Orbital Tracking Corp.
Form 10-Q
August 14, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2017

OR

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from ______________to _______________.

Commission File Number 000-25097

ORBITAL TRACKING CORP.

(Exact name of small business issuer as specified in its charter)

Nevada	**65-0783722**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

18851 NE 29th Avenue, Suite 700

Aventura, FL 33180

Telephone: (305)-560-5355

(Address, including zip code, and telephone number,

including area code, of registrant's principal executive offices)

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 [X] 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 [X] 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. See the definitions 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 (Do not check if a smaller reporting company)	[ ]	Smaller reporting company	[X]

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

The number of shares of the Registrant's Common Stock outstanding as of August 11, 2017 was 72,977,104.

FORM 10-Q

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Part I Financial Information

Item 1. Financial Statements

The Company's unaudited condensed consolidated financial statements for the six months ended June 30, 2017 and for comparable periods in the prior year are included below. The condensed consolidated financial statements should be read in conjunction with the notes to condensed consolidated financial statements that follow.

ORBITAL TRACKING CORP AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS AS OF

	June 30, 2017 (unaudited)	December 31, 2016
ASSETS		
Current assets:		
Cash	$501,689	$114,733
Accounts receivable, net	212,604	96,758
Inventory	427,570	335,267
Unbilled revenue	88,333	54,344
Prepaid expenses	80,582	171,164
Other current assets	85,097	29,841
Total current assets	1,395,875	802,107
Property and equipment, net	1,860,716	1,978,338
Intangible assets, net	237,500	250,000
Total assets	$3,494,091	$3,030,445
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$879,229	$536,906
Deferred revenue	21,723	2,624
Related party payable	60,434	67,453
Derivative liabilities – current portion	-	1,237
Liabilities from discontinued operations	112,397	112,397
Total current liabilities	1,073,783	720,617

Derivative liabilities – long term portion	-	-
Total Liabilities	1,073,783	720,617
Stockholders' Equity:		
Preferred Stock, $0.0001 par value; 50,000,000 shares authorized		
Series A ($0.0001 par value; 20,000 shares authorized, and no shares issued and outstanding as of June 30, 2017 and December 31, 2016, respectively)	-	-
Series B ($0.0001 par value; 30,000 shares authorized, 6,666 and 6,666 shares issued and outstanding as of June 30, 2017 and December 31, 2016, respectively)	1	1
Series C ($0.0001 par value; 4,000,000 shares authorized, 3,540,365 shares issued and outstanding as of June 30, 2017 and December 31, 2016, respectively)	354	354
Series D ($0.0001 par value; 5,000,000 shares authorized, 3,008,984 and 3,428,984 shares issued and outstanding as of June 30, 2017 and December 31, 2016, respectively)	301	343
Series E ($0.0001 par value; 8,746,000 shares authorized, 7,402,877 and 7,929,651 shares issued and outstanding as of June 30, 2017 and December 31, 2016, respectively)	740	793
Series F ($0.0001 par value; 1,100,000 shares authorized, 1,099,998 issued and outstanding as of June 30, 2017 and December 31, 2016, respectively)	110	110
Series G ($0.0001 par value; 10,090,000 shares authorized, 10,083,351 issued and outstanding as of June 30, 2017 and December 31, 2016, respectively)	1,008	1,008
Series H ($0.0001 par value; 200,000 shares authorized, 87,500 issued and outstanding as of June 30, 2017 and December 31, 2016, respectively)	9	9
Series I ($0.0001 par value; 114,944 shares authorized, 92,944 issued and outstanding as of June 30, 2017 and December 31, 2016, respectively)	9	9
Series J ($0.0001 par value; shares authorized, 54,669 issued and outstanding as of June 30, 2017 and December 31, 2016, respectively)	5	
Series K ($0.0001 par value; 1,250,000 shares authorized, 1,166,652 issued and outstanding as of June 30, 2017 and December 31, 2016, respectively)	117	
Common Shares, $0.0001 par value; 750,000,000 shares authorized, 70,977,104 and 57,309,364 outstanding as of June 30, 2017 and December 31, 2016, respectively	7,098	5,731
Additional paid-in capital	10,390,534	6,935,817
Accumulated (deficit)	(7,961,679)	(4,601,406)
Accumulated other comprehensive loss	(18,299)	(32,941)
Total stockholder equity	2,420,308	2,309,828
Total liabilities and stockholders' equity	$3,494,091	$3,030,445

See the accompanying notes to the unaudited condensed consolidated financial statements.

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ORBITAL TRACKING CORP AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

AND COMPREHENSIVE (LOSS) INCOME

FOR THE THREE AND SIX MONTHS ENDED

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net sales	$1,567,191	$1,188,593	$2,938,881	$2,483,857
Cost of sales	1,272,551	1,004,891	2,344,325	1,892,323
Gross profit	296,640	183,702	594,556	591,534
Operating expenses:				
Selling and general administrative	144,160	160,624	298,616	314,887
Salaries, wages and payroll taxes	181,870	170,981	334,594	344,836
Stock based compensation	600,000	-	600,000	-
Professional fees	119,809	387,916	268,655	688,484
Depreciation and amortization	74,086	63,334	150,158	146,156
Total operating expenses	1,119,925	782,855	1,652,023	1,494,363
(Loss) before other expenses and income taxes	(825,287)	(599,153)	(1,057,467)	(902,829)
Other (income) expense				
Change in fair value of derivative instruments, net	(123)	39,659	(1,237)	(424,846)
Interest expense	218	527,108	436	602,986
Other expense – Subscription Holders Preferred	2,308,981		2,308,981	
Foreign currency exchange rate variance	(3,847)	7,817	(5,374)	32,822
Total other expense	2,305,229	574,584	2,302,806	210,962
Net loss	$(3,130,516)	$(1,173,737)	$(3,360,273)	$(1,113,791)
Comprehensive Income:				
Net loss	(3,130,516)	(1,173,737)	(3,360,273)	(1,113,791)
Foreign currency translation adjustments	9,050	4,413	14,642	(2,375)
Comprehensive loss	(3,121,466)	(1,169,324)	(3,345,631)	(1,116,166)
NET INCOME LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS				
Weighted number of common shares outstanding - basic	67,052,540	27,667,167	43,645,916	24,190,850

Weighted number of common shares outstanding - diluted	67,052,540	27,667,167	43,645,916	24,190,850
Basic net (loss) per share	$(0.05)	$(0.04)	$(0.08)	$(0.06)
Diluted net (loss) per share	$(0.05)	$(0.04)	$(0.08)	$(0.06)

See the accompanying notes to the unaudited condensed consolidated financial statements.

