

ELEMENT 21 GOLF CO

Form 10-Q

November 16, 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 September 30, 2009

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 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. See the definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Non-accelerated filer			

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

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, 13,144,647 shares of common stock, par value \$.01 per share as of November 13, 2009.

Element 21 Golf Company and Subsidiaries

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PART 1 - FINANCIAL INFORMATION

Item 1 - Financial Statements

ELEMENT 21 GOLF COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

September 30, 2009 June 30, 2009

- ASSETS -

CURRENT ASSETS:

Cash and cash equivalents	\$	736,067	\$	1,048,402
Accounts receivable - net of allowance for doubtful accounts of \$5,180		238,160		515,577
Inventories		1,518,515		1,276,891
Prepaid expenses		369,191		399,604
TOTAL CURRENT ASSETS		2,861,933		3,240,474

FIXED ASSETS – NET		43,754		53,690
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TOTAL ASSETS	\$	2,905,687	\$	3,294,164
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- LIABILITIES AND SHAREHOLDERS' DEFICIT -

CURRENT LIABILITIES:

Accounts payable	\$	636,060	\$	815,498
Royalty payable		738,366		640,564
Accrued expenses		2,006,479		1,981,432
Deferred revenue		-		24,000
Dividends payable		60,000		-
Loan payable – shareholder		525,000		675,000
Convertible note		300,000		229,546
TOTAL CURRENT LIABILITIES		4,265,905		4,366,040

LONG-TERM LIABILITIES:

Accounts payable - related parties	242,076	242,076
Loans and advances – officer/shareholder	157,989	156,613
TOTAL LONG-TERM LIABILITIES	400,065	398,689

SHAREHOLDERS' DEFICIT:

Preferred stock, \$.10 par value, authorized 2,447,000 shares, no shares issued and outstanding	-	-
Series A Convertible Preferred stock, \$.001 par value, authorized 5,000,000 shares, 2,113,556 shares issued and outstanding as of September 30 and June 30, 2009	2,114	2,114
Series B Convertible Preferred stock, \$.10 par value, authorized 353,000 shares, 352,942 shares and 294,126 issued and outstanding as of September 30 and June 30, 2009 respectively	35,295	29,413
	120,033	95,924

Common stock, \$.01 par value; 300,000,000 shares authorized, 12,003,260 and 9,592,363 issued and outstanding at September 30, 2009 and June 30, 2009 respectively

Additional paid-in capital	25,255,095		24,065,711
Accumulated deficit	(27,172,820)		(25,663,727)
TOTAL SHAREHOLDERS' DEFICIT	(1,760,283)		(1,470,565)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT \$	2,905,687	\$	3,294,164

See notes to condensed consolidated financial statements

ELEMENT 21 GOLF COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008
(Unaudited)

	2009	2008
REVENUES	\$758,818	\$555,256
COSTS OF SALES	424,465	349,722
GROSS PROFIT	334,353	205,534
GENERAL AND ADMINISTRATIVE EXPENSES	835,241	885,698
LOSS FROM OPERATIONS	(500,888)	(680,164)
OTHER INCOME (EXPENSE)		
Interest income	302	1,446
Interest expense	(90,829)	(20,795)
Derivative income (expense)	-	60,707
	(90,527)	41,358
LOSS BEFORE PROVISION FOR INCOME TAXES	(591,415)	(638,806)
Provision for income taxes	-	-
NET LOSS	\$(591,415)	\$(638,806)
Basic and diluted loss per share	\$(0.05)	\$(0.09)
Basic and diluted weighted average shares outstanding	11,526,603	7,224,771

See notes to condensed consolidated financial statements.

ELEMENT 21 GOLF COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008
(Unaudited)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(591,415)	\$(638,806)
Adjustments to reconcile net loss to net cash (used in) operating activities:		
Compensatory common stock and warrants	361,697	317,601
Depreciation	9,935	18,967
Amortization of debt discount	70,454	-
Non-cash foreign exchange	1,377	-
Derivative liability expense (income)	-	(60,707)
Changes in:		
Accounts receivable	277,417	114,287
Inventories	(241,624)	203,300
Prepaid expenses	30,413	(5,342)
Accounts payable, accrued expenses and royalty payable	(56,589)	(457,425)
Accrued interest	-	20,795
Deferred revenue	(24,000)	(58,770)
Net cash (used in) operating activities	(162,335)	(546,100)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loans and advances received from (repaid to) officer	(150,000)	31,113
Net cash (used in) provided from financing activities	(150,000)	31,113
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(312,335)	(514,987)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,048,402	770,602
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$736,067	\$255,615
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$-	\$-
Income taxes paid	\$-	\$-

See notes to condensed consolidated financial statements.

