

Edgar Filing: ALTEX INDUSTRIES INC - Form 10-Q

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

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

Number of shares outstanding of issuer's Common Stock as of February 8, 2019: 12,351,731

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

ALTEX INDUSTRIES, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(Unaudited)

	December 31, 2018	September 30, 2018
Assets		
Current assets		
Cash and cash equivalents	\$2,266,000	\$2,274,000
Accounts receivable	3,000	-
Other	14,000	18,000
Total current assets	2,283,000	2,292,000
Property and equipment, at cost		
Proved oil and gas properties (successful efforts method)	333,000	333,000
Less accumulated depreciation, depletion, and amortization	(239,000)	(236,000)
Net property and equipment	94,000	97,000
Total assets	2,377,000	2,389,000
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	6,000	11,000
Other accrued expenses	1,075,000	1,080,000
Total current liabilities	1,081,000	1,091,000
Commitments and Contingencies	-	-
Stockholders' equity		
Preferred stock, \$.01 par value. Authorized 5,000,000 shares, none issued	-	-
Common stock, \$.01 par value. Authorized 50,000,000 shares; 12,351,731 shares issued and outstanding	124,000	124,000
Additional paid-in capital	13,809,000	13,809,000
Accumulated deficit	(12,637,000)	(12,635,000)
Total stockholders' equity	1,296,000	1,298,000
Total liabilities and stockholders' equity	\$2,377,000	\$2,389,000

See notes to unaudited condensed consolidated financial statements

ALTEX INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended December 31,	
	2018	2017
Revenue		
Oil and gas sales	\$22,000	\$12,000
Total revenue	22,000	12,000
Costs and expenses		
Production taxes	2,000	-
General and administrative	32,000	38,000
Depreciation, depletion, and amortization	3,000	5,000
Total costs and expenses	37,000	43,000
Loss from operations	(15,000)	(31,000)
Other income		
Interest income	13,000	4,000
Total other income	13,000	4,000
Net loss	\$(2,000)	\$(27,000)
Loss per share	\$(0.00)	\$(0.00)
Weighted average shares outstanding	12,351,731	12,573,229

See notes to unaudited condensed consolidated financial statements

ALTEX INDUSTRIES, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three months ended December 31,	
	2018	2017
Cash flows used in operating activities		
Net loss	\$(2,000)	\$(27,000)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation, depletion, and amortization	3,000	5,000
Increase in accounts receivable	(3,000)	(1,000)
Decrease in other current assets	4,000	5,000
Increase (decrease) in accounts payable	(5,000)	4,000
Decrease in other accrued expenses	(5,000)	(4,000)
Net cash used in operating activities	(8,000)	(18,000)
Cash flows from financing activities		
Acquisition of treasury stock	-	(4,000)
Net cash used in financing activities	-	(4,000)
Net decrease in cash and cash equivalents	(8,000)	(22,000)
Cash and cash equivalents at beginning of period	2,274,000	2,349,000
Cash and cash equivalents at end of period	\$2,266,000	\$2,327,000
Noncash investing and financing activities		
Retirement of property plant and equipment	\$-	\$3,000
Supplemental disclosures		
Cash paid for interest	\$-	\$-
Cash paid for income taxes	\$-	\$-

See notes to unaudited condensed consolidated financial statements

ALTEX INDUSTRIES, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1 Basis of Presentation. The accompanying Condensed Consolidated Balance Sheet as of September 30, 2018, which was derived from audited financial statements, and the unaudited interim condensed consolidated financial statements of the Company have been prepared in accordance with U.S. GAAP for interim financial information, the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, the accompanying unaudited, consolidated, condensed financial statements contain all adjustments necessary to present fairly the financial position of the Company as of December 31, 2018, and the cash flows and results of operations for the three months then ended. Such adjustments consisted only of normal recurring items. The results of operations for the three months ended December 31 are not necessarily indicative of the results for the full year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The accounting policies followed by the Company are set forth in Note 1 to the Company's consolidated financial statements contained in the Company's 2018 Annual Report on Form 10 K, and it is suggested that these condensed consolidated financial statements be read in conjunction therewith.

