursuant to this agreement we are obligated to pay Kerogen Resources $638,600 for its identification of prospects; we have paid Kerogen Resources $550,000 of such amount to date. However, we made no payments to Kerogen during the period ending March 31, 2006 in respect to this agreement. The terms of participation by Calibre in the Agreements for both the Ft. Worth Basin and the Williston Basin are similar to Agreements entered into with other industry companies with KRI in these basins.

We held a promissory note issued by Kerogen Resources. The principal owed pursuant to the note was $300,000 bearing interest at the rate of 6.25% per annum. The principal of this note and accrued interest thereon was due and payable in a single installment on the maturity date. The maturity date was the earlier of September 30, 2006 or the date on which Kerogen Resources received gross proceeds of at least $6,000,000 from a sale of equity, in one or more transactions. This note was entered into by Mr. Tomlinson, a founder of Calibre Energy, in anticipation of the formation of Calibre Energy. After the incorporation of Calibre Energy, the company entered into agreements with Kerogen for the purpose of identification, exploration and development of prospects in the Fort Worth Basin and Williston Basin. The Reichmann Petroleum Project and South Fort Worth Basin project are projects identified by these agreements. On March 24, 2006, Kerogen Resources repaid $314,623.29, the full amount of the promissory note and all interest due.

On March 24, 2006, we loaned $350,000 to Standard Drilling, Inc., a private Drilling Company based in Houston, TX., pursuant to a loan bearing interest at 4% per annum. On April 7, 2006 Standard Drilling, Inc. repaid us $350,544.54, the full amount of the loan with all interest due. Mr. Tomlinson, our President, controls a limited liability company that, at the time of the loan, owned 53% of Standard Drilling, Inc. and serves as its Chairman and CEO. .

Several of our officers, including our President and CFO, are also employed as officers and/or directors of Standard Drilling, Inc., a company engaged in the business of drilling services. Serving as an officer and/or director for both companies limits the amount of time available to be devoted by them to managing our business. On average such officers devote approximately 35 hours per week to each company; however the actual amount devoted to managing either company fluctuates from week to week depending upon the needs and activities of each company. We do not believe that the dual employment of our officers, and the resulting potential limitations on available time, has negatively affected our business. As our business develops, we anticipate engaging additional management.

The dual obligations also create a risk of a conflict of interest for those officers. We intend to appoint two or more new directors who will be independent directors. To the extent conflicts of interest do arise, we intend to have future conflicts of interest reviewed and resolved by special board committee made up of independent directors. We are in the process of identifying individuals who may serve as independent directors.

We anticipate engaging Standard Drilling to provide us with drilling services. The terms of any such engagement will be reviewed and approved or rejected by the special committee of independent directors. We expect the terms of any such agreement to be no less favorable to us than those terms which may have been obtained from unrelated third parties. When appropriate, we will obtain competing bids from other drilling service companies, and may engage them to provide drilling services.

We share facilities and some overhead costs with Standard Drilling in Washington D.C. and are finalizing a service agreement pursuant to which Standard Drilling will pay us for office space and supplies, secretarial services and any other services we provide to them in sharing the Washington D.C. office space. The average monthly payment by Standard Drilling to us under the services agreement is expected to be approximately $20,000. The services agreement may be terminated by either party on 30 days notice.

We believe all of the transactions with related parties have been on terms no less favorable to us than those terms which may have been obtained from unrelated third parties.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our most significant judgments and estimates used in preparation of our consolidated financial statements.

Reverse Acquisition. We treated the merger of Calibre Energy, Inc. into a subsidiary of Hardwood Doors and Milling Specialties, Inc. as a reverse acquisition. Pursuant to the guidance in Appendix B of SEC Accounting Disclosure Rules and Practices Official Text, the "merger of a private operating company into a non-operating public shell corporation with nominal net assets typically results in the owners and management of the private company having actual or effective operating control of the combined company after the transaction, with the shareholders of the former public shell continuing only as passive investors. These transactions are considered by the staff to be capital transactions in substance, rather than business combinations. That is, the transaction is equivalent to the issuance of stock by the private company for the net monetary assets of the shell corporation, accompanied by a recapitalization." Accordingly, the reverse acquisition has been accounted for as a recapitalization. For accounting purposes, the original Calibre Energy, Inc. is considered the acquirer in the reverse acquisition. The historical financial statements are those of the original Calibre Energy, Inc. Earnings per share for periods prior to the merger are restated to reflect the number of equivalent shares received by the acquiring company

Employee Stock Plan. In December 2004, the FASB issued SFAS No.123R, "Accounting for Stock-Based Compensation" ("SFAS No. 123R"). SFAS No.123R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. This Statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No.123R requires that the fair value of such equity instruments be recognized as expense in the historical financial statements as services are performed. Prior to SFAS No.123R, only certain pro forma disclosures of fair value were required. SFAS No.123R shall be effective for small business issuers as of the beginning of the first interim or annual reporting period that begins after December 15, 2005. Calibre adopted SFAS No. 123R as of January 1, 2006.