ELEMENT 21 GOLF COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 NATURE OF BUSINESS AND OPERATIONS

Element 21 Golf Company and subsidiaries (the “Company” and or “Element 21”) designs, develops and markets Scandium alloy golf and fishing products. The first products manufactured using the Company’s proprietary technology have been produced and the Company commenced distribution to wholesalers and retail markets during the last quarter of its fiscal year ended June 30, 2006.

In June, 2007 the Company expanded into recreational fishing equipment. On June 21, 2007, the Company entered into a non-exclusive, world-wide patent license with Advanced Light Alloys Corporation (Advanced) by which Element 21 was licensed by Advanced to make, use, and sell fishing equipment utilizing certain of Advanced’s patents.

The Company is subject to a number of risks similar to those of other companies in the early stages of operations. Principal among these risks are dependencies on key individuals, competition from other current or substitute products and larger companies, the successful marketing of its products and the potential need to obtain adequate additional financing necessary to fund future operations.

NOTE 2 BASIS OF PREPARATION

Pursuant to the rules and regulations of the Securities and Exchange Commission for Form 10-Q, the financial statements, footnote disclosures and other information normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The financial statements contained in this report are unaudited but, in the opinion of management, reflect all adjustments, consisting of only normal recurring adjustments necessary for a fair presentation of the condensed consolidated financial statements. All significant inter-company accounts and transactions have been eliminated in consolidation. The results of operations for any interim period are not necessarily indicative of results for the full year. The balance sheet at June 30, 2009 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

For further information, refer to the consolidated financial statements and notes thereto included in the Company’s Form 10-K for the year ended June 30, 2009.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

On April 25, 2008, the Company effected a 1 for 20 reverse stock split. All share and per share amounts in this report have been retroactively restated to reflect the 1 for 20 reverse split.

Inventories, which consist primarily of goods held for resale, are stated at the lower of cost (first-in, first-out method) or market and are comprised as follows:

September	June 30,
30, 2009	2009

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Finished goods	\$1,472,417	\$1,230,297
Components	224,098	224,594
Less: Provision for obsolescence	(178,000)	(178,000)
Total	\$1,518,515	\$1,276,891

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ELEMENT 21 GOLF COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 3 RECENT ACCOUNTING PRONOUNCEMENTS AFFECTING THE COMPANY

Effective July 1, 2009, the Company adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 105-10, Generally Accepted Accounting Principles – Overall ("ASC 105-10"). ASC 105-10 establishes the FASB Accounting Standards Codification (the "Codification") as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. All guidance contained in the Codification carries an equal level of authority. The Codification superseded all existing non-SEC accounting and reporting standards. All other non-grandfathered, non-SEC accounting literature not included in the Codification is non-authoritative. The FASB will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates ("ASUs"). The FASB will not consider ASUs as authoritative in their own right. ASUs will serve only to update the Codification, provide background information about the guidance and provide the bases for conclusions on the change(s) in the Codification. References made to FASB guidance throughout this document have been updated for the Codification.

In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, Fair Value Measurements ("SFAS 157"), which was primarily codified into Topic 820 in the Accounting Standards Codification ("ASC"). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements required under other accounting pronouncements, but does not change existing guidance as to whether or not an instrument is carried at fair value. It also establishes a fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, FASB issued Staff Position No. 157-2, which provides a one-year delayed application of SFAS 157 for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The Company's adoption of the provisions of SFAS 157 with respect to the financial assets and liabilities measured at fair value did not have a material impact on the fair value measurements or the consolidated financial statements. In accordance with SFAS 157-2, the Company's adoption did not have a material impact on nonfinancial assets and nonfinancial liabilities, including, but not limited to, the valuation of the Company's reporting units for the purpose of assessing goodwill impairment, the valuation of property and equipment when assessing long-lived asset impairment, and the valuation of assets acquired and liabilities assumed in business combinations. In October 2008, FASB issued SFAS 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active, which became effective upon issuance, including periods for which financial statements have not been issued. SFAS 157-3 clarifies the application of SFAS 157. The Company's adoption of SFAS 157-3 in determination of fair values did not have a material impact on the consolidated financial statements.