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ORBITAL TRACKING CORP AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED

	June 30, 2017	June 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$(3,360,273)	$(1,113,791)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Change in fair value of derivative liabilities	(1,237)	(424,846)
Depreciation expense	137,658	133,656
Amortization of intangible asset	12,500	12,500
Preferred stock-based price protection expense	2,308,981	-
Amortization of notes payable discount	-	602,515
Stock based compensation	600,000	-
Amortization of prepaid expense in connection with the issuance of common stock issued for prepaid services	80,582	164,608
Imputed interest	436	471
Change in operating assets and liabilities:		
Accounts receivable	(115,846)	(63,198)
Inventory	(92,303)	(38,004)
Unbilled revenue	(33,989)	5,705
Prepaid expense	10,000	(1,237)
Other current assets	(55,256)	1,047
Accounts payable and accrued liabilities	389,017	31,342
Deferred revenue	19,099	(16,662)
Net (used in) operating activities	(100,631)	(705,892)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(16,964)	(30,654)
Net (cash used) in investing activities	(16,964)	(30,654)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of convertible notes payable	-	(100,834)
Proceeds from sale of preferred stock	500,000	-
Proceeds (repayments) of note payable, related party, net	(7,019)	11,571
Net cash provided by (used in) financing activities	492,981	(89,263)
Effect of exchange rate on cash	11,570	(2,375)

Net increase (decrease) in cash	386,956	(828,187)
Cash beginning of period	114,733	963,329
Cash end of period	$501,689	$135,142
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the period for		
Interest	$-	$-
Income tax	$-	$-
NON CASH FINANCE AND INVESTING ACTIVITY		
Common stock issued for prepaid services	$-	$100,000
Preferred stock issued for accounts payable	$46,694	$-
Preferred stock issued for conversion of debt	$-	$650,670

See the accompanying notes to the unaudited condensed consolidated financial statements.

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NOTE 1 – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial statements and do not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. The information furnished reflects all adjustments, consisting only of normal recurring items which are, in the opinion of management, necessary in order to make the financial statements not misleading. The consolidated financial statements as of December 31, 2016 have been audited by an independent registered public accounting firm. The accounting policies and procedures employed in the preparation of these condensed consolidated financial statements have been derived from the audited financial statements of the Company for the year ended December 31, 2016, which are contained in Form 10-K as filed with the Securities and Exchange Commission on April 7, 2017. The consolidated balance sheet as of December 31, 2016 was derived from those financial statements.

Basis of Presentation and Principles of Consolidation

The condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (“US GAAP”) and the rules and regulations of the U.S Securities and Exchange Commission for Interim Financial Information. The condensed consolidated financial statements of the Company include the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated. All adjustments (consisting of normal recurring items) necessary to present fairly the Company’s financial position as of June 30, 2017, and the results of operations and cash flows for the six months ended June 30, 2017 have been included. The results of operations for the six months ended June 30, 2017 are not necessarily indicative of the results to be expected for the full year.

Description of Business

Orbital Tracking Corp. (the “Company”) was formerly Great West Resources, Inc., a Nevada corporation. The Company, through its wholly owned subsidiaries, Global Telesat Communications Limited (“GTCL”) and Orbital Satcom Corp. (“Orbital Satcom”) is a provider of satellite based hardware, airtime and related services both in the United States and internationally. The Company’s principal focus is on growing the Company’s existing satellite based hardware, airtime and related services business line and developing the Company’s own tracking devices for use by retail customers worldwide.

Use of Estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statements of financial condition, and revenues and expenses for the years then ended. Actual results may differ significantly from those estimates. Significant estimates made by management include, but are not limited to, the assumptions used to calculate stock-based compensation, derivative liabilities, preferred deemed dividend and common stock issued for services.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents. The Company places its cash with a high credit quality financial institution. The Company’s account at this institution is insured by the Federal Deposit Insurance Corporation (“FDIC”) up to $250,000. To reduce its risk associated with the failure of such financial institution, the Company evaluates at least annually the rating of the financial institution in which it holds deposits.

Accounts receivable and allowance for doubtful accounts

The Company has a policy of reserving for questionable accounts based on its best estimate of the amount of probable credit losses in its existing accounts receivable. The Company periodically reviews its accounts receivable to determine whether an allowance is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. Account balances deemed to be uncollectible are charged to the bad debt expense after all means of collection have been exhausted and the potential for recovery is considered remote. As of June 30, 2017, and December 31, 2016, there is an allowance for doubtful accounts of $415 and $6,720.

Foreign Currency Translation

The Company’s reporting currency is US Dollars. The accounts of one of the Company’s subsidiaries, GTCL, is maintained using the appropriate local currency, (Great British Pound) as the functional currency. All assets and liabilities are translated into U.S. Dollars at balance sheet date, shareholders’ equity is translated at historical rates and revenue and expense accounts are translated at the average exchange rate for the year or the reporting period. The translation adjustments are deferred as a separate component of stockholders’ equity, captioned as accumulated other comprehensive (loss) gain. Transaction gains and losses arising from exchange rate fluctuation on transactions denominated in a currency other than the functional currency is included in the statements of operations.

The relevant translation rates are as follows: for the three and six months ended June 30, 2017 closing rate at 1.30240 US$: GBP, average rate at 1.27779 US$: GBP and 1.25801 US$: GBP. For the three and six months ended June 30, 2016 closing rate at 1.3311 US$: GBP, average rate at 1.43544 US$: GBP and 1.43414 US$: GBP and for the year ended 2016 closing rate at 1.2345 US$: GBP, average rate at 1.35585 US$ GBP.

Global Telesat Communications LTD, (GTCL) represents 70.6% of total company sales for the six months ended June 30, 2017 and as such, currency rate variances have an impact on results. For the six months ended June 30, 2017 the net effect on revenues were impacted by the differences in exchange rate from quarterly average exchange of 1.43414 to 1.25801. Had the yearly average rate remained, sales for the six months would have been higher by $290,606. GTCL comparable sales in GBP, its home currency, increased 31.3% or £412,574, from £1,237,379 to £1,649,954, for the six months ended June 30, 2017 as compared to June 30, 2016.

Revenue Recognition and Unearned Revenue

The Company recognizes revenue from satellite services when earned, as services are rendered or delivered to customers. Equipment sales revenue is recognized when the equipment is delivered to and accepted by the customer. Only equipment sales are subject to warranty. Historically, the Company has not incurred significant expenses for warranties.

