

CANARGO ENERGY CORP

Form S-3

May 02, 2008

Table of Contents

As filed with the Securities and Exchange Commission on May 2, 2008

Registration No. 333-

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

**Form S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

CanArgo Energy Corporation

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

91-0881481

*(I.R.S. Employer
Identification No.)*

**P.O. Box 291, St Peter Port
Guernsey, GY1 3RR, British Isles
+(44) 1481 729 980**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Jeffrey Wilkins
Chief Financial Officer
P.O. Box 291, St Peter Port
Guernsey, GY1 3RR, British Isles
+(44) 1481 729 980**

(Name, address, including zip code, and telephone number, including area code of agent for service)

Please forward a copy of all correspondence to:

**Peter A. Basilevsky, Esq.
Satterlee Stephens Burke & Burke LLP
11th Floor, 230 Park Avenue
New York, NY 10169
(212) 818-9200**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this form is a post-effective amendment to a registration statement filed pursuant to General Instructions I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated
filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller
reporting company)

Smaller reporting
Company

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to Be Registered(1)(2)	Proposed Maximum Offering Price per Share(3)	Proposed Maximum Aggregate Offering Price(3)	Amount of Registration Fee(3)(
Common stock, \$0.10 par value	242,107,390 Shares(2)	\$0.10	\$24,210,739	\$951.48
Common stock subscription rights	242,107,390 Rights	\$0.10(3)	\$24,210,739(3)	\$951.48(3)
Total				\$1,902.96

- (1) In the event of a stock split, stock dividend or similar transaction involving the shares of common stock, in order to prevent dilution, the number of shares registered shall be automatically increased to cover the additional shares in accordance with Rule 416 under the Securities Act of 1933.
- (2) Maximum amount of shares issuable upon exercise of all transferable subscription rights (Rights). Includes up to a maximum of shares of common stock which may be purchased by one or more standby underwriters pursuant to an over-allotment option and up to a maximum of shares of common stock which may be issued to one or more standby underwriters pursuant to a conditional right for such standby underwriters to elect to receive their commission in shares in lieu of cash.
- (3) No consideration will be received by the Registrant for the issuance of the Rights. The Rights are transferable and may be reoffered to the public by stockholders. The registration fee was calculated in accordance with Rule 457(g) on the basis of the price at which the Rights may be exercised.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information contained in this prospectus is not complete and may be changed. We may not sell these securities until the Registration Statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION DATED MAY 2, 2008.

PROSPECTUS

CANARGO ENERGY CORPORATION

Shares of Common Stock

CanArgo Energy Corporation (the Company) is offering (the Rights Offering) 242,107,390 shares of its common stock, \$.10 par value, to holders of record of common stock at the close of business on , 2008 (the Record Date), pursuant to transferable rights (the Rights) to purchase shares of common stock at a price of \$0.10 per share (the Subscription Price). The Rights Offering is made as part of an offering of shares (the Offering) which also includes potential purchases by one or more standby underwriters described below. Holders of Rights (Rights Holders) will be able to exercise their Rights until 5:00 p.m., Eastern time on , 2008, unless extended by the Company (the Expiration Time). See The Rights Offering beginning on page 19.

Each shareholder is receiving one Right for each share of Common Stock held of record on the Record Date. Each Right will entitle the Rights Holder to subscribe (the Basic Subscription Privilege) for one share of Common Stock (the Underlying Share). Once a Rights Holder has exercised the Basic Subscription Privilege such exercise may not be revoked. The Rights will be evidenced by transferable certificates. See The Rights Offering beginning on page 19.

(collectively, the Standby Underwriter) will agree to underwrite the unsubscribed for Underlying Shares (the Unsubscribed Shares) at the Subscription Price. Under the terms of the standby underwriting agreement (the Standby Underwriting Agreement), the Standby Underwriter shall be entitled to exercise an over-allotment option of up to shares and to receive a commission equal to % of the aggregate Subscription Price in respect of all of the shares the subject of the Rights Offering. However, the Standby Underwriter will only be able to exercise its over-allotment option and/or its right to receive its commission in shares in lieu of cash in the event that the aggregate number of shares of common stock held by the Standby Underwriter following its subscription for the Unsubscribed Shares and the exercise of its over-allotment option and/or its right to receive the commission shares does not exceed 49.999999% of the issued and outstanding share capital of the Company immediately following such subscriptions. See The Standby Underwriting and Plan of Distribution beginning on page 25.

Our common stock is traded on The American Stock Exchange (AMEX) and the Oslo Stock Exchange (OSE) under the symbol CNR . The last reported sale price of our common stock on the American Stock Exchange Composite Transactions Tape on , 2008 was \$0. per share and on the Oslo Stock Exchange was Norwegian kroner (NOK) . On , 2008, one U.S. dollar equaled NOK as reported on www.oanda.com. All references herein to \$ refer to United States dollars.