In December 2007, FASB issued SFAS No. 141R (revised 2007), Business Combinations ("SFAS 141R"), which was primarily codified into Topic 805 Business Combinations in the ASC. The statement retains the purchase method of accounting for acquisitions, but requires a number of changes, including changes in the way assets and liabilities are recognized in the purchase accounting. It also changes the recognition of assets acquired and liabilities assumed arising from contingencies, requires the capitalization of in-process research and development at fair value, and requires the expensing of acquisition-related costs as incurred. SFAS 141R was effective for us beginning July 1,

2009 and will apply prospectively to business combinations completed after that date.

In December 2007, FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB 51 ("SFAS 160"), which was primarily codified in to Topic 810 Consolidations in the ASC, and changes the accounting and reporting for minority interests. Minority interests will be recharacterized as noncontrolling interests and will be reported as a component of equity separate from the parent's equity, and purchases or sales of equity interests that do not result in a change in control will be accounted for as equity transactions. In addition, net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement and, upon a loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in earnings. SFAS 160 was effective for us beginning July 1, 2009 and did not have a material impact on the consolidated financial statements.

In March 2008, FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133 ("SFAS 161"), which was primarily codified into Topic 815 Derivatives and Hedging in the ASC. SFAS 161 requires enhanced disclosures about an entity's derivative and hedging activities, including (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under SFAS No. 133, and (iii) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 was effective for us beginning July 1, 2009 and did not have a material impact on the consolidated financial statements.

ELEMENT 21 GOLF COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 3 RECENT ACCOUNTING PRONOUNCEMENTS AFFECTING THE COMPANY (continued)

In May 2009, FASB issued SFAS No. 165, Subsequent Events, which was primarily codified into Topic 855 Subsequent Events in the ASC. This standard is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. Specifically, this standard sets forth the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. SFAS No. 165 is effective for fiscal years and interim periods ended after June 15, 2009. We adopted this statement effective July 1, 2009.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments, which were primarily codified into Topic 825 Fair Value Option into the ASC. This FSP amends FASB Statement No. 107, to require disclosures about fair values of financial instruments for interim reporting periods as well as in annual financial statements. The FSP also amends APB Opinion No. 28 to require those disclosures in summarized financial information at interim reporting periods. This FSP was effective for interim reporting periods ending after June 15, 2009. The adoption of this FSP did not affect the Company's consolidated condensed financial statements.

In June 2009, the FASB issued SFAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, which was primarily codified into Topic 105 Generally Accepted Accounting Standards in the ASC. This standard will become the single source of authoritative nongovernmental U.S. generally accepted accounting principles ("GAAP"), superseding existing FASB, American Institute of Certified Public Accountants ("AICPA"), Emerging Issues Task Force ("EITF"), and related accounting literature. This standard reorganizes the thousands of GAAP pronouncements into roughly 90 accounting topics and displays them using a consistent structure. Also included is relevant Securities and Exchange Commission guidance organized using the same topical structure in separate sections. This guidance will be effective for financial statements issued for reporting periods that end after September 15, 2009. Beginning in the first quarter of 2010, this guidance impacts the Company's financial statements and related disclosures as all references to authoritative accounting literature reflect the newly adopted codification.

NOTE 4 GOING CONCERN

These interim financial statements have been presented on the basis that the Company is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has only recently begun generating revenues. Even with the generation of revenues from the sale of golf and fishing products now being produced and sold, the Company expects to incur expenses in excess of revenues for an indefinite period.

Key financial information follows:

Three	Year Ended
Months	June 30,

	Ended September 30, 2009	2009
Negative working capital	\$(1,403,973)	\$(1,125,566)
Net loss	\$(591,415)	\$(1,593,160)
Accumulated deficit	\$(27,172,820)	\$(25,663,727)

As shown in the accompanying financial statements, during the three months ended September 30, 2009, the Company incurred a net loss of \$591,415 and cash utilized by operations during this period was \$162,335. For the fiscal year ended June 30, 2009, the Company realized a net loss of \$1,593,160 and \$96, 224 of cash was provided by operations.