The Company’s customers generally purchase a combination of our products and services as part of a multiple element arrangement. The Company’s assessment of which revenue recognition guidance is appropriate to account for each element in an arrangement can involve significant judgment. This assessment has a significant impact on the amount and timing of revenue recognition.

Revenue is recognized when all of the following criteria have been met:

Persuasive evidence of an arrangement exists. Contracts and customer purchase orders are generally used to determine the existence of an arrangement.

Delivery has occurred. Shipping documents and customer acceptance, when applicable, are used to verify delivery.

The fee is fixed or determinable. We assess whether the fee is fixed or determinable based on the payment terms associated with the transaction and whether the sales price is subject to refund or adjustment.

Collectability is reasonably assured. We assess collectability based primarily on the creditworthiness of the customer as determined by credit checks and analysis, as well as the customer’s payment history.

In accordance with ASC 605-25, *Revenue Recognition — Multiple-Element Arrangements,* based on the terms and conditions of the product arrangements, the Company believes that its products and services can be accounted for separately as its products and services have value to the Company's customers on a stand-alone basis. When a transaction involves more than one product or service, revenue is allocated to each deliverable based on its relative fair value; otherwise, revenue is recognized as products are delivered or as services are provided over the term of the customer contract.

Intangible assets

Intangible assets include customer contracts purchased and recorded based on the cost to acquire them. These assets are amortized over 10 years. Useful lives of intangible assets are periodically evaluated for reasonableness and the assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable.

Goodwill and other intangible assets

In accordance with ASC 350-30-65, "Intangibles - Goodwill and Others", the Company assesses the impairment of identifiable intangibles whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors the Company considers to be important which could trigger an impairment review include the following:

1. Significant underperformance relative to expected historical or projected future operating results;
2. Significant changes in the manner of use of the acquired assets or the strategy for the overall business; and
3. Significant negative industry or economic trends.

When the Company determines that the carrying value of intangibles may not be recoverable based upon the existence of one or more of the above indicators of impairment and the carrying value of the asset cannot be recovered from projected undiscounted cash flows, the Company records an impairment charge. The Company measures any impairment based on a projected discounted cash flow method using a discount rate determined by management to be commensurate with the risk inherent in the current business model. Significant management judgment is required in determining whether an indicator of impairment exists and in projecting cash flows.

Property and Equipment

Property and equipment are carried at historical cost less accumulated depreciation. Depreciation is based on the estimated service lives of the depreciable assets and is calculated using the straight-line method. Expenditures that increase the value or productive capacity of assets are capitalized. Fully depreciated assets are retained in the property and equipment, and accumulated depreciation accounts until they are removed from service. When property and equipment are retired, sold or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations. Repairs and maintenance are expensed as incurred.

The estimated useful lives of property and equipment are generally as follows:

	Years
Office furniture and fixtures	4
Computer equipment	4
Appliques	10
Website development	2

Impairment of long-lived assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable, or at least annually. The Company recognizes an impairment loss when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The amount of impairment is measured as the difference between the asset's estimated fair value and its book value. The Company did not consider it necessary to record any impairment charges during the periods ended June 30, 2017 and December 31, 2016, respectively.

Fair value of financial instruments

The Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, "Fair Value Measurements and Disclosures", for assets and liabilities measured at fair value on a recurring basis. ASC 820 establishes a common definition for fair value to be applied to existing US GAAP that require the use of fair value measurements which establishes a framework for measuring fair value and expands disclosure about such fair value measurements.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

The following table presents a reconciliation of the derivative liability measured at fair value on a recurring basis using significant unobservable input (Level 3) from January 1, 2017 to June 30, 2017:

	Conversion Feature Derivative Liability	Warrant Liability	Total
Balance at January 1, 2017	$ -	$ 1,237	$ 1,237
Change in fair value included in earnings	-	(1,237)	(1,237)
Balance June 30, 2017	$ -	$ -	$ -

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The Company did not identify any other assets or liabilities that are required to be presented on the condensed consolidated balance sheets at fair value in accordance with the accounting guidance. The carrying amounts reported in the balance sheet for cash, accounts payable, and accrued expenses approximate their estimated fair market value based on the short-term maturity of the instruments.

Stock Based Compensation

Stock-based compensation is accounted for based on the requirements of the Share-Based Payment Topic of ASC 718 which requires recognition in the consolidated financial statements of the cost of employee and director services received in exchange for an award of equity instruments over the period the employee or director is required to perform the services in exchange for the award (presumptively, the vesting period). The ASC also requires measurement of the cost of employee and director services received in exchange for an award based on the grant-date fair value of the award.

Pursuant to ASC Topic 505-50, for share-based payments to consultants and other third-parties, compensation expense is determined at the “measurement date.” The expense is recognized over the vesting period of the award. Until the measurement date is reached, the total amount of compensation expense remains uncertain. The Company initially records compensation expense based on the fair value of the award at the reporting date.

Income Taxes

The Company has adopted Accounting Standards Codification subtopic 740-10, *Income Taxes* (“ASC740-10”) which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statement or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are recorded to reduce the deferred tax assets to an amount that will more likely than not be realized.

The Company follows the provision of ASC 740-10 related to Accounting for Uncertain Income Tax Positions. When tax returns are filed, there may be uncertainty about the merits of positions taken or the amount of the position that would be ultimately sustained. In accordance with the guidance of ASC 740-10, the benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more likely than not recognition threshold are measured at the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefit associated with tax positions taken that exceed the amount measured as described above should be reflected as a liability for uncertain tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

The Company believes its tax positions are all more likely than not to be upheld upon examination. As such, the Company has not recorded a liability for uncertain tax benefits.

The Company has adopted ASC 740-10-25, “Definition of Settlement”, which provides guidance on how an entity should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits and provides that a tax position can be effectively settled upon the completion and examination by a taxing authority without being legally extinguished. For tax positions considered effectively settled, an entity would recognize the full amount of tax benefit, even if the tax position is not considered more likely than not to be sustained based solely on the basis of its technical merits and the statute of limitations remains open. The federal and state income tax returns of the Company are subject to examination by the IRS and state taxing authorities, generally for three years after they are filed.

Earnings per Common Share

Net income (loss) per common share is calculated in accordance with ASC Topic 260: Earnings per Share (“ASC 260”). Basic income (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. The computation of diluted net loss per share does not include dilutive common stock equivalents in the weighted average shares outstanding as they would be anti-dilutive. For the three months and six months ended June 30, 2017 and June 30, 2016, respectively, the Company had net loss, therefore all dilutive securities are excluded.