After the Expiration Time, the Rights will no longer be exercisable and will have no value. The Rights are transferable and may be purchased and sold prior to their expiration. The rights are expected to be admitted to listing and trading on the AMEX and OSE. However, the Company cannot predict if an active trading market for the rights will develop or the price at which such Rights may be purchased or sold.

See Risk Factors beginning on page 8 to read about the risks you should consider carefully before exercising any Rights and buying shares of our common stock.

Prior to and after the Expiration Date, the Standby Underwriter may only offer common stock acquired pursuant to the standby arrangements directly to the public located outside the United States and who are not U.S. Persons (as each is defined in Regulation S promulgated under the United States Securities Act of 1933, as amended (the Securities Act)) at prices set from time to time by the Standby Underwriter. Each such price when set will not exceed the highest price at which a dealer not participating in the distribution is then offering shares of common stock to other dealers plus the amount of any concession to dealers, and an offering price on any calendar day will not be increased more than once during such day. In effecting such transactions, the Standby Underwriter may realize profits or losses independent of the compensation referred to under Standby Underwriting and Plan of Distribution. The Standby Underwriter may also make sales to dealers outside the United States at prices that represent concessions from the prices at which such shares are then being offered to the public. The amount of such concessions will be determined from time to time by the Standby Underwriter. Any common stock so offered is offered subject to prior sale, when, as and if received by the Standby Underwriter, and subject to its right to reject orders in whole or in part, and any commissions received by the Standby Underwriter and any profit on the resale of the common stock purchased by the Standby Underwriter may be deemed underwriting commissions or discounts under the Securities Act. The Standby Underwriter and any dealers participating in the offer and sale of the shares will be subject to the prospective delivery requirements of the Securities Act. The common stock may be offered and sold by the Standby Underwriter in one or more transactions through the facilities of the Oslo Stock Exchange on which the shares are then listed for trading or in negotiated transactions or a combination of these and other methods of sale. The Company has agreed to indemnify the Standby Underwriter against certain liabilities including those arising under the Securities Act. In addition, until the expiration of the 40-day period beginning from the date hereof, an offer to sell or a sale of the Rights or the Underlying Shares within the United States by a broker/dealer may violate the registration requirements of the Securities Act if such offer to sell or sale is made otherwise than pursuant to the foregoing. See The Standby Underwriting and Plan of Distribution beginning on page 25.

Neither the Securities and Exchange Commission nor any state securities regulators have approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus is , 2008

Table of Contents

IMPORTANT INFORMATION

In connection with the Offering in Norway an offering circular has been prepared in Norwegian (the Norwegian Offering Circular). The Norwegian Offering Circular has been prepared in compliance with Norwegian legislation and regulations, including in accordance with the Norwegian Securities Trading Act Chapter 7 and the Norwegian Securities Trading Regulation Chapter 7 for the purpose of being distributed as a prospectus for an offer of and listing of Company common shares pursuant to the Norwegian Securities Trading Act Chapter 7 and the Norwegian Securities Trading Regulation Chapter 7. The Norwegian Offering Circular has been approved by Oslo Børs for the purpose of being distributed as a prospectus in accordance with the Norwegian Securities Trading Act Chapter 7 and the Norwegian Securities Trading Regulation Chapter 7. The Norwegian Offering Circular and this prospectus are the same, except that the Norwegian Offering Circular contains certain statements which are required under E.U. Commission Regulation No. 809/2004 (as amended by E.U. Commission Regulations No. 1787/2006 and 211/2007) and/or by the Oslo Børs, including responsibility statements made by our Board of Directors and the Standby Underwriter.

No person is authorized to give any information or to make any representation not contained in this prospectus in connection with the Offering and any information or representation not so contained must not be relied upon as having been authorized by us or on our behalf or by or on behalf of the Standby Underwriter. This prospectus is not intended to provide the basis of any credit or any other evaluation and should not be considered as a recommendation by us or the Standby Underwriter that any recipient of this prospectus should acquire or exercise Rights or subscribe for any shares of common stock being offered in the Offering (Offered Shares). Each prospective investor should determine for itself the relevance of the information contained in this prospectus and its subscription of Offered Shares or its acquisition or exercise of Rights should be based upon such investigation as it deems necessary.

General Information and Special Notices

The distribution of this prospectus and the Offering is, in certain jurisdictions, restricted by law, and this prospectus may not be used for the purpose of, or in connection with, any offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. This prospectus does not constitute an offer of or an invitation to acquire any Rights or to subscribe for Offered Shares in any jurisdiction in which such offer or invitation would be unlawful. Persons into whose possession this prospectus comes shall inform themselves of and observe all such restrictions. Neither the Company nor the Standby Underwriter accept any legal responsibility for any violation by any person, whether or not a prospective purchaser of Rights or Offered Shares, of any such restrictions.