These factors, among others, raise significant doubt about the Company's ability to continue as a going concern. The unaudited condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

ELEMENT 21 GOLF COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 4 GOING CONCERN (continued)

The Company's continuation as a going concern is dependent upon its ability to generate sufficient cash flow and meet its obligations on a timely basis and ultimately attain profitability. Since acquiring the golf development business, the Company has depended on financings and consulting services from consultants engaged by the Company who agree to be compensated with the Company's common stock rather than cash.

Absent these continuing advances, services and financings, the Company could not continue with the development and marketing of its golf and fishing products. Managements' plans for the Company include more aggressive marketing, obtaining additional capital to fund operations and other strategies designed to optimize shareholder value. However, no assurance can be given that management will be successful in fulfilling all components of its plan. The failure to achieve these plans will have a material adverse effect on the Company's financial position, results of operations and ability to continue as a going concern.

NOTE 5 RELATED PARTY ADVANCES AND LOANS PAYABLE

During the three months period ended September 30, 2009, an officer advanced a net amount of \$1,376 to the Company. The officer will not require repayment of the \$157,989 loans balance at September 30, 2009 within the next 12 months.

During the three months ended September 30, 2009 the Company incurred a royalty expense of \$97,802 (September 30, 2008 -\$77,622) for the sale of fishing equipment. The royalty is calculated as 20% of the net selling price of fishing products sold by the Company and any sub licensee. The royalty is payable to Advanced Light Alloys Corporation, a British Virgin Island corporation that is wholly-owned by David Sindalovsky, a consultant to the Company. Royalty payable at September 30, 2009 is \$738,366 (June 30, 2009 - \$640,564). The Company has not paid any royalties to date to Advance Light Alloys Corporation.

The Company entered into a new unsecured promissory note of \$825,000 with a shareholder on May 27, 2008 with a stated interest rate of 10% and a repayment date of November 1, 2008. The loan agreement contains default provisions and the Company went into default; however, during the quarter ended September 30, 2009, the Company negotiated an extension of the repayment date until February 23, 2010. During the three months ended September 30, 2009, the Company repaid \$150,000 of the loan and the unpaid balance remains \$525,000 as of September 30, 2009.

NOTE 6 CONVERTIBLE NOTE

The Company consummated a Three Hundred Thousand Dollar (\$300,000) Convertible Bridge financing on January 20, 2009 by entering into a Convertible Bridge Loan Note ("Convertible Note"), Warrant Agreement and Subscription Agreement collectively the ("Subscription Agreements").

The Subscription Agreement provides for the Purchaser to loan to the Company \$300,000 in exchange for a Convertible Note which provides for repayment within 6 months from January 20, 2009 at the rate of 7% per annum due and payable upon maturity. The Convertible Note can be converted by the Purchaser at anytime during or at the expiration of 6 months at a conversion price equal to 45 cents per share (See Note 10 - Subsequent Events).

In addition the Company issued to the Purchaser a warrant to purchase 857,143 shares of our common stock at \$0.35 each for a period of 12 months from January 30, 2009.

The Warrant expires on January 30, 2010. The exercise price of the Warrant is subject to adjustment in the event of certain dilutive issuances, stock dividends, stock splits, share combinations or other similar recapitalization events. The Warrant may only be exercised by the payment of the applicable exercise price to the Company in cash, no cashless exercise is permitted. The Warrant may be exercised in whole or in part for shares of common stock by payment by the Purchaser of the applicable exercise price in cash prior to the expiration of the Warrant on January 30, 2010.

ELEMENT 21 GOLF COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 6 CONVERTIBLE NOTE (continued)

The convertible debentures are accounted for in accordance with Topic 470-20 Debt with conversion and other options. The following summarizes the significant terms and accounting for each convertible debenture entered into by the Company.

