

ELEMENT 21 GOLF CO  
Form 10-Q  
February 13, 2009

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, 2008

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 0-15260

Element 21 Golf Company  
(Exact name of Registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or  
organization)

88-0218411  
(Internal Revenue Service Employer  
Identification No.)

200 Queens Quay East, Unit #1, Toronto, Ontario, Canada, M5A  
4K9  
(Address of Principal Executive Offices)

416-362-2121  
Registrant's telephone number, including area code

Check whether the Registrant (1) 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 is a large accelerated filer, an accelerated filer, a non-accelerated filer or a small reporting company. See the definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

APPLICABLE ONLY ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING  
FIVE YEARS

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Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court  
Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date, 8,933,656 shares of common stock, par value \$.01 per share as of February 12, 2009.

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## Element 21 Golf Company and Subsidiary

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## PART 1 - FINANCIAL INFORMATION

## Item 1 - Financial Statements

ELEMENT 21 GOLF COMPANY AND SUBSIDIARY  
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2008 (unaudited)	June 30, 2008
<b>- ASSETS -</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 260,682	\$ 770,602
Accounts receivable - net of allowance for doubtful accounts of \$42,000	283,512	471,006
Inventories	1,405,119	1,556,788
Prepaid expenses and other current assets	148,807	46,615
<b>TOTAL CURRENT ASSETS</b>	<b>2,098,120</b>	<b>2,845,011</b>
<b>FIXED ASSETS – NET</b>	<b>63,357</b>	<b>101,255</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,161,477</b>	<b>\$ 2,946,266</b>
<b>- LIABILITIES AND SHAREHOLDERS' DEFICIT -</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 514,004	\$ 945,230
Royalty payable	386,027	240,524
Accrued expenses – compensation	1,852,560	1,617,074
Deferred revenue	-	60,720
Loan payable – shareholder	825,000	825,000
Derivative liability	13,759	117,284
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,591,350</b>	<b>3,805,832</b>
<b>LONG-TERM LIABILITIES:</b>		
Accounts payable - related parties	242,076	242,076
Loans and advances – officer	176,468	110,412
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>418,544</b>	<b>352,488</b>
<b>- COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS' DEFICIT:</b>		
Preferred stock, \$.10 par value, authorized 2,447,000 shares, no shares issued and outstanding	-	-
Series A Convertible Preferred stock, \$.001 par value, authorized 2,200,000 shares, 2,113,556 shares issued and outstanding	2,114	2,114
Series B Convertible Preferred stock, \$.10 par value, authorized 353,000 shares, 294,126 shares issued and outstanding	29,413	29,413
Common stock, \$.01 par value; 300,000,000 shares authorized, 8,516,156 and 7,256,088 shares issued and outstanding at December 31, 2008 and June 30, 2008,	85,162	72,561

respectively

Additional paid-in capital	23,247,854	22,754,425
Accumulated deficit	(25,212,960)	(24,070,567)
<b>TOTAL SHAREHOLDERS' DEFICIT</b>	<b>(1,848,417)</b>	<b>(1,212,054)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT</b>	<b>\$ 2,161,477</b>	<b>\$ 2,946,266</b>

See notes to condensed consolidated financial statements

ELEMENT 21 GOLF COMPANY AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE SIX AND THREE MONTHS ENDED DECEMBER 31, 2008 AND 2007  
(unaudited)

	Six months Ended December 31,		Three months Ended December 31,	
	2008	2007	2008	2007
REVENUES	\$ 985,907	\$ 386,932	\$ 430,651	\$ 255,801
COSTS OF SALES	635,047	275,127	285,325	215,583
GROSS MARGIN	350,860	111,805	145,326	40,218
General and administrative expenses	1,557,816	2,854,291	672,118	1,915,031
LOSS FROM OPERATIONS	(1,206,956)	(2,742,486)	(526,792)	(1,874,813)
OTHER INCOME (EXPENSE)				
Interest income	2,629	7,811	1,183	6,530
Interest expense	(41,591)	-	(20,796)	-
Derivative income	103,525	2,028,644	42,818	2,675,911
	64,563	2,036,455	23,205	2,682,441
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(1,142,393)	(706,031)	(503,587)	807,628
Provision for income taxes	-	-	-	-
NET INCOME (LOSS)	\$ (1,142,393)	\$ (706,031)	\$ (503,587)	\$ 807,628
Basic weighted average shares	7,535,876	6,137,071	7,530,324	6,240,917
Diluted weighted average shares	7,535,876	6,137,071	7,530,324	8,642,407
Basic income (loss) per share	\$ (0.15)	\$ (0.12)	\$ (0.07)	\$ 0.13
Diluted income (loss) per share	\$ (0.15)	\$ (0.12)	\$ (0.07)	\$ 0.09

See notes to condensed consolidated financial statements.

ELEMENT 21 GOLF COMPANY AND SUBSIDIARY  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED DECEMBER 30, 2008 AND 2007  
(unaudited)

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (1,142,393)	\$ (706,031)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Compensatory common stock and warrants	657,639	2,152,260
Depreciation and amortization	37,898	184,600
Excess derivative liability expense (income)	(103,525)	(1,966,267)
<b>Changes in:</b>		
Accounts receivable	187,494	(11,953)
Inventory	151,669	(90,769)
Prepaid expenses and other current assets	(102,192)	(237,616)
Accounts payable and accrued expenses	(256,346)	(287,763)
Accrued interest	54,500	(27,250)