The following are dilutive common stock equivalents during the period ended:

	June 30, 2017	June 30, 2016
Convertible preferred stock	370,180,815	209,416,215
Stock options	42,850,000	2,850,000
Stock warrants	-	5,000
Total	413,030,815	212,271,215

Related Party Transactions

A party is considered to be related to the Company if the party directly or indirectly or through one or more intermediaries, controls, is controlled by, or is under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. A party which can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests is also a related party.

Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation. These reclassifications had no effect on previously reported results of operations. The Company reclassified certain expense accounts to conform to the currents year's treatment.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, "*Revenue from Contracts with Customers (Topic 606).*" The amendments to this update supersede nearly all existing revenue recognition guidance under GAAP, including the revenue recognition requirements in ASC Topic 605, "*Revenue Recognition."*- The standard was originally set to become effective in annual periods beginning after December 15, 2016 and for interim and annual reporting periods thereafter. In August 2015, the FASB issued ASU 2015-14 *"Revenue from Contracts with Customers; Deferral of the Effective Date,"* which defers the effective date of ASU 2014-09 for all entities by one year, thereby delaying the effective date of the standard to January 1, 2018, with an option that would permit companies to adopt the standard as early as the original effective date. Early adoption prior to the original effective date is not permitted. The core principle of this Topic is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. This Topic defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing GAAP including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. The Company is currently assessing the impact of ASU 2014-09 on our consolidated financial statements to be completed by the end of 2017.

Management does not believe that any recently issued, but not effective, accounting standards, if currently adopted, would have a material effect on the Company's financial statements.

NOTE 2 - GOING CONCERN CONSIDERATIONS

The accompanying condensed consolidated financial statements are prepared assuming the Company will continue as a going concern. At June 30, 2017, the Company had an accumulated deficit of approximately $7,961,679, working capital of approximately $322,092 and net loss of approximately $3,360,273 during the six months ended June 30, 2017. These factors raise substantial doubt about the Company's ability to continue as a going concern for one year from the issuance of the financial statements. The ability of the Company to continue as a going concern is dependent upon obtaining additional capital and financing. Management intends to attempt to raise additional funds by way of a public or private offering. While the Company believes in the viability of its strategy to raise additional funds, there can be no assurances to that effect. The condensed consolidated financial statements do not include any adjustments relating to classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 3 – ORBITAL TRACKING CORP AND GLOBAL TELESAT COMMUNICATIONS LIMITED SHARE EXCHANGE, REVERSE ACQUISITION AND RECAPITALIZATION

On February 19, 2015, the Company entered into a Share Exchange Agreement with Global Telesat Communications Limited, a Private Limited Company formed under the laws of England and Wales ("GTCL") and all of the holders of the outstanding equity of GTCL (the "GTCL Shareholders"). Upon closing of the transactions contemplated under the Exchange Agreement the GTCL Shareholders (7 members) transferred all of the issued and outstanding equity of GTCL to the OTC in exchange for (i) an aggregate of 2,540,000 shares of the common stock of the OTC and 8,746,000 shares of the newly issued Series E Convertible Preferred Stock of the OTC with each share of Series E Convertible Preferred Stock convertible into ten shares of common stock, (ii) a cash payment of $375,000 and (iii) a one-year promissory note in the amount of $122,536. Such exchange caused GTCL to become a wholly owned subsidiary of the Company.

For accounting purposes, this transaction is being accounted for as a reverse acquisition and has been treated as a recapitalization of Orbital Tracking Corp. with Global Telesat Communications Limited considered the accounting acquirer, and the financial statements of the accounting acquirer became the financial statements of the registrant. The completion of the Share Exchange resulted in a change of control. The Share Exchange was accounted for as a reverse acquisition and re-capitalization. The GTCL Shareholders obtained approximately 39% of voting control on the date of Share Exchange. GTCL was the acquirer for financial reporting purposes and the Orbital Tracking Corp. was the acquired company. The consolidated financial statements after the acquisition include the balance sheets of both companies at historical cost, the historical results of GTCL and the results of the Company from the acquisition date. All share and per share information in the accompanying consolidated financial statements and footnotes has been retroactively restated to reflect the recapitalization. As part of agreement, OTC shareholders retained 5,383,172 shares of the Common Stock, 20,000 shares of series A Convertible Preferred Stock, 6,666 shares of series B Convertible Preferred Stock, 1,197,442 shares of series C Convertible Preferred Stock and 5,000,000 shares of series D Convertible Preferred Stock.

Property and equipment	$4,973
Accounts receivable	34,585
Cash in bank	30,934
Prepaid expenses	2,219,677
Inventory	40,161
Intangible asset	250,000
Current liabilities	(469,643)
Due to related party	(2,174)
Derivative liability	(4,936)
Liabilities of discontinued operations	(112,397)
Total purchase price/assets acquired	$1,991,180

NOTE 4 - STOCKHOLDERS' EQUITY (DEFICIT)

Preferred Stock

As of June 30, 2017, there were 50,000,000 shares of Preferred Stock authorized.

As of June 30, 2017, there were 20,000 shares of Series A Convertible Preferred Stock authorized and 0 shares issued and outstanding, due to the conversion of 20,000 shares of Series A into 20,000 shares of common stock.

As of June 30, 2017, there were 30,000 shares of Series B Convertible Preferred Stock authorized and 6,666 shares issued and outstanding.

As of June 30, 2017, there were 4,000,000 shares of Series C Convertible Preferred Stock authorized and 3,540,365 shares issued and outstanding.

As of June 30, 2017, there were 5,000,000 shares of Series D Convertible Preferred Stock authorized and 3,008,984 shares issued and outstanding.

As of June 30, 2017, there were 8,746,000 shares of Series E Convertible Preferred Stock authorized and 7,402,877 shares issued and outstanding.

As of June 30, 2017, there were 1,100,000 shares of Series F shares authorized and 1,099,998 shares issued and outstanding.

As of June 30, 2017, there were 10,090,000 shares of Series G shares authorized and 10,083,351 shares issued and outstanding.

As of June 30, 2017, there were 200,000 shares of Series H shares authorized and 87,500 shares issued and outstanding.

As of June 30, 2017, there were 114,944 shares of Series I shares authorized and 92,944 shares issued and outstanding.

As of June 30, 2017, there were 125,000 shares of Series J shares authorized and 54,669 issued and outstanding.

As of June 30, 2017, there were 1,250,000 shares of Series K shares authorized and 1,166,652 issued and outstanding

Common Stock

As of June 30, 2017, there were 750,000,000 shares of Common Stock authorized and 70,977,104 shares issued and outstanding.