Date Issued	1/20/2009
Promissory Note Amount	\$300,000
Conversion Price	\$0. 45
Gross Proceeds	\$300,000
Net Cash Proceeds	\$300,000
Warrants Issued to Investors	857,143
Warrants Exercise Price	\$0. 35
Warrants Fair Value (WFV)	\$246,017
Warrants Relative Fair Value	\$135,170
Beneficial Conversion Feature (BCF)	\$101,837
Amortization of WFV and BCF as non-cash interest expense	\$237,007

Black-Scholes Model Assumptions: risk free interest (1.96%); expected volatility (205%); expected life (12 months); no dividends

NOTE 7 (LOSS) PER SHARE

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the periods. Diluted net income (loss) per share reflects, in addition to the weighted average number of common shares, the potential dilution of stock options and warrants outstanding, exercised and/or converted into common stock, unless the effect of such equivalent shares was anti-dilutive.

For the three months ended September 30, 2009 and 2008, the effect of stock options and other potentially dilutive shares were excluded from the calculation of diluted net loss per common share, as their inclusion would have been anti-dilutive. Therefore diluted loss per share is equal to basic loss per share. Such securities, shown below, presented on a common share equivalent basis and outstanding as at September 30, 2009 and 2008 have been excluded from the three month diluted loss per share computations:

	September 30, 2009	September 30, 2008
Warrants	2,097,643	2,565,939

Convertible Preferred Stock	2,380,310	1,885,016
Convertible Note	666,667	-

ELEMENT 21 GOLF COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 8 SHAREHOLDERS' EQUITY

During the three months ended September 30, 2009, the Company issued 989,661 shares of its common stock to consultants for services by them for an aggregate value of \$361,697 based on the quoted market price of the shares at time of issuance.

On July 20, 2009, the Company filed with the Secretary of State of the State of Delaware an Amended and Restated Certificate of the Powers, Designations, Preferences and Rights of the Series B Convertible Preferred Stock of the Company dated July 10, 2009 (the "Amendment"). In connection with the Amendment, the Company agreed to pay dividends on the Series B Convertible Preferred Stock of the Company (the "Series B Stock") quarterly and the current holders of the Series B Stock (the "Holders") agreed that such dividends could be paid by delivery of the Company's common shares valued at the price that is the average of the closing price for Common Stock for the 20 trading days immediately preceding the payment date for such dividends. In connection with the Amendment, each Series B Stock is convertible into 5.57 shares of Common Stock and one of the holders returned to the Company 294,118 unregistered common shares received by reason of the conversion of its Series B Stock in consideration for the reissuance to the Holder of 58,823 shares of unregistered Series B Stock.

On July 16, 2009, the Company issued 1,715,354 shares of its common stock valued at \$857,678 to the holders of the Series B Convertible Preferred Stock ("Series B Stock") for accrued dividends through June 30, 2009. At September 30, 2009, the Company recorded \$60,000 for dividends payable for accrued dividends on the Series B Stock.

On August 2, 2009, 22,059 warrants with an exercise price of \$3.40 expired. On August 3, 2009, 50,000 warrants were exercised at \$0.10 per share of common stock.

NOTE 9 RISK MANAGEMENT

Foreign exchange risk

The Company is exposed to foreign exchange risks on purchases of inventory, which are made in US dollars, from two companies. This risk, however, is mitigated by the fact that a significant portion of its sales to customers are made in US dollars. The Company does not use derivative instruments to hedge its foreign exchange risk.

Credit risk

The Company is subject to risk of non-payment of its trade accounts receivable. For the three months ended September 30, 2009, three customers (2008 – three customers) respectively represent approximately 36.59% sales (2008 – 63.47%) and 84.15% (2008 – 66.4%) of the total outstanding account receivable. Management continually monitors its credit terms with customers to reduce credit risk exposure.

ELEMENT 21 GOLF COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 10 SUBSEQUENT EVENTS

Subsequent to period end, the Company issued 354,720 shares of its common stock to consultants for services by them for an aggregate value of \$171,928 based on the quoted market price of the shares at time of issuance.

On October 22, 2009, 120,000 shares in common stock valued at \$60,000 were issued for accruing dividends at September 30, 2009 on Series B Stock.

On November 12, 2009, 666,667 shares of common stock were issued upon conversion of \$300,000 of principal of the Secured Convertible Note (See Note 6 - Convertible Note).