“SAFE HARBOR” STATEMENT UNDER THE
UNITED STATES PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Statements that are not historical facts contained in this Form 10 Q are forward looking statements that involve risks and uncertainties that could cause actual results to differ from projected results. Factors that could cause actual results to differ materially include, among others: general economic conditions; movements in interest rates; the market price of oil and natural gas; the risks associated with exploration and production of oil and gas; the Company's ability, or the ability of its operating subsidiary, Altex Oil Corporation ("AOC"), to find, acquire, market, develop, and produce new properties; operating hazards attendant to the oil and natural gas business; uncertainties in the estimation of proved reserves and in the projection of future rates of production and timing of development expenditures; the strength and financial resources of the Company's competitors; the Company's ability and AOC's ability to find and retain skilled personnel; climatic conditions; availability and cost of material and equipment; delays in anticipated start up dates; environmental risks; the results of financing efforts; and other uncertainties detailed elsewhere herein and in the Company's filings with the Securities and Exchange Commission.

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

Financial Condition

The Company used \$18,000 cash in operating activities in the three months ended December 31, 2017, and \$8,000 cash in operating activities in the three months ended December 31, 2018. The Company used \$4,000 cash to acquire 42,500 shares of its Common Stock in the three months ended December 31, 2017. Consequently, cash decreased \$22,000 in the three months ended December 31, 2017, and cash decreased \$8,000 in the three months ended December 31, 2018. At September 30, 2018 and at December 31, 2018, \$1,073,000 of other accrued expenses is accrued but unpaid salary (and related accrued payroll tax liability) due to the Company's president that the Company's president has elected to defer.

The Company is likely to experience negative cash flow from operations unless and until the Company invests in interests in producing oil and gas wells or in another venture that produces cash flow from operations. With the exception of capital expenditures related to production acquisitions or drilling or recompletion activities or an investment in another venture that produces cash flow from operations, none of which are currently planned, the cash flows that could result from such acquisitions, activities, or investments, the possibility of a change in the interest rates the Company realizes on cash balances, and changes in the price of oil and natural gas, the Company knows of no

other trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way.

Except for cash generated by the operation of the Company's producing oil and gas properties, asset sales, and interest income, the Company has no internal or external sources of liquidity other than its working capital. At February 8, 2019, the Company had no material commitments for capital expenditures.

The Company regularly assesses its exposure to environmental liability and reclamation, restoration, and dismantlement expense ("RR&D"). The Company does not believe that it currently has any material exposure to environmental liability or to RR&D, net of salvage value, although this cannot be assured.

Results of Operations

At the current level of cash balances and at current interest rates, the Company's revenue is unlikely to exceed its expenses. Unless and until the Company invests a substantial portion of its cash balances in interests in producing oil and gas wells or in one or more other ventures that produce revenue and net income, the Company is likely to experience net losses. With the exception of unanticipated RR&D, unanticipated environmental expense, and possible changes in interest rates and oil and gas prices, the Company is not aware of any other known trends or uncertainties that have had or that the Company reasonably expects will have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

Item 4. Controls and Procedures.

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Principal Executive Officer and Principal Financial Officer as appropriate, to allow timely decisions regarding required disclosure. Management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures which, by their nature, can provide only reasonable assurance regarding management's control objectives.

As of the end of the period covered by the report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-14. Based upon the foregoing, the Company's Principal Executive Officer and Principal Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiary) required to be included in the Company's Exchange Act reports. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date the Company carried out its evaluation.

Changes in Internal Control Over Financial Reporting

During the period covered by this Report there has been no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 6. Exhibits

- 31. Rule 13a-14(a)/15d-14(a) Certifications
- 32.* Section 1350 Certifications
- 101.xml XBRL Instance Document
- 101.xsd XBRL Taxonomy Extension Schema Document
- 101.cal XBRL Taxonomy Extension Calculation Linkbase Document
- 101.def XBRL Taxonomy Extension Definition Linkbase Document
- 101.lab XBRL Taxonomy Extension Label Linkbase Document
- 101.pre XBRL Taxonomy Extension Presentation Linkbase Document

* Furnished. Not Filed. Not incorporated by reference. Not subject to liability.

SIGNATURES

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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.

ALTEX INDUSTRIES, INC.

Date: February 8, 2019 By: /s/ STEVEN H. CARDIN
Steven H. Cardin
Chief Executive Officer and
Principal Financial Officer