This prospectus may not be distributed or otherwise made available, the Offered Shares may not be directly or indirectly offered, sold or subscribed, and the Rights may not be directly or indirectly offered, sold, acquired or exercised in Canada, Australia or Japan unless such distribution, offering, sale, acquisition, exercise or subscription is permitted under applicable laws of the relevant jurisdiction, and the Company and the Standby Underwriter receive satisfactory documentation to that effect. The prospectus may not be distributed or otherwise made available, the Offered Shares may not be directly or indirectly offered, sold or subscribed and the Rights may not be directly or indirectly offered, sold, acquired or exercised in any other jurisdiction, unless such distribution, offering, sale, acquisition, exercise or subscription is permitted under applicable laws of the relevant jurisdiction. The Company and the Standby Underwriter may require receipt of satisfactory documentation to that effect. Due to such restrictions under applicable legislation and regulations, the Company expects that certain investors residing in Canada, Australia, Japan and other jurisdictions may not be able to receive this prospectus or the Norwegian Offering Circular and may not be able to exercise their

Rights and subscribe for Offered Shares.

Investors are authorized to use this prospectus solely for the purpose of considering the acquisition or exercise of the Rights and subscription of the Offered Shares described in this prospectus. The Company and other sources identified herein have provided the information contained in this prospectus. The Standby

Table of Contents

Underwriter makes no warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this prospectus is, or shall be relied upon as, a promise or representation by the Standby Underwriter. Investors may not reproduce or distribute this prospectus, in whole or in part, and investors may not disclose any of the contents of this prospectus or use any information herein for any purpose other than considering the acquisition or exercise of Rights and the subscription of Offered Shares. Investors agree to the foregoing by accepting delivery of this prospectus. Prospective holders of the Rights and prospective subscribers of the Offered Shares should make an independent assessment as to whether the information in this prospectus is relevant, and any acquisition or exercise of the Rights and any subscription of the Offered Shares should be based on the examinations that the holder or subscriber in question may deem necessary. In addition to their own examination of the Company and the terms of the Offering, including the merits and risks involved, investors should rely only on the information contained in this prospectus, including the risk factors described herein, and any notices required under any orders, rules or regulations issued by any Norwegian securities regulators on issuers' duties to disclose information, and the rules of the Oslo Børs that are published by the Company and expressly amend this prospectus or which are filed with the United States Securities and Exchange Commission and are incorporated by reference herein.

In connection with the Offering, the Standby Underwriter or its affiliates acting as investors for their own account, may sell, acquire or exercise Rights and offer, sell and subscribe for Offered Shares in the Offering. They may in this capacity for their own account hold, buy or sell such securities and any other of the Company's securities and any investments related thereto, and they may offer or sell such securities or other investments in contexts other than in connection with the Offering. References in this prospectus to the Rights being allocated, acquired or sold and the Offered Shares being subscribed, offered, sold or acquired should therefore be considered to comprise such offers or placements of securities to the Standby Underwriter or its affiliates. The Standby Underwriter does not intend to disclose the extent of any such investments or transactions other than in compliance with legal or regulatory requirements to do so. The Standby Underwriter in connection with the Offering will receive fees from the Company. In connection with the Standby Underwriter's usual business activities, the Standby Underwriter and certain companies affiliated therewith may have provided and may in future provide investment banking advice and carry on normal banking business with the Company and its subsidiaries.

The Standby Underwriter does not make any direct or indirect representation and does not assume responsibility for the accuracy and completeness of the information contained in this prospectus. No person is authorized to give any information or to make any representation in connection with the prospectus other than as contained in this prospectus and any amendments thereto, and if given or made, such information or representation must not be relied upon as having been made or authorized by the Company or the Standby Underwriter. Neither the delivery of this prospectus nor the acquisition or exercise of Rights or the subscription of the Offered Shares shall create any implication that the information contained in this prospectus is correct as at any time subsequent to the prospectus date or that there have been no changes in the affairs of the Company since the date hereof. Any material change as compared with the contents of this prospectus will be published as a supplement pursuant to applicable laws, rules and regulations.

This prospectus may not be forwarded, reproduced or in any other way redistributed by anyone but the Standby Underwriter and the Company. The Rights and the Offered Shares may be subject to restrictions on transferability and resale under applicable securities legislation in certain jurisdictions and may not be acquired, transferred, exercised or resold unless permitted under applicable securities legislation. Persons into whose possession this prospectus may come undertake to inform themselves about and to observe such restrictions. Neither the Company nor the Standby Underwriter assumes any legal responsibility for any violation of these restrictions by any person, irrespective of whether such person is a potential holder of the Rights and a potential subscriber of the Offered Shares. Prospective holders of the Rights and prospective subscribers of the Offered Shares should make their own individual assessment of the legal basis of and consequences of the Offering, including possible tax consequences and possible foreign exchange restrictions which may apply before deciding whether to invest in the Rights and the Offered Shares.