Subsequent event have been reviewed up to the date of filing the Report (November 13, 2009)

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Cautionary Statement Regarding Forward-Looking Information

Under the Private Securities Litigation Reform Act of 1995, companies are provided with a “safe harbor” for making forward-looking statements about the potential risks and rewards of their strategies. Forward-looking statements often include the words “believe”, “expect”, “anticipate”, “intend”, “plan”, “estimate” or similar expressions. In this Form 10-Q, forward-looking statements also include:

- statements about our business plans;
- statements about the potential for the development, regulatory approval and public acceptance of new services;
- estimates of future financial performance;
- predictions of national or international economic, political or market conditions;
- statements regarding other factors that could affect our future operations or financial position; and
- other statements that are not matters of historical fact.

These statements may be found under “Management’s Discussion and Analysis or Plan of Operation” as well as in this Form 10-Q. Our ability to achieve our goals depends on many known and unknown risks and uncertainties, including changes in general economic and business conditions. These factors could cause our actual performance and results to differ materially from those described or implied in forward-looking statements.

These forward looking statements speak only as of the date of this Form 10-Q. We believe it is in the best interest of our investors to use forward-looking statements in discussing future events. However, we are not required to, and you should not rely on us to, revise or update these statements or any factors that may materially affect actual results, whether as a result of new information, future events or otherwise. You should carefully review the risk factors described in this Form 10-Q and also review the other documents we file from time to time with the Securities and Exchange Commission (“SEC”).

Results of Operations

Three Months Ended September 30, 2009 and 2008

For the three months ended September 30, 2009 the Company had revenue of \$758,818, which includes non-cash barter revenue of \$8,066, and incurred costs of sales of \$424,465 and general and administrative expenses of \$835,241. Included in general and administrative expense is a non-cash charge of \$361,697, representing the value of compensatory common stock and warrants for services provided by consultants. This resulted in a net loss of \$591,415, as compared with the three months ended September 30, 2008 in which the Company had revenue of \$555,256, incurred costs of sales of \$349,722 and general and administrative expenses of \$885,698, and interest income of \$1,446, and interest expense of \$20,795, offset by derivative income of \$60,707, resulting in a net loss of \$638,806.

Financial Condition, Liquidity and Capital Resources

The Company has negative working capital as of September 30, 2009 of \$1,403,973. The Company retains consultants who are also significant stockholders of the Company to perform development and public company reporting activities in exchange for stock of the Company. At June 30, 2009, we had a working capital deficiency of \$1,125,566. Our continuation as a going concern will require that we raise significant additional capital.

Absent continued issuances of common stock for services to our consultants and continued advances by stockholders of the Company, the Company cannot manufacture its golf shaft or fishing product lines or market its products based on its technologies. The Company is actively searching for capital in addition to \$300,000 that management has raised in January 2009 to implement its business plans, supply the Company with products for distribution, and develop collateral materials for its potential customer base. There can be no assurance that such capital will be raised on terms acceptable to the Company and if this capital is raised, it, may cause significant dilution to the Company's stockholders.

Recent Accounting Pronouncements

See Note 3 "Recent Accounting Pronouncements Affecting the Company" in the Notes to Condensed Consolidated Financial Statements in Item 1 for a full description of recent accounting pronouncements, including the expected dates of adoption and estimated effects on results of operations and financial condition, which is incorporated herein.

Dividend Policy

The Company has not declared or paid any cash dividends on its common stock since its inception and does not anticipate the declaration or payment of cash dividends in the foreseeable future. The Company intends to retain earnings, if any, to finance the development and expansion of its business. The Company is prohibited from paying dividends on common stock as long as there are any unpaid accrued dividends due to the Series B Convertible Stock shareholders. Therefore, there can be no assurance that dividends of any kind will ever be paid.

Effect of Inflation

Management believes that inflation has not had a material effect on its operations for the periods presented.

Critical Accounting Policies

The preparation of our consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires the use of estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, and provide a basis for making judgments about the carrying value of assets and liabilities that are not readily available through open market quotes. Estimates and assumptions are reviewed periodically, and actual results may differ from those estimates under different assumptions or conditions. We must use our judgment related to uncertainties in order to make these estimates and assumptions.

For a description of our critical accounting policies and estimates as well as certain sensitivity disclosures related to those estimates, see our Annual Report on Form 10-K for the year ended June 30, 2009. Our critical accounting policies and estimates have not changed materially during the three months ended September 30, 2009.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to foreign exchange risks on purchases of inventory, which are made in US dollars, from two companies. This risk, however, is mitigated by the fact that a significant portion of its sales to customers are made in US dollars. The Company does not believe that this risk is material. The Company does not use derivative instruments to hedge its foreign exchange risk.

