

APPLIED ENERGETICS, INC.
Form 10-Q
November 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 September 30, 2018

OR

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 001-14015

APPLIED ENERGETICS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

77-0262908

(IRS Employer Identification Number)

2480 W Ruthrauff Road, Suite 140 Q

Tucson, Arizona

85705

(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code (520) 628-7415

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), (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 smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth 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:

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the exchange act.

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

As of November 8, 2018 there were 198,697,396 shares of the issuer's common stock, par value \$.001 per share, outstanding.

APPLIED ENERGETICS, INC.

QUARTERLY REPORT ON FORM 10-Q

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

<u>ITEM</u> <u>1.</u>	<u>Condensed Consolidated Financial Statements</u>	
	<u>Condensed Consolidated Balance Sheets as of September 30, 2018 (Unaudited) and December 31, 2017</u>	1
	<u>Condensed Consolidated Statements of Operations for the three months ended September 30, 2018 and 2017 (Unaudited)</u>	2
	<u>Condensed Consolidated Statements of Operations for the nine months ended September 30, 2018 and 2017 (Unaudited)</u>	3
	<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2018 and 2017 (Unaudited)</u>	4
	<u>Notes to Condensed Consolidated Financial Statements</u>	5
<u>ITEM</u> <u>2.</u>	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	14
<u>ITEM</u> <u>4.</u>	<u>Controls and Procedures</u>	19
<u>PART II. OTHER INFORMATION</u>		
<u>ITEM</u> <u>2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	20
<u>ITEM</u> <u>6.</u>	<u>Exhibits</u>	22
	<u>SIGNATURES</u>	23

PART I. FINANCIAL INFORMATION**ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

APPLIED ENERGETICS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2018 (Unaudited)	December 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	\$327,203	\$2,764
Other receivables	312	312
Other assets	11,721	—
Total current assets	339,236	3,076
Long-term assets		
Property and equipment	38,887	—
Other long-term assets	255,893	—
Total long-term assets	294,780	—
TOTAL ASSETS	\$634,016	\$3,076
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable	\$209,989	\$80,743
Accrued compensation	347,333	266,480
Accrued officer compensation	206,000	230,500
Notes payable net of unamortized discount of \$-0- at September 30, 2018 and \$102,219 at December 31, 2017	—	53,097
Due to related parties	50,000	—
Accrued expenses	68,776	185,927
Accrued dividends	48,079	48,079
Total current liabilities	930,177	864,826
Total liabilities	930,177	864,826
Commitments and contingencies		
Stockholders' equity (deficit)		
Series A Convertible Preferred Stock, \$.001 par value, 2,000,000 shares authorized; 13,602 shares issued and outstanding at September 30, 2018 and at December 31, 2017	14	14
	197,697	157,785

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Common stock, \$.001 par value, 500,000,000 shares authorized; 197,697,396 and 157,785,520 shares issued and outstanding at September 30, 2018 and at December 31, 2017, respectively

Additional paid-in capital	81,778,672	79,452,635
Accumulated deficit	(82,272,544)	(80,472,184)
Total stockholders' equity (deficit)	(296,161)	(861,750)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$634,016	\$3,076

- 1 -

APPLIED ENERGETICS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	For the three months ended September 30,	
	2018	2017
Operating expenses		
General and administrative	\$723,316	\$180,353
Research and development	48,508	—
Total operating expenses	771,824	180,353
Operating loss	(771,824)	(180,353)
Other (expense)		
Interest (expense)	(174)	(451)
Total other (expense)	(174)	(451)
Net loss	(771,998)	(180,804)
Preferred stock dividends	(8,501)	(8,501)
Net loss attributable to common stockholders	\$(780,499)	\$(189,305)
Net loss per common share – basic and diluted	\$(0.01)	\$(0.01)
Weighted average number of shares outstanding, basic and diluted	192,260,657	157,785,520

See accompanying notes to condensed consolidated financial statements (unaudited).

APPLIED ENERGETICS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	For the nine months ended September 30,	
	2018	2017
Operating expenses		
General and administrative	\$1,457,539	\$463,834
Research and development	98,000	—
Total operating expenses	1,555,539	463,834
Operating loss	(1,555,539)	(463,834)
Other income/(expense)		
Interest (expense)	(244,820)	(451)
Total other income	(244,820)	(451)
Net loss	(1,800,359)	(464,285)
Preferred stock dividends	(25,504)	(25,504)
Net loss attributable to common stockholders	\$(1,825,863)	\$(489,789)
Net loss per common share – basic and diluted	\$(0.01)	\$(0.01)
Weighted average number of shares outstanding, basic and diluted	177,799,785	155,118,854

See accompanying notes to condensed consolidated financial statements (unaudited).

APPLIED ENERGETICS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	For the nine months ended September 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(1,800,359)	\$(464,285)
Adjustments to reconcile net loss to net cash used in operating activities:		
Non-cash stock based compensation expense	45,905	65,309
Warrant expense	—	40,590
Loss on early payoff of note payable	174,412	—
Shares issued for services	398,674	—
Amortization of beneficial conversion feature	204,119	—
Amortization of financing costs	22,721	172
Interest expense	17,806	279
Changes in assets and liabilities:		
Other long-term assets	(255,893)	—
Prepays and deposits	(19,895)	—
Accounts payable	158,353	24,376
Accrued expenses and compensation	(60,799)	234,900
Net cash used in operating activities	(1,114,956)	(98,659)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(38,887)	—
Net cash used in investing activities	(38,887)	—
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable net of financing costs	149,750	50,000
Proceeds from issuance of common stock	1,690,000	62,500
Repayment on notes payable	(361,468)	—
Net cash provided by financing activities	1,478,282	112,500
Net increase in cash and cash equivalents	324,439	13,841
Cash and cash equivalents, beginning of period	2,764	680
Cash and cash equivalents, end of period	\$327,203	\$14,521
Supplemental Cash Flow Information		
Cash paid for interest	\$12,949	\$—
Cash paid for taxes	\$—	\$—

See accompanying notes to condensed consolidated financial statements (unaudited).

APPLIED ENERGETICS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018

(Unaudited)

1. BASIS OF PRESENTATION

The accompanying interim unaudited condensed consolidated financial statements