On January 3, 2017, the Company issued an aggregate of 816,810 shares of common stock upon the conversion of 35,000 shares of Series D Preferred Stock and 11,681 shares of Series E Preferred Stock.

On January 4, 2017, the Company issued an aggregate of 1,000,000 shares of common stock upon the conversion of 100,000 shares of Series E Preferred Stock.

On January 6, 2017, the Company issued an aggregate of 6,140 shares of common stock upon the conversion of 614 shares of Series E Preferred Stock.

On January 11, 2017, the Company issued an aggregate of 1,200,000 shares of common stock upon the conversion of 60,000 shares of Series D Preferred Stock.

On January 31, 2017, the Company issued an aggregate of 2,500,000 shares of common stock upon the conversion of 125,000 shares of Series D Preferred Stock

On March 2, 2017, the Company issued an aggregate of 1,000,000 shares of common stock upon the conversion of 50,000 shares of Series D Preferred Stock.

On March 7, 2017, the Company issued an aggregate of 1,000,000 shares of common stock upon the conversion of 100,000 shares of Series E Preferred Stock.

On April 21, 2017, the Company issued an aggregate of 1,000,000 shares of common stock upon the conversion of 100,000 shares of Series E Convertible Preferred Stock.

On May 31, 2017, the Company entered separate subscription agreements with accredited investors relating to the issuance and sale of 50,000 of shares of Series J Preferred Stock at a purchase price of $10.00 per share, as well as, the issuance of 4,669 shares of Series J Preferred Stock for accounts payable of $46,694. The initial conversion price is $0.01 per share, subject to adjustment as set forth in the Series J certificate of designation. The Company is prohibited from effecting a conversion of the Series J Preferred Stock to the extent that, because of such conversion, the investor would beneficially own more than 4.99% of the number of shares of the Company's common stock outstanding immediately after giving effect to the issuance of shares of common stock upon conversion of the Series J Preferred Stock. Each share of Series J Preferred Stock entitles the holder to cast one vote per share of Series J Preferred Stock owned as of the record date for the determination of shareholders entitled to vote, subject to the 4.99% beneficial ownership limitation. The Company received the necessary consents as required from prior subscription agreements, Series F Preferred Stock, Series G Preferred Stock and Preferred Series H Preferred Stock, as well as antidilution rights. The Company was required to issue 1,089,389 shares of Series K Preferred Stock, which is convertible into 108,938,900 shares of the Company's common stock, to the certain holders for the consent and anti-dilution rights. In addition, the Company issued to a vendor as settlement of Preferred Series C Stock issued for services, 76,763 shares of Series K Preferred Stock, convertible into 7,676,300 shares of common stock, in lieu of Series C Preferred Stock. The additional issuances for the consent, anti-dilution rights and settlement, resulted in the recording of other expense and additional paid in capital of $2,308,981.

Stock Options

2014 Equity Incentive Plan

On January 21, 2014, the Board approved the adoption of a 2014 Equity Incentive Plan (the “2014 Plan”). The purpose of the 2014 Plan is to promote the success of the Company and to increase stockholder value by providing an additional means through the grant of awards to attract, motivate, retain and reward selected employees and other eligible persons. The 2014 Plan provides for the grant of incentive stock options, nonqualified stock options, restricted stock, restricted stock units, stock appreciation rights and other types of stock-based awards to the Company’s employees, officers, directors and consultants. Pursuant to the terms of the 2014 Plan, either the Board or a board committee is authorized to administer the plan, including by determining which eligible participants will receive awards, the number of shares of common stock subject to the awards and the terms and conditions of such awards. Unless earlier terminated by the Board, the Plan shall terminate at the close of business on January 21, 2024. Up to 226,667 shares of common stock are issuable pursuant to awards under the 2014 Plan, as adjusted in a single adjustment for an issuance no later than sixty (60) days following the date of shareholder approval of the Plan in connection with (i) a private placement of the Company’s securities in which the Corporation receives gross proceeds of at least $1,000,000 and (ii) an acquisition of at least 50 mining leases and/or claims in the Holbrook Basin.

On December 28, 2015, the Company issued Ms. Carlise, Chief Financial Officer, a ten-year option to purchase 500,000 shares of common stock as compensation for services provided to the Company. The options have an exercise price of $0.05 per share, were fully vested on the date of grant and shall expire in December 2025. The 500,000 options were valued on the grant date at approximately $1.30 per option or a total of $650,000 using a Black-Scholes option pricing model with the following assumptions: stock price of $1.30 per share (based on the closing price of the Company’s common stock of the date of issuance), volatility of 992%, expected term of 10 years, and a risk free interest rate of 1.05%. In connection with the stock option grant, the Company recorded stock based compensation for the three months ended June 30, 2017 and for the year ended December 31, 2016 of $0 and $0, respectively.

Also on December 28, 2015, the Company issued Mr. Delgado, its Director, a ten-year option to purchase 200,000 shares of common stock as compensation for services provided to the Company. The options have an exercise price of $0.05 per share, were fully vested on the date of grant and shall expire in December 2025. The 200,000 options were valued on the grant date at approximately $1.30 per option or a total of $260,000 using a Black-Scholes option pricing model with the following assumptions: stock price of $1.30 per share (based on the closing price of the Company's common stock of the date of issuance), volatility of 992%, expected term of 10 years, and a risk free interest rate of 1.05%. In connection with the stock option grant, the Company recorded stock based compensation for the three months ended June 30, 2017 and for the year ended December 31, 2016 of $0 and $0, respectively.

On December 16, 2016, the Company issued options to Mr. Phipps, to purchase up to 10,000,000 shares of common stock. The options were issued outside of the Company's 2014 Equity Incentive Plan and are not governed by the 2014 Plan. The options have an exercise price of $0.01 per share, vest immediately, and have a term of ten years. The 10,000,000 options were valued on the grant date at approximately $0.019 per option or a total of $190,000 using a Black-Scholes option pricing model with the following assumptions: stock price of $0.019 per share (based on the closing price of the Company's common stock of the date of issuance), volatility of 872%, expected term of 10 years, and a risk-free interest rate of 1.0500%. In connection with the stock option grant, the Company recorded stock based compensation for the year ended December 31, 2016 of $190,000, respectively.

