

ALTEX INDUSTRIES INC
Form 10-Q
February 09, 2018

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

FORM 10-Q

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

For the quarterly period ended December 31, 2017

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

For the transition period from ____ to ____ .

Commission file number 1-9030

ALTEX INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

84-0989164

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

PO Box 1057 Breckenridge CO 80424-1057

(Address of principal executive offices) (Zip Code)

(303) 265-9312

(Registrant's telephone number, including area code)

Indicate by check mark whether the 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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company.

Large accelerated filer Accelerated filer

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Non-accelerated filer [] Smaller reporting 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 9, 2018: 12,555,131

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

ALTEX INDUSTRIES, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(Unaudited)

	December 31, 2017	September 30, 2017
Assets		
Current assets		
Cash and cash equivalents	\$2,327,000	\$2,349,000
Accounts receivable	1,000	-
Other	12,000	17,000
Total current assets	2,340,000	2,366,000
Property and equipment, at cost		
Proved oil and gas properties (successful efforts method)	333,000	333,000
Other	-	3,000
Total property and equipment, at cost	333,000	336,000
Less accumulated depreciation, depletion, and amortization	(229,000)	(227,000)
Net property and equipment	104,000	109,000
Total assets	2,444,000	2,475,000
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	8,000	4,000
Other accrued expenses	1,076,000	1,080,000
Total current liabilities	1,084,000	1,084,000
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; 12,597,631 shares issued; 12,555,131 and 12,597,631 shares outstanding in December and September, respectively	126,000	126,000
Additional paid-in capital	13,827,000	13,827,000
Accumulated deficit	(12,589,000)	(12,562,000)
Treasury stock, at cost, 42,500 shares	(4,000)	-
Total stockholders' equity	1,360,000	1,391,000
Total liabilities and stockholders' equity	\$2,444,000	\$2,475,000

See notes to unaudited condensed consolidated financial statements

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

	Three Months Ended December 31,	
	2017	2016
Revenue		
Oil and gas sales	\$12,000	\$21,000
Total revenue	12,000	21,000
Costs and expenses		
Production taxes	-	1,000
General and administrative	38,000	42,000
Depreciation, depletion, and amortization	5,000	6,000
Total costs and expenses	43,000	49,000
Loss from operations	(31,000)	(28,000)
Other income		
Interest income	4,000	5,000
Total other income	4,000	5,000
Net loss	\$(27,000)	\$(23,000)
Loss per share	\$(0.00)	\$(0.00)
Weighted average shares outstanding	12,573,229	12,688,148

See notes to unaudited condensed consolidated financial statements

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

	Three months ended December 31,	
	2017	2016
Cash flows used in operating activities		
Net loss	\$(27,000)	\$(23,000)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation, depletion, and amortization	5,000	6,000
Increase in accounts receivable	(1,000)	(1,000)
Decrease in other current assets	5,000	4,000
Increase (decrease) in accounts payable	4,000	(2,000)
Decrease in other accrued expenses	(4,000)	(4,000)
Net cash used in operating activities	(18,000)	(20,000)
Cash flows from financing activities		
Acquisition of treasury stock	(4,000)	(8,000)
Net cash used in financing activities	(4,000)	(8,000)
Net decrease in cash and cash equivalents	(22,000)	(28,000)
Cash and cash equivalents at beginning of period	2,349,000	2,472,000
Cash and cash equivalents at end of period	\$2,327,000	\$2,444,000
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

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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, 2017, 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, 2017, 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 2017 Annual Report on Form 10 K, and it is suggested that these condensed consolidated financial statements be read in conjunction therewith.

Note 2 – Income Taxes. The Company does not anticipate that the Tax Cuts and Jobs Act will have a material effect on the Company.

"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

Cash balances decreased \$22,000 in the three months ended December 31, 2017. At December 31, 2017, \$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 9, 2018, 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.

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Results of Operations

Oil and gas sales decreased from \$21,000 in the three months ended December 31, 2016, ("Q1FY17") to \$12,000 in the three months ended December 31, 2017, ("Q1FY18"), despite higher realized oil and gas prices, because of the rapid decline in production and sales from a single well in which the Company has an interest. 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.

Liquidity and Capital Resources

Operating Activities. The Company used \$18,000 and \$20,000 cash in operating activities in Q1FY18 and Q1FY17, respectively.

Financing Activities. The Company acquired 42,500 shares of its common stock for \$4,000 during Q1FY18 and 90,000 shares of its common stock for \$8,000 during Q1FY17.

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 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

<u>Period</u>	(a) Total number of shares (or units) purchased	(b) Average price paid per share (or unit)	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
October 2017	22,500	\$ 0.08	--	--
November 2017	--	--	--	--
December 2017	20,000	\$ 0.09	--	--
Total	42,500	\$ 0.08	--	--

The Company has no publicly announced plan or program for the purchase of shares.

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

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 9, 2018 By: /s/ STEVEN H. CARDIN

Steven H. Cardin
Chief Executive Officer and
Principal Financial Officer