

BIOLARGO, INC.
Form 10-Q
August 14, 2018

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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 June 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 000-19709

BIOLARGO, INC.

(Exact name of registrant as specified in its charter)

Delaware **65-0159115**
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

14921 Chestnut St.
Westminster, CA 92683
(Address, including zip code, of principal executive offices)

(949) 643-9540
(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, 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.

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

The number of shares of the Registrant's Common Stock outstanding as of August 10, 2018 was 130,545,731 shares.

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	DECEMBER 31, 2017	JUNE 30, 2018 (Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$990,457	\$651,061
Accounts receivable, net of allowance of \$2,500 and \$3,500, at December 31, 2017 and June 30, 2018	94,413	89,977
Inventories	53,973	25,639
Prepaid expenses and other current assets	20,000	56,625
Total current assets	1,158,843	823,302
Leasehold improvements and equipment, net of depreciation	108,865	122,362
Other non-current assets	32,530	35,213
Deferred offering cost	195,182	186,731
Total assets	\$1,495,420	\$1,167,608
Liabilities and stockholders' deficit		
Current liabilities:		
Accounts payable and accrued expenses	\$224,105	\$254,657
Convertible notes payable	5,248,847	782,214
Discount on convertible notes payable, net of amortization	(1,257,182)	(93,382)
Total current liabilities	4,215,770	943,489
Long-term liabilities:		
Line of credit	—	390,000
Convertible notes and note payable	1,539,271	872,500
Discount on convertible notes and note payable and line of credit, net of amortization	(850,000)	(393,930)
Total liabilities	4,905,041	1,812,059

COMMITMENTS, CONTINGENCIES (Note 11)

STOCKHOLDERS' EQUITY (DEFICIT):

Convertible Preferred Series A, \$.00067 Par Value, 50,000,000 Shares Authorized, no Shares Issued and Outstanding, at December 31, 2017 and June 30, 2018	—	—
Common stock, \$.00067 Par value, 200,000,000 and 400,000,000 shares authorized, 104,164,465 and 128,359,007 shares issued, at December 31, 2017 and June 30, 2018	69,871	86,150
Additional paid-in capital	97,093,144	106,167,819
Accumulated deficit	(101,204,846)	(107,329,788)
Accumulated other comprehensive loss	(62,489)	(61,356)
Total Biolargo, Inc. and Subsidiaries stockholders' equity (deficit)	(4,104,320)	(1,137,175)
Non-controlling interest (Note 9)	694,699	492,724
Total stockholders' equity (deficit)	(3,409,621)	(644,451)
Total liabilities and stockholders' equity (deficit)	\$1,495,420	\$1,167,608

See accompanying notes to unaudited consolidated financial statements.

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	THREE-MONTHS		SIX-MONTHS	
	JUNE	JUNE	JUNE	JUNE
	30, 2017	30, 2018	30, 2017	30, 2018
Revenues				
Product revenue	\$99,978	\$315,553	\$145,995	\$539,950
Service revenue	—	11,185	—	49,817
Total revenue	99,978	326,738	145,995	589,767
Cost of revenue				
Cost of goods sold	(73,399)	(194,000)	(95,929)	(328,464)
Cost of service	—	(6,912)	—	(35,640)
Gross profit	26,579	125,826	50,066	225,663
Selling, general and administrative expenses	1,162,018	1,316,605	2,217,073	2,486,218
Research and development	324,280	425,576	715,616	947,306
Amortization and depreciation	6,515	12,536	14,439	22,859
Operating loss:	(1,466,234)	(1,628,891)	(2,897,062)	(3,230,720)
Other (expense) income:				
Interest expense	(1,119,273)	(1,728,799)	(2,072,829)	(2,561,207)
Debt conversion expense	—			