On May 26, 2017, the Company issued 5,000,000 options to Mr. Phipps, 3,750,000 options to Theresa Carlise, 1,250,000 options to Hector Delgado, its Director and 20,000,000 options to certain employees of the Company. The employees are the adult children of our Chief Executive Officer. The options were issued outside of the Company's 2014 Equity Incentive Plan and are not governed by the 2014 Plan. The options have an exercise price of $0.01 per share, vest immediately, and have a term of ten years. The 30,000,000 options were valued on the grant date at approximately $0.02 per option or a total of $600,000 using a Black-Scholes option pricing model with the following assumptions: stock price of $0.02 per share (based on the closing price of the Company's common stock of the date of issuance), volatility of 736%, expected term of 10 years, and a risk-free interest rate of 1.30%. In connection with the stock option grant, the Company recorded stock based compensation for the six months ended June 30, 2017 of $600,000, respectively.

A summary of the status of the Company's outstanding stock options and changes during the six months ended June 30, 2017 is as follows:

	Number of Options	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life (Years)**
Balance at January 1, 2017	12,850,000	$ 0.02	9.10
Granted	30,000,000	0.01	9.91
Exercised	—	—	—

Forfeited	—	—	—
Cancelled		—	—
Balance outstanding and exercisable at June 30, 2017	42,850,000	$ 0.01	9.52

Stock Warrants

A summary of the status of the Company's outstanding stock warrants and changes during the six months ended June 30, 2017 is as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Balance at January 1, 2017	5,000	$ 4.50	0.35
Granted	—	—	—
Exercised	—	—	—
Forfeited (*expired May 19, 2017*)	5,000	4.50	—
Cancelled	—	—	—
Balance outstanding at June 30, 2017	—	$ —	—

NOTE 5 – PREPAID STOCK BASED COMPENSATION

Prepaid expenses amounted to $80,582 at June 30, 2017 and $171,164 at December 31, 2016. Prepaid expenses include prepayments in cash for professional fees and prepayments made with equity instruments which are being amortized over the terms of their respective agreements. Amortization of the prepaid expense is included professional fees. For the six months ended June 30, 2017 and 2016, amortization expense was $80,582 and $173,009, respectively. The current portion consists primarily of costs paid for future services which will occur within a year.

NOTE 6 – INTANGIBLE ASSETS

On February 19, 2015, the Company purchased an intangible asset valued at $250,000 for 1,000,000 shares of common stock. Amortization of customer contracts will be included in general and administrative expenses. The Company began amortizing the customer contracts in January 2015. Amortization expense for the three and six months ended June 30, 2017 and 2016 was $6,250 and $6,250, respectively, and $12,500 and $12,500, respectively. Future amortization of intangible assets is as follows:

2017	12,500
2018	25,000
2019	25,000
2020	25,000
2021 and thereafter	100,000
Total	$187,500

On February 19, 2015, the Company issued 1,000,000 of its common stock, par value $0.0001, at $0.05 per share, or $50,000, to a consultant as compensation for the design and delivery of dual mode gsm/Globalstar Simplex tracking devices and related hardware and intellectual property.

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	June 30, 2017	December 31, 2016

Office furniture and fixtures	$95,369	$90,728
Computer equipment	38,915	29,066
Appliques	2,160,096	2,160,096
Website development	112,942	100,436
Less accumulated depreciation	(546,606)	(401,989)
Total	$1,860,716	$1,978,337

Depreciation expense was $137,658 for the six months ended June 30, 2017. For the six months ended June 30, 2016 depreciation expense was $133,656.

NOTE 8 - INVENTORIES

At June 30, 2017 and December 31, 2016, inventories consisted of the following:

	June 30, 2017	December 31, 2016
Finished goods	$427,570	$335,267
Less reserve for obsolete inventory	-	-
Total	$427,570	$335,267

For the six months ended June 30, 2017 and the year ended December 31, 2016, the Company did not make any change for reserve for obsolete inventory.

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NOTE 9 - RELATED PARTY TRANSACTIONS

The Company has received financing from the Company's Chief Executive Officer. No formal repayment terms or arrangements existed prior to February 19, 2015, when as part of the Share Exchange Agreement, the Company entered into a note with David Phipps where the stockholder loans bear no interest and are due February 19, 2016. On February 19, 2016, the note was extended an additional year to February 19, 2017 and on January 9, 2017 the note was extended another additional year to February 19, 2018. The balance of the related party note payable was $15,004 as of June 30, 2017. The accounts payable due to related party includes advances for inventory due to David Phipps of $41,669 and wages of $3,761. Total payments due to David Phipps as of June 30, 2017 and December 31, 2016 are $60,434 and $67,453, respectively.

Also, as part of the Share Exchange Agreement entered into on February 19, 2015, Mr. Phipps received a payment of $25,000 as compensation for transition services that he provided.

The Company employs two individuals who are related to Mr. Phipps, of which earned gross wages totaled $32,679 for the six months ended June 30, 2017. For the six months ended June 30, 2016, the Company employed two individuals who were related to Mr. Phipps of which earned gross wages of $25,210.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Employment Agreements

On February 19, 2015, Orbital Satcom entered into an employment agreement with Mr. Phipps, whereby Mr. Phipps agreed to serve as the President of Orbital Satcom for a period of two years, subject to renewal, in consideration for an annual salary of $180,000. Additionally, under the terms of the employment agreement, Mr. Phipps shall be eligible for an annual bonus if the Company meets certain criteria, as established by the Board of Directors. Mr. Phipps remains the sole director of GTCL following the closing of the Share Exchange. Mr. Phipps and the Company entered into an Indemnification Agreement at the closing.

The Company entered into an employment agreement with Ms. Carlise on June 9, 2015. The agreement has a term of one year, and shall automatically be extended for additional terms of one year each. The agreement provides for an annual base salary of $72,000. In addition to the base salary Ms. Carlise shall be eligible to receive an annual cash bonus if the Company meets or exceeds criteria adopted by the Compensation Committee of the Board of Directors and shall be eligible for grants of awards under stock option or other equity incentive plans of the Company.

On December 28, 2015, the Company amended her employment agreement. Effective December 1, 2015, the term of Ms. Carlise's employment was extended to December 1, 2016 from June 9, 2016, her annual salary was increased to $140,000 from $72,000 and she agreed to devote her full business time to the Company. The term of the Original Agreement, as amended by the Amendment, shall automatically extend for additional terms of one year each, unless either party gives prior written notice of non-renewal to the other party no later than 60 days prior to the expiration of the initial term or the then current renewal term, as applicable.