Potential acquirers of Rights and subscribers of Offered Shares shall comply with all applicable laws and provisions in countries or regions in which they acquire, subscribe, offer, sell or exercise the Rights or the

Table of Contents

Offered Shares or possess or distribute this prospectus and shall obtain consent, approval or permission, as required, for the acquisition of the Rights or subscription for the Offered Shares.

Notice to Investors in the European Economic Area

In relation to each Member State of the European Economic Area which have implemented the EU Directive 2003/71 (together with all current implementing measures in the individual Member States, the Prospectus Directive) (each a Relevant Member State), not including Norway, no offering of Rights and Offer Shares to the public will be made in any Relevant Member State prior to the publication of a prospectus concerning the Rights and the Offered Shares, which has been approved by the competent authority in such Relevant Member State or, where relevant, approved in another Relevant Member State and notified to the competent authority in such Relevant Member State, all pursuant to the Prospectus Directive, except that with effect from and including the date of implementation of the Prospectus Directive in such Relevant Member State, an offering of Rights and Offered Shares may be made to the public at any time in such Relevant Member State:

to legal entities that are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

to any legal entity fulfilling at least two of the following conditions (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43 million; and (3) an annual net revenue of more than 50 million, as shown in its last annual or consolidated accounts;

to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Standby Underwriter, for any such offer; or

in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Offered Shares shall result in a requirement for the publication by the Company or the Standby Underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of the above, the expression an offer of Rights and Offered Shares to the public in relation to Rights and Offered Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering, the Rights and Offered Shares so as to enable an investor to decide to exercise or acquire Rights or subscribe for Offered Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

Notice to Investors in the United Kingdom

This communication is only being distributed to, and is only directed at, (i) persons who are outside the United Kingdom or (ii) investment professionals falling within article 19(5) of the Financial Services and Markets Act 2000 (financial promotion) order 2005 (the Order) or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within article 49(2)(a) to (d) of the Order (all such persons together being referred to as Relevant Persons). The Rights and the Offered Shares are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Rights or Offered Shares will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this document or any of its contents.

Notice Concerning Canada, Australia and Japan

This prospectus may not be distributed or otherwise made available, the Offered Shares may not be directly or indirectly offered, sold or subscribed, and the Rights may not be directly or indirectly offered, sold, acquired or exercised in Canada, Australia or Japan, unless such distribution, offering, sale, acquisition, exercise or subscription is permitted under applicable laws of the relevant jurisdiction, and the Company and the Standby Underwriter receive satisfactory documentation to that effect. Due to such restrictions under applicable legislation and regulations, the Company expects that certain investors residing in Canada, Australia, Japan and other jurisdictions may not be able to receive this prospectus and may not be able to

Table of Contents

exercise their Rights or subscribe for the Offered Shares. No offering and no solicitation to any person is being made by the Company in any circumstances that would be unlawful.

Stabilization

IN CONNECTION WITH THE OFFERING, THE STANDBY UNDERWRITER MAY FROM COMMENCEMENT OF THE TRADING PERIOD FOR RIGHTS UNTIL 30 DAYS AFTER THE FIRST DAY OF TRADING AND OFFICIAL LISTING OF THE OFFERED SHARES EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE RIGHTS (STABILIZING ACTIONS REGARDING THE RIGHTS WILL ONLY TAKE PLACE DURING THE TRADING PERIOD FOR RIGHTS), THE OFFER SHARES AND THE EXISTING SHARES AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. THE STANDBY UNDERWRITER IS, HOWEVER, NOT OBLIGED TO EFFECT ANY SUCH TRANSACTIONS. SUCH TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Presentation of Financial and Certain Other Information

Our audited financial statements as at and for the fiscal years ended December 31, 2006 and 2007 incorporated by reference in this prospectus from our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, as amended, have been prepared in accordance with generally accepted U.S. accounting principles (GAAP), which differs in certain respects from International Financial Reporting Standards as adopted by the EU and the additional Norwegian disclosure requirements for financial statements of listed companies. Financial information set forth in such financial statements and associated schedules has been rounded. Accordingly, in certain instances, the sum of the numbers in a column or row may not conform exactly to the total figure given for that column or row. In addition, certain percentages presented in such information reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

In this prospectus all references to Kroner , kroner , or NOK are to the currency of the Kingdom of Norway, all references to U.S. dollars , U.S. Dollars , US\$, USD , or \$ are to the currency of the U.S., all references to pound , pounds sterling . UK £ or £ are to the currency of the United Kingdom and all references to Euro , euro and currency introduced from the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.

Enforceability of Judgments

The Company is organized under the laws of the State of Delaware in the United States, with our domicile in the municipality of Dover, County of Kent, state of Delaware. All of the members of our Board of Directors and Executive Management and certain of the experts named herein are residents of British Isles or other jurisdictions outside the U.S. All of our assets as well as the assets of such non-resident persons are located in jurisdictions outside the U.S.