We have a stock-based compensation plan, which is described more fully in Form 10-KSB/A filed with the SEC. As permitted under generally accepted accounting principles, we accounted for the plan under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. Accordingly, stock-based employee compensation cost has been recognized, as all options granted under the plan had an exercise price less than the market value of the underlying common stock on the date of grant, see Form 10-KSB/A filed with the SEC for more information. The net loss at December 31, 2005 had compensation cost for the stock-based compensation plan been determined based on the grant date fair values of awards (the method described in FASB Statement No. 123, Accounting for Stock-Based Compensation), would have increased $372,965 or $.01 per share.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Market risk is the risk of loss arising from adverse changes in market rates and prices. We are exposed to risks related to increases in the prices of fuel and raw materials consumed in exploration, development and production. We do not engage in commodity price hedging activities.

Item 4. Controls and Procedures.

Our management, with the participation of our chief executive officer and chief financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of March 31, 2006. Based on this evaluation, our chief executive officer and chief financial officer have concluded that, as of March 31, 2006, our disclosure controls and procedures were not effective. Our conclusion was based on (1) our lack of systematic accounting and disclosure procedures, (2) the initial stages of the development of our IT systems, (3) the hiring and development of new personnel and (4) the number of adjustments identified by our independent auditors during the course of their review. Changes in the internal controls initially occurred in the previous period. We do not consider any of the internal control deficiencies to constitute a material weakness. We attribute all of the identified weaknesses to the formative stage of our organizational development. We currently lack the personnel resources to ensure that our disclosure controls and procedures are adequate. We are addressing the procedural and control issues by adding more formalized accounting procedures and IT systems and by developing and adding to our personnel in the reporting and control area.

Calibre has substantially increased its business activities since the merger on January 27, 2006. Accordingly, Calibre has been required to improve its system of internal control over financial reporting during the fiscal quarter covered by this report by (1) initiating a plan to formalize accounting and disclosure procedures; (2) further development of our internal IT systems; (3) hired additional personnel (4) engaging a third party provider of accounting, bookkeeping and IT services that specializes in oil and gas accounting; (5) performing additional reviews of our internal accounting information prior to review by our independent auditors to ensure that no items that would have a material affect or are reasonably likely to have a material affect on internal control over financial reporting will be identified prior to issuance of our reports.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Our management is not aware of any significant litigation, pending or threatened, that would have a significant adverse effect on our financial position or results of operations.

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

Recent Sales of Unregistered Securities. Set forth below is certain information concerning all issuances of securities by the Company during the fiscal quarter ended March 31, 2006 that were not registered under the Securities Act.

On January 27, 2006 when Calibre was named “Hardwood Doors and Milling Specialties, Inc.,” it issued: (i) 47,000,000 shares of common stock, (ii) warrants to acquire 10,000,000 shares of common stock at a price of $0.75 per share, and (iii) warrants to acquire 2,000,000 shares of common stock at $0.40 per share, to the shareholders and warrant holders of Calibre Energy, Inc., a Delaware corporation ("Calibre") in exchange for all the outstanding capital stock and warrants of Calibre. The shares of common stock issued in the acquisition were offered and sold pursuant to the exemption from registration afforded by Rule 506 under the Securities Act of 1933 (the “Securities Act”) Regulation S and/or Section 4(2) of the Securities Act. Calibre subsequently changed its name to “Calibre Energy, Inc.”

In March and April of 2006, Calibre issued 5,780,000 shares of common stock and warrants to acquire 5,780,000 shares of common stock at a price of $2.75 of Calibre Energy, Inc., a Nevada corporation (“Calibre”). In March and April, Calibre issued to the placement agents who assisted with the sale of the share and warrants, warrants to purchase 577,500 shares of Common Stock at a price of $2.00 per share. The shares of common stock and warrants were offered and sold pursuant to the exemption from registration afforded by Rule 506 under the Securities Act of 1933 (the “Securities Act”), Regulation S, and/or Section 4(2) of the Securities Act.

Item 3. Defaults Upon Senior Securities.

None.

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

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit 31.1*	Chief Executive Officer Certification Pursuant to Section 13a-14 of the Securities Exchange Act
Exhibit 31.2*	Chief Financial Officer Certification Pursuant to Section 13a-14 of the Securities Exchange Act
Exhibit 32.1*	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 32.2*	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

***Filed herewith**

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CALIBRE ENERGY, INC.
Registrant

Dated: August 24, 2006	By:	/s/ Prentis B. Tomlinson, Jr. Prentis B. Tomlinson, Jr. President and Chairman of the Board of Directors
Dated: August 24, 2006	By:	/s/ O. Oliver Pennington O. Oliver Pennington Chief Financial Officer

INDEX TO EXHIBITS

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