ITEM 4 CONTROLS AND PROCEDURES:

(a) Evaluation of disclosure controls and procedures. As required by Rule 13a-15 under the Securities Exchange Act of 1934, as of the end of the period covered by this report, we have carried out an evaluation of the effectiveness of the design and operation of our company's disclosure controls and procedures. Under the direction of our Chief Executive Officer and Chief Financial Officer, we evaluated our disclosure controls and procedures and internal control over financial reporting and concluded that our disclosure controls and procedures were effective as of September 30, 2009.

Disclosure controls and procedures and other procedures are designed to ensure that information required to be disclosed in our reports or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time period specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 is accumulated and communicated to management including our president and financial officer as appropriate, to allow timely decisions

regarding required disclosure.

(b) Changes in internal control over financial reporting. There were no changes in our internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II - OTHER INFORMATION

Item 1 LEGAL PROCEEDINGS

None

Item 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the three months ended September 30, 2009, the Company issued 989,661 shares of its common stock to consultants for services rendered and to be rendered by them and for an aggregate value of \$361,697. On July 16, 2009, the Company issued 1,715,354 shares of its common stock valued at \$857,678 to the holders of the Series B Convertible Preferred Stock (“Series B Stock”) for accrued dividends through June 30, 2009. On August 3, 2009, 50,000 warrants were exercised at \$0.10 per share of common stock. The shares were issued in reliance on exemptions from registration pursuant to Section 4(2) of the Securities Act of 1933, as amended.

Item 3 DEFAULT UPON SENIOR SECURITIES

None

Item 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

Item 5 OTHER INFORMATION

None

Item 6 EXHIBITS

Exhibit No. Exhibit Description

3(i)(1) Amended Certificate of Incorporation of the Company, incorporated herein by reference to the Company’s Registration Statement on Form S-1, as amended, File No. 33-43976 filed on November 14, 1991.

3(i)(2) Certificate of Amendment to Amended Certificate of Incorporation of the Company, incorporated herein by reference to Exhibit 3.1 to the Company’s Form 8-K dated May 12, 2006.

3(i)(3) Certificate of the Powers, Designations, Preferences and Rights of the Series A Convertible Preferred Stock, \$0.10 par value per share, incorporated herein by reference to Exhibit 4.1 to the Company’s Form 8-K dated February 24, 2006.

3(i)(4) Certificate of the Powers, Designations, Preferences and Rights of the Series B Convertible Preferred Stock, \$0.10 par value per share, incorporated herein by reference to Exhibit 3(i) to the Company’s Form 8-K dated August 3, 2006.

3(i)(5) Certificate of the Powers, Designations, Preferences and Rights of the Series B Convertible Preferred Stock, \$0.10 par value per share, incorporated herein by reference to Exhibit 3(i) to 3(iix9x1) to the Company’s Form 8-K dated June 18, 2007.

- 3(i)(6) Amended and Restated Certificate of the Powers, Designations, Preferences and Rights of the Series B Convertible Preferred Stock, \$0.10 par value per share, dated July 10, 2009, incorporated herein by reference to Exhibit 4.12 to the Company's Form 8-K filed on August 3, 2009.
- 3(ii)(1) Amended and Restated Bylaws of the Company, incorporated herein by reference to the Company's Registration Statement on Form S-1, as amended, File No. 33-43976 filed on November 14, 1991.
- 3(ii)(2) Certificate of Amendment to the Certificate of Incorporation of the Company to effectuate a 1 for 20 reverse stock split of the Company's issued and outstanding shares of common stock, incorporated herein by reference to the Company's Form 8-K dated April 24, 2008.
- 4.1 Form of Element 21 Golf Company 10% Convertible Promissory Note, incorporated herein by reference to Exhibit 4.2 to the Company's Form 8-K dated February 24, 2006.
- 4.2 Element 21 Golf Company 10% Convertible Promissory Note issued to Oleg Muzyrya , incorporated herein by reference to Exhibit 4.3 to the Company's Form 8-K dated February 24, 2006.
- 4.3 Common Stock Purchase Warrant, incorporated herein by reference to Exhibit 4.4 to the Company's Form 8-K dated February 24, 2006.
- 4.4 Form of Element 21 Golf Company 10% Convertible Promissory Note, incorporated herein by reference to Exhibit 4.1 to the Company's Form 8-K dated May 23, 2006.
- 4.5 Common Stock Purchase Warrant, incorporated herein by reference to Exhibit 4.2 to the Company's Form 8-K dated May 23, 2006.
- 4.6 Form of Warrant for Purchase of 3,750,000 Shares of Common Stock dated July 31, 2006, incorporated herein by reference to Exhibit 4.1 to the Company's Form 8-K dated August 3, 2006.
- 4.7 Form of Warrant for Purchase of 5,073,530 Shares of Common Stock dated July 31, 2006, incorporated herein by reference to Exhibit 4.2 to the Company's Form 8-K dated August 3, 2006.
- 4.8 Form of Warrant for Purchase of 3,750,000 Shares of Common Stock dated July 31, 2006, incorporated herein by reference to Exhibit 4.1 to the Company's Form 8-K dated December 1, 2006.
- 4.9 Form of Warrant for Purchase of 5,073,530 Shares of Common Stock dated July 31, 2006, incorporated herein by reference to Exhibit 4.2 to the Company's Form 8-K dated December 1, 2006.
- 4.10 Common Stock Purchase Warrant, incorporated herein by reference to Exhibit 4.1 to the Company's Form 8-K dated June 18, 2006.
- 4.11 Form of Warrant for Purchase of 5,882,400 Shares of Common Stock dated June 15, 2007, incorporated herein by reference to Exhibit 4.2 to the Company's Form 8-K dated June 18, 2007.

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- 10.1 Series A Convertible Preferred Stock Exchange Agreement and Acknowledgement dated as of February 22, 2006, incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K dated February 24, 2006.
- 10.2 Element 21 Golf Company 2006 Equity Incentive Plan, incorporated herein by reference to Annex C to the Company's Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 filed on April 7, 2006.
- 10.3 Form of Subscription Agreement for Shares of Series B Convertible Preferred Stock dated as of July 31, 2006, incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K dated August 3, 2006.
- 10.4 Form of Subscription Agreement for Shares of Series B Convertible Preferred Stock dated as of November 30, 2006, incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K dated August 3, 2006.
- 10.5 Form of Subscription Agreement for Shares of Series B Convertible Preferred Stock dated as of June 15, 2007, incorporated herein by reference to Exhibit 10.2 to the Company's Form 8-K dated June 18, 2007.
- 10.6 Form of Subscription Agreement for Shares of Common Stock dated as of June, 2007, incorporated herein by reference to Exhibit 10.1 to the Company's Form 8-K dated June 18, 2007.
- 10.7 License Agreement with Advanced Light Alloys Corporation dated as of June 21, 2007 incorporated by reference to exhibit 10.1 to the Company's Form 10KSB dated June 21, 2007.
- 10.8 Consulting Agreement with Nataliya Hearn dated as of January 4, 2006 incorporated by reference to exhibit 10.4 to the Company's Form 10KSB dated October 13, 2006.
- 10.9 Consulting Agreement with John Grippo dated as of November 10, 2005 incorporated by reference to exhibit 10.5 to the Company's Form 10KSB dated October 13, 2006.
- 10.10 Consulting Agreement with Nataliya Hearn dated as of January 4, 2009, incorporated by reference to exhibit 10.10 to the Company's Form 10-Q, filed on May 15, 2009.
- 10.11 Consulting Agreement with David Sindalovsky dated as of September 15, 2008, incorporated by reference to exhibit 10.11 to the Company's Form 10-Q, filed on May 15, 2009.
- 10.12 Consulting Agreement with John Grippo dated as of January 1, 2008, incorporated by reference to exhibit 10.12 to the Company's Form 10-Q, filed on May 15, 2009.
- 32.1 Certification of principal executive officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of principal financial and accounting officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002
- 32.1 Certification of principal executive officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002
- 32.2 Certification of principal financial and executive officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Element 21 Golf Company

November 13, 2009

By: /s/ Nataliya Hearn
Nataliya Hearn, Ph.D.
President and Director

November 13, 2009

By: /s/ Philip Clark
Philip Clark, CA, CPA, CFA
Chief Financial Officer