As a result, it may not be possible for investors to effect service of process upon such persons or us with respect to litigation that may arise under U.S. federal securities law or to enforce against them or us judgments obtained in U.S. courts, whether or not such judgments were made pursuant to civil liability provisions of the federal or state securities laws of the U.S. or any other laws of the U.S. We have been advised by our Norwegian counsel that there is not currently a treaty between the U.S. and Norway providing for reciprocal recognition and enforceability of judgments rendered in connection with civil and commercial disputes and accordingly that a final judgment rendered

by a U.S. court based on civil liability would not be enforceable in Norway. Considerable uncertainty exists whether Norwegian courts would allow actions to be predicated on the securities laws of the U.S. or other jurisdictions outside Norway.

Table of Contents

Foreign Currency Presentation

We publish our financial statements in United States Dollars. Certain financial information included in this prospectus contains conversions of certain Dollar amounts into Kroner amounts, Pounds Sterling and into Euros at specified rates. These conversions should not be construed as representations that the Dollar amounts actually represent such Kroner, Pound or Euro amounts or could be converted into Kroner, Pounds or Euros at the rates indicated or at any other rate. In addition, certain additional information herein has been presented in U.S. dollars. The conversions in our financial statements of financial information into other currencies have been made using the rates disclosed therein. Unless otherwise indicated, conversions of financial information have been made using the foreign exchange reference rates set forth on the cover page of this prospectus.

Independent Auditors

Our audited consolidated financial statements as at and for the fiscal years ended December 31, 2006 and 2007 included herein by reference have been reported upon by LJ Soldinger Associates LLC, independent registered public accountants.

Financial Calendar

We are subject to the periodic reporting requirements and other disclosure requirements of the U.S. Securities Exchange Act of 1934, as amended (Exchange Act), and, accordingly, as an accelerated filer (as defined in the Exchange Act) we are required to file an Annual Report on Form 10-K with the SEC within 75 days after the end of each fiscal year, which report includes audited consolidated financial statements among other matters. In addition, we file interim Quarterly Reports on Form 10-Q containing unaudited interim financial information as well as other required information with the SEC within 40 days after the end of each of the first three fiscal quarters ended March 31, June 30 and September 30 in each year. Finally, in connection with the solicitation of proxies for our Annual General Meetings we are required to file proxy materials with the SEC.

Available Information

See the sections of this prospectus entitled Where You Can Find More Information and Documents Incorporated by Reference for information as to how you can obtain additional information regarding the Company, its business, financial condition and the Offering . The following documents have been filed as exhibits with the SEC and can be accessed on the SEC's website www.sec.gov and are available for inspection at any time: (i) our Amended and Restated Certificate of Incorporation and Bylaws; (ii) the documents incorporated by reference in this prospectus as identified in the section entitled Documents Incorporated by Reference ; and (iii) this prospectus and the registration statement of which this prospectus forms a part.

TABLE OF CONTENTS

<u>Prospectus Summary</u>	1
<u>Oil and Gas Terms</u>	4
<u>About CanArgo</u>	4
<u>Recent Developments</u>	6
<u>Risk Factors</u>	8
<u>Cautionary Statement Regarding Forward-Looking Statements</u>	17
<u>Dilution</u>	19
<u>Use of Proceeds</u>	20
<u>The Rights Offering</u>	20
<u>Certain Income Tax Consequences</u>	25
<u>The Standby Underwriting and Plan of Distribution</u>	26
<u>Limitation of Liability and Indemnification</u>	28
<u>Section 203 of the Delaware General Corporation Law</u>	28
<u>Legal Matters</u>	29
<u>Experts</u>	29
<u>Where You Can Find More Information</u>	29
<u>Documents Incorporated by Reference</u>	29
<u>EX-23.2: CONSENT OF L J SOLDINGER ASSOCIATES LLC</u>	
<u>EX-23.3: CONSENT OF OILFIELD PRODUCTION CONSULTANTS (OPC) LIMITED</u>	

Table of Contents

PROSPECTUS SUMMARY

The following summary highlights selected information contained in this prospectus. This summary does not contain all the information you should consider before investing in the securities and is qualified in its entirety by the more detailed information appearing elsewhere in this prospectus. Before making an investment decision, you should read the entire prospectus and the information incorporated by reference herein carefully, including the Risk Factors section.

Unless the context requires otherwise, references to *the Company*, *CanArgo*, *we*, *us* and *our* are to CanArgo Energy Corporation and its subsidiaries. A glossary of terms and definitions used in this prospectus is set forth on page 4. References to persons comprise references both to individuals and to legal entities.

The Company

The Company is an independent oil and gas exploration and production company engaged in oil and gas exploration, development and production in Georgia. The Company's executive offices are located at PO Box 291, St Peter Port, Guernsey, GY1 3RR, British Isles and its telephone number is +(44) 1481 729 980.