On March 3, 2016, the Company entered into a two-year Executive Employment Agreement with Mr. Phipps, effective January 1, 2016. Under the Employment Agreement, Mr. Phipps will serve as the Company's Chief Executive Officer and President, and receive an annual base salary equal to the sum of $144,000 and £48,000, or $65,078 at the yearly conversion rate of 1.3558. Mr. Phipps is also eligible for bonus compensation in an amount equal to up to fifty (50%) percent of his then-current base salary if the Company meets or exceeds criteria adopted by the Compensation Committee, if any, or Board and equity awards as may be approved in the discretion of the Compensation Committee or Board. Also on March 3, 2016 and effective January 1, 2016, the Company's wholly owned subsidiary Orbital Satcom Corp. and Mr. Phipps, terminated an employment agreement between them dated February 19, 2015 pursuant to which Mr. Phipps was employed as President of Orbital Satcom for an annual base salary of $180,000. The other terms of this agreement with the Company are identical to the terms of Mr. Phipps' employment agreement with Orbital Satcom described above.

Litigation

From time to time, the Company may become involved in litigation relating to claims arising out of our operations in the normal course of business. The Company is not currently involved in any pending legal proceeding or litigation and, to the best of our knowledge, no governmental authority is contemplating any proceeding to which the Company is a party or to which any of the Company's properties is subject, which would reasonably be likely to have a material adverse effect on the Company's business, financial condition and operating results.

NOTE 11– DERIVATIVE LIABILITY

In June 2008 a FASB approved guidance related to the determination of whether a freestanding equity-linked instrument should be classified as equity or debt under the provisions of FASB ASC Topic No. 815-40, Derivatives and Hedging – Contracts in an Entity's Own Stock. The adoption of this requirement will affect accounting for convertible instruments and warrants with provisions that protect holders from declines in the stock price ("down-round" provisions). Warrants with such provisions are no longer recorded in equity and are reclassified as a liability.

Instruments with down-round protection are not considered indexed to a company's own stock under ASC Topic 815, because neither the occurrence of a sale of common stock by the company at market nor the issuance of another equity-linked instrument with a lower strike price is an input to the fair value of a fixed-for-fixed option on equity shares.

In connection with the issuance of its 6% convertible debentures and related warrants, the Company has determined that the terms of the convertible warrants include down-round provisions under which the exercise price could be affected by future equity offerings. Accordingly, the warrants are accounted for as liabilities at the date of issuance and adjusted to fair value through earnings at each reporting date. On May 17, 2016, the Company entered into exchange agreements with holders of the Company's outstanding convertible notes in the amount of $504,168 originally issued on December 28, 2015 (the "Notes") pursuant to which the Notes were cancelled and the exchanging holders were issued an aggregate of 10,083,351 shares of newly designated Series G Convertible Preferred Stock. Upon the conversion of the Series G Convertible Preferred Stock, additional paid in capital increased by $649,662 from the decrease in the Notes payable of $504,168, decrease in derivative liabilities of $146,502 and increase in Series G Convertible Preferred Stock of $1,008.

The Notes were accounted for as liabilities at the date of issuance and adjusted to fair value through earnings at each reporting date. The Company recorded amortization for the discount to the Notes of $0 and $602,515 at June 30, 2017 and December 31, 2016. As of June 30, 2017, and December 31, 2016, the Company has an unamortized discount balance of $0. The Company has recognized derivative liabilities of $0 at June 30, 2017 and December 31, 2016, respectively. The gain (loss) resulting from the decrease (increase) in fair value of this convertible instrument was $422,974 for the year ended December 31, 2016. The Company has recognized derivative liabilities for related warrants of $0 and $1,237 at June 30, 2017 and December 31, 2016, respectively. The gain resulting from the decrease in fair value of this convertible instrument was $1,237 and $3,119 for the six months ended June 30, 2017 and the year ended December 31, 2016, respectively. On May 19, 2017, the related warrant expired.

	Conversion feature derivative liability	Warrant liability	Total

Balance at January 1, 2016	$614,035	$4,356	$618,391
Change in fair value included in earnings	(422,974)	(3,119)	(426,093)
Net effect on additional paid in capital	(191,062)	-	(191,062)
Balance at December 31, 2016	$-	$ 1,237	$1,237
Change in fair value included in earnings	-	(1,237)	(1,237)
Balance at June 30, 2017	$-	$ -	$-

NOTE 12 - CONCENTRATIONS

Customers:

No customer accounted for 10% or more of the Company's revenues during the three months ended June 30, 2017 and 2016.

Suppliers:

The following table sets forth information as to each supplier that accounted for 10% or more of the Company's purchases for the three months ended June 30, 2017 and 2016.

	June 30, 2017		June 30, 2016	
Globalstar Europe	$359,525	14.6%	$252,991	14.9%
Network Innovations	$843,516	34.1%	$613,598	36.0%

NOTE 13 - SUBSEQUENT EVENTS

On July 18, 2017, the Company issued an aggregate of 2,000,000 shares of common stock upon the conversion of 200,000 shares of Series E Convertible Preferred Stock.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following information should be read in conjunction with the condensed consolidated financial statements and the notes thereto contained elsewhere in this report. Statements made in this Item 2, "Management's Discussion and Analysis or Plan of Operation," and elsewhere in this 10-Q that do not consist of historical facts, are "forward-looking statements." Statements accompanied or qualified by, or containing words such as "may," "will," "should," "believes," "expect "intends," "plans," "projects," "estimates," "predicts," "potential," "outlook," "forecast," "anticipates," "presume," and "assum forward-looking statements, and as such, are not a guarantee of future performance. The statements involve factors, risks and uncertainties, the impact or occurrence of which can cause actual results to differ materially from the expected results described in such statements. Risks and uncertainties can include, among others, fluctuations in general business cycles and changing economic conditions; changing product demand and industry capacity; increased competition and pricing pressures; advances in technology that can reduce the demand for the Company's products, as well as other factors, many or all of which may be beyond the Company's control. Consequently, investors should not place undue reliance upon forward-looking statements as predictive of future results. The Company disclaims any obligation to update the forward-looking statements in this report.

You should read the following information in conjunction with our financial statements and related notes contained elsewhere in this report. You should consider the risks and difficulties frequently encountered by early-stage companies, particularly those engaged in new and rapidly evolving markets and technologies. Our limited operating history provides only a limited historical basis to assess the impact that critical accounting policies may have on our business and our financial performance.

We encourage you to review our periodic reports filed with the SEC and included in the SEC's Edgar database, including the annual report on Form 10-K filed for the year ended December 31, 2016, filed on April 7, 2017.

Corporate Information

On January 22, 2015, the Company changed its name to "Orbital Tracking Corp." from "Great West Resources, Inc." pursuant to a merger with a newly-formed wholly owned subsidiary.

On March 28, 2014, the Company merged with a newly-formed wholly-owned subsidiary of the Company solely for the purpose of changing its state of incorporation to Nevada from Delaware, effecting a 1:150 reverse split of its common stock, and changing its name to Great West Resources, Inc. in connection with the plans to enter into the business of potash mining and exploration. During late 2014 the Company abandoned its efforts to enter the potash business.

The Company was originally incorporated in 1997 as a Florida corporation. On April 21, 2010, the Company merged with and into a newly-formed wholly-owned subsidiary for the purpose of changing its state of incorporation to Delaware, effecting a 2:1 forward split of its common stock, and changing its name to EClips Media Technologies, Inc. On April 25, 2011, the Company changed its name to “Silver Horn Mining Ltd.” pursuant to a merger with a newly-formed wholly-owned subsidiary.

Global Telesat Communications Limited (“GTCL”) was formed under the laws of England and Wales in 2008. On February 19, 2015, the Company entered into a share exchange agreement with GTCL and all of the holders of the outstanding equity of GTCL pursuant to which GTCL became a wholly owned subsidiary of the Company.

For accounting purposes, this transaction is being accounted for as a reverse acquisition and has been treated as a recapitalization of Orbital Tracking Corp. with Global Telesat Communications Limited considered the accounting acquirer, and the financial statements of the accounting acquirer became the financial statements of the registrant. The completion of the Share Exchange resulted in a change of control. The Share Exchange was accounted for as a reverse acquisition and re-capitalization. The GTCL Shareholders obtained approximately 39% of voting control on the date of Share Exchange. GTCL was the acquirer for financial reporting purposes and the Orbital Tracking Corp. was the acquired company. The consolidated financial statements after the acquisition include the balance sheets of both companies at historical cost, the historical results of GTCL and the results of the Company from the acquisition date. All share and per share information in the accompanying consolidated financial statements and footnotes has been retroactively restated to reflect the recapitalization.

The Company is a distributor, developer and reseller of satellite enabled communications hardware and provides products, airtime and related services to customers located both in the United States and internationally through its subsidiaries, US based Orbital Satcom Corp. ("Orbital Satcom") and UK based Global Telesat Communications Limited ("GTCL"). We sell equipment and airtime for use on all major satellite networks including Globalstar, Inmarsat, Iridium and Thuraya. We specialize in offering a range of satellite enabled personal and asset tracking products and provide an advanced mapping portal for customers using our range of GSM and satellite based GPS tracking devices. Additionally, we operate a short-term rental service for customers who require use of our equipment for a limited time without the up-front expense of purchasing hardware.

Our acquisition of GTCL in February 2015 expanded our global satellite based infrastructure and business, which was first launched in December 2014 through the purchase of certain contracts which entitle us to transmit GPS tracking coordinates and other information at preferential rates through one of the world's largest commercial satellite networks.

We now have a physical presence in the UK and Miami, as well as our online storefront presence in more than 10 countries, and have in excess of 20,000 customers located in almost 80 countries across every continent in the world. Our customers include businesses, U.S. and foreign governments, non-governmental and charitable organizations, military users and private individuals located all over the world.

Recent Transactions

Acquisition of Global Telesat and Related Transactions

On February 19, 2015, the Company filed with the Secretary of State of the State of Nevada a Certificate of Designation for the Series E Convertible Preferred Stock, setting forth the rights, powers, and preferences of the Series E Convertible Preferred Stock. Pursuant to the Series E Certificate of Designation, the Company designated 8,746,000 shares of its blank check preferred stock as Series E Convertible Preferred Stock. Each share of Series E Convertible Preferred Stock has a stated value equal to its par value of $0.0001 per share. In the event of a liquidation, dissolution or winding up of the Company, the holder of the Series E Convertible Preferred Stock would have preferential payment and distribution rights over any other class or series of capital stock that provide for Series E Convertible Preferred Stock's preferential payment and over our common stock. The Series E Convertible Preferred is convertible into ten (10) shares of the Company's common stock. The Company is prohibited from effecting the conversion of the Series E Convertible Preferred Stock to the extent that, as a result of such conversion, the holder beneficially owns more than 4.99%, in the aggregate, of the issued and outstanding shares of common stock calculated immediately after giving effect to the issuance of shares of common stock upon the conversion of the Series E Convertible Preferred Stock. Each share of Series E Convertible Preferred Stock entitles the holder to vote on all matters voted on by holders of common stock as a single class. With respect to any such vote, each share of Series E Convertible Preferred Stock entitles the holder to cast ten (10) votes per share of Series E Convertible Preferred Stock owned at the time of such vote, subject to the 4.99% beneficial ownership limitation.

On February 19, 2015, the Company entered into a share exchange agreement with Global Telesat Communications Limited, a Private Limited Company formed under the laws of England and Wales ("GTCL") and all of the holders of the outstanding equity of GTCL (the "GTCL Shareholders"). Upon closing of the transactions contemplated under the share exchange agreement, the GTCL Shareholders transferred all of the issued and outstanding equity of GTCL to the Company in exchange for (i) an aggregate of 2,540,000 shares of the common stock of the Company and 8,746,000 shares of the newly issued Series E Convertible Preferred Stock of the Company (the "Series E Preferred Stock") with each share of Series E Preferred Stock convertible into ten shares of common stock, (ii) a cash payment of $375,000 and (iii) a one-year promissory note in the amount of $122,536. Such exchange caused GTCL to become a wholly owned subsidiary of the Company.

Also on February 19, 2015, David Phipps, the founder, principal owner and sole director of GTCL and the former founder and president of GTC, was appointed President of Orbital Satcom. Following the transaction, Mr. Phipps was appointed Chief Executive Officer and Chairman of the Board of Directors of the Company. The acquisition of GTCL expands the Company's global satellite based business and enables the Company to operate as a vertically integrated satellite services business with experienced management operating from additional locations in Poole, England in the United Kingdom and Aventura, Florida.

On February 19, 2015, the Company issued to Mr. Rector, the former Chief Executive Officer, Chief Financial Officer and director of the Company, 850,000 shares of common stock and a seven year immediately vested option to purchase 2,150,000 shares of common stock at a purchase price of $0.05 per share as compensation for services provided to the Company.

On February 19, 2015, the Company sold an aggregate of 550,000 units at a per unit purchase price of $2.00, in a private placement to certain accredited investors for gross proceeds of $1,100,000. Each unit consists of: forty (40) shares of the Company's common stock or, at the election of any purchaser who would, as a result of purchase of units become a beneficial owner of five (5%) percent or greater of the outstanding common stock of