Risk Factors

The investment in the common stock or the Rights offered hereby is subject to risk factors that should be carefully reviewed prior to determining whether to purchase the common stock or purchase or exercise the Rights. These factors relate to the Company's financial condition, risks associated with operations in Georgia and other countries in the former Soviet Union, risks inherent in oil and gas operations, and volatility in our stock price. See Risk Factors .

The Offering

Rights Offering

Each record holder of common stock (Record Date Holder) at the close of business on , 2008 (the Record Date) is entitled to one transferable subscription right (Right) for each share of common stock held of record on the Record Date. Each Right will entitle the holder thereof (Rights Holder) to purchase from the Company one share of common stock (an Underlying Share) for a price of \$.10 per share (the Subscription Price). An aggregate of up to shares of Common Stock will be sold in the Offering upon exercise of the Rights or pursuant to the Standby Underwriting Agreement (as defined below), including pursuant to the exercise by the Standby Underwriter of its over-allotment option to acquire up to an additional shares at the Subscription Price and its option to acquire up to shares in lieu of payment of its commission in cash. The Rights will be evidenced by transferable certificates (the Subscription Rights Certificates).

Conditions to Rights Offering

The Rights Offering is conditioned upon obtaining the approval of stockholders to an increase in the requisite number of shares of common stock that the Company is authorized to issue in order to enable the Company to complete the Rights Offering, the execution and delivery of mutually acceptable definitive agreements with the Standby Underwriter

and the Subscription Agents, securing all requisite consents and complying with all requisite regulatory requirements, as well as the satisfaction of other conditions customarily found in underwritten offerings.

Table of Contents

Basic Subscription Privilege	Rights Holders are entitled to purchase, at the Subscription Price, one Underlying Share for each whole Right held (the Basic Subscription Privilege). See The Rights Offering Subscription Privileges Basic Subscription Privilege .
Subscription Price	\$0.10 per Underlying Share, payable in cash. See The Rights Offering Exercise of Rights and The Rights Offering Determination of Subscription Price.
Shares of Common Stock Outstanding after Rights Offering	As of the Record Date there were shares of Common Stock outstanding. A maximum aggregate of shares of Common Stock may be issued pursuant to the Basic Subscription Privilege. Accordingly, after this Offering, approximately shares of Common Stock will be outstanding, assuming the exercise in full by the Standby Underwriter of both its over-allotment option and its conditional right to receive its commission in shares in lieu of cash. If only the shares the subject of the Rights Offering are issued (i.e. if the Standby Underwriter exercises neither its over-allotment option nor its conditional right to receive its commission in shares in lieu of cash) approximately shares of Common Stock will be outstanding after this Offering.
Transferability of Rights	The Rights, including the Basic Subscription Privilege, are transferable prior to the Expiration Time. On and after the Expiration Time unexercised Rights will have no value.
Record Date	, 2008
Expiration Time	5:00 p.m., U.S. Eastern time, , 2008, or such later time to which the Offering may have been extended (the Expiration Time). See The Rights Offering Expiration Time . Rights not exercised prior to the Expiration Time will expire and become worthless.
Procedure for Exercising Rights	The Basic Subscription Privilege may be exercised by properly completing the Subscription Rights Certificate and forwarding it (or following the Guaranteed Delivery Procedures), with payment of the Subscription Price for each Underlying Share subscribed for pursuant to the Basic Subscription Privilege to the U.S. or Norwegian Subscription Agent, which must receive such Subscription Rights Certificate or Notice of Guaranteed Delivery and payment at or prior to the Expiration Time. If Subscription Rights Certificates are sent by mail, Rights Holders are urged to use insured, registered mail. See The Rights Offering Exercise of Rights .
No Revocation of Exercise	Once a Rights Holder has exercised the Basic Subscription Privilege, such exercise may not be revoked.
Persons Holding Common Stock, or Wishing to Exercise Rights Through	Persons holding shares of Common Stock beneficially, and receiving the Rights issuable with respect thereto, through a broker, dealer, commercial

Others

bank, trust company or other nominee, as well as persons holding certificates for common stock directly who would prefer to have such institutions effect transactions relating to the Rights on their behalf, should contact the appropriate institution

Table of Contents

or nominee and request it to effect such transactions for them. See The Rights Offering Exercise of Rights .

Issuance of Common Stock

Certificates representing shares of common stock purchased pursuant to the Basic Subscription Privilege will be delivered to subscribers as soon as practicable after the closing of the Rights Offering, corresponding Rights have been validly exercised and payment therefor has been received by the Company.

Standby Underwriting Agreement

(collectively, the Standby Underwriter) has agreed to underwrite the unsubscribed for Underlying Shares (the Unsubscribed Shares) at the Subscription Price. Under the terms of the standby underwriting agreement (the Standby Underwriting Agreement), the Standby Underwriter shall be entitled to exercise an over-allotment option of up to shares and to receive a commission equal to % of the aggregate Subscription Price in respect of all of the shares the subject of the Rights Offering. The Standby Underwriter may elect to receive its commission in shares in lieu of cash (in which case the cash equivalent of each share issued in satisfaction of the commission will be \$0.10 per share). However, the Standby Underwriter will only be able to exercise its over-allotment option and/or its right to receive its commission in shares in lieu of cash in the event that the aggregate number of shares of common stock held by the Standby Underwriter following its subscription for the Unsubscribed Shares and the exercise of its over-allotment option and/or its right to receive the commission shares does not exceed 49.999999% of the issued and outstanding share capital of the Company immediately following such subscriptions. The Company has also agreed to pay the Standby Underwriter s out-of-pocket expenses (including legal fees) incurred in connection herewith (up to a maximum of \$). See The Standby Underwriting and Plan of Distribution beginning on page 25.

AMEX and OSE Symbols for Common Stock and Rights

CNR; l and l, respectively.

Use of Proceeds

The proceeds from the Rights Offering, before the payment of expenses of the Rights Offering, including any compensation due the Standby Underwriter, are estimated to be a minimum of \$24,210,739. Of such proceeds: \$12,000,000 is expected to be used for the implementation of a production enhancement program at the Ninotsminda Field in Georgia which may include the drilling of a new well in the eastern part of the Field with up to two horizontal completions and a new vertical well on the northern flank of the Field; \$3,000,000 is expected to be used for the further evaluation of the Manavi 12 well prospect in Georgia with a focus on increasing oil production; \$1,000,000 will be used to further our farm-out strategy in respect of our other exploration acreage in Georgia; \$5,000,000 is expected to be used for the repayment of indebtedness; and \$3,210,739 is expected to be used for general working capital purposes (including payment of the expenses of the Offering). In the event that the Standby Underwriter exercises its conditional over-allotment option the

proceeds thereof will also be used for general working capital purposes.

Table of Contents

U.S. Subscription Agent

Computershare, 350 Indiana Street, Suite 800, Golden, CO 80401;
Telephone Number: (303) 262-0600; Facsimile Number: (303) 262-0631

Norwegian Subscription Agent

The above information is based on 242,107,390 shares of common stock outstanding as of April 28, 2008.

OIL AND GAS TERMS

When describing natural gas:	Mcf	=	Thousand cubic feet
	MMcf	=	million cubic feet
	Bcf	=	billion cubic feet
When describing oil:	Bbl	=	Barrel
	Mbbls	=	Thousand barrels
	MMbbls	=	million barrels
When comparing natural gas to oil:	6 Mcf of gas	=	1 bbl of oil equivalent
	Boe	=	Barrel of oil equivalent
	Mboe	=	Thousand barrels of oil equivalent
	Mmboe	=	million barrels of oil equivalent

ABOUT CANARGO

We are an independent oil and gas exploration and production company incorporated with limited liability under the laws of the State of Delaware, U.S.A., headquartered in St Peter Port, Guernsey, British Isles, but not regulated in Guernsey, operating in Georgia a former part of the former Soviet Union. We operate and carry out our activities as a holding company through a number of operating subsidiaries and associated or affiliated companies. Each of these operating companies is generally focused on one of our projects, and this structure assists in maintaining separate cost centers for these different projects.

Our principal activities are oil and gas exploration, development and production in Georgia although in the past we have also operated in other former Soviet Union countries. We are currently directing all of our efforts and resources to our exploration and appraisal program in Georgia and the development of the Ninotsminda Field in Georgia. Our management and technical staff have substantial experience in our areas of operation. Currently our principal product is crude oil, and the sale of crude oil is our principal source of revenue.

Our oil and natural gas reserves and production have to date been derived principally through development of the Ninotsminda Field. We are currently focused on properties that either offer us existing or near term production as well as additional exploitation opportunities, or exploration prospects which management believes have significant potential. CanArgo has additional exploratory and developmental oil and gas properties and prospects in Georgia. The Company operates in a global market and has an insignificant market share in such market.

Going Concern

Our ability to continue to pursue our principal activities of acquiring interests in and developing oil and gas fields is dependent upon generating funds from internal sources, external sources and, ultimately, maintaining sufficient positive cash flows from operating activities. Our financial statements have been prepared in accordance with U.S. GAAP, which contemplates continuation of the Company as a going concern. The Company incurred net losses

from continuing operations to common stockholders of approximately \$65,315,000 \$54,432,000 and \$12,522,000 for the years ended December 31, 2007, 2006 and 2005 respectively. These net losses included non-cash charges related to depreciation and depletion, impairments,

Table of Contents

loan interest, amortization of debt discount, extinguishment of debt and stock-based compensation of approximately \$61,936,000, \$48,213,000 and \$7,175,000 for the years ended December 31, 2007, 2006 and 2005 respectively.

In the years ended December 31, 2007 and 2006, the Company's revenues from its Georgian operations did not cover the costs of its operations. At December 31, 2007 the Company had unrestricted cash and cash equivalents available for general corporate use or for use in the Georgian operations of approximately \$6,869,000. In 2007 the Company experienced a net cash outflow from operations of approximately \$1,800,000 in Georgia. In addition, the Company has a planned capital expenditure budget in 2008 of approximately \$12,000,000 in Georgia. The Company's exploration and development wells currently undergoing or waiting to undergo production testing in Georgia currently do not produce enough commercially available quantities of oil and or gas and accordingly the Company will not have sufficient working capital and may have to delay or suspend its capital expenditure plans and possibly make cutbacks in its operations in the event that it is unable to obtain significant additional financing. There are no assurances the Company could raise additional sources of equity financing and the covenants contained in the Note Purchase Agreements to which the Company is a party (see Note 9 of the consolidated financial statements included in the Annual Report on Form 10-K, as amended) restrict the Company from incurring additional debt obligations unless it receives consent from Noteholders holding at least 51% in aggregate outstanding principal amount of the of the Notes covered by such Agreements.

Consequently, the aforementioned items raise substantial doubt about the Company's ability to continue as a going concern.

We currently have sufficient cash on hand to support our current operations through to the third quarter 2008. In order to fund our planned capital expenditure program and to continue our operations after the third quarter 2008, we need to raise substantial funds. Accordingly, we are pursuing raising additional funds through the Rights Offering to shareholders. We are also actively pursuing the farming out a number of our exploration projects. We are required under the covenants of our existing Notes to obtain the approval of a majority of our debt holders in order to incur additional indebtedness in excess of \$2.5 million, which approval we cannot guarantee.

The Company's ability to continue as a going concern is dependent upon raising capital through debt and equity financing on terms desirable to the Company. If the Company is unable to obtain additional funds when they are required or if the funds cannot be obtained on terms favorable to the Company, management will be required to delay, scale back or eliminate its well development program or license third parties to develop or market products that the Company would otherwise seek to develop or market itself, or even be required to relinquish its interest in the properties or in the extreme situation, cease operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Management's Plan

The Company may require additional funding to continue with its Georgian operations as planned. The Company may seek additional appropriate equity and debt financing to further cover its working capital needs. Alternatively, the Company may curtail its operations to extend its cash resources until it has secured additional financing.

Our business strategy is focused on the following:

Further Development Of Existing Properties

Assuming available financial resources, we intend to further develop our properties that have established oil and gas resources. We seek to add proved reserves and increase production through the use of advanced technologies, including conducting further seismic programs and detailed technical analysis of our properties, horizontal drilling,

multilateral drilling, drilling new structures from existing locations and selectively recompleting existing wells. We also plan to drill step-out wells to expand known field limits.

Table of Contents

Growth Through Exploitation And Exploration

Assuming available financial resources, we intend to conduct an active technology-driven exploitation and exploration program that will be designed to complement our property acquisition and development drilling efforts with moderate to high-risk exploration projects that have greater reserve potential. In the past we have generated exploration prospects through the analysis and integration of geological and geophysical data and the interpretation of seismic data. Assuming available financial resources, we intend to manage our exploration expenditures through the optimal scheduling of our drilling program and, if considered appropriate, selectively reducing our participation in certain exploratory prospects through farm-outs or sales of interests to industry partners.

Pursuit Of Strategic Acquisitions

We continually review opportunities to acquire producing properties, leasehold acreage and drilling prospects and seek to acquire operational control of properties that we believe have significant exploitation and exploration potential. We are especially focused on increasing our holdings in fields and basins from which we leverage existing infrastructure and resources.

RECENT DEVELOPMENTS

On January 8, 2008, we announced that we had received a deficiency letter from The American Stock Exchange, Inc. (AMEX) advising the Company that in view of its continued non-compliance with Section 121(A)(1) and Section 121(B)(2)a of the continued listing standards of the AMEX Company Guide, which require that at least a majority of the directors qualify as independent directors and that the Audit Committee be comprised of at least three independent directors, the Company had until January 18, 2008 to submit a plan to the Exchange of steps it has taken, or will take, in order to regain compliance with these requirements by no later than April 4, 2008.

Effective February 7, 2008, Dr. David Robson, the Company's former Chief Executive Officer and after his resignation as Chief Executive Officer in June 2007, the Non-Executive Chairman and a Non-Executive Director of the Board of Directors, resigned from the Board. In connection with Dr. Robson's departure the Company agreed:

to make a payment to Vazon Energy Limited (Vazon) of UK£30,000 in settlement of Dr. Robson's Service Agreement (Vazon being the company which provided the services of Dr. Robson); and

that the 1,800,000 share options granted to Dr. Robson pursuant to the Company's Long Term Stock Incentive Plans (LTSIP) will remain valid and be exercisable until 31 December 2008 under the terms of such plans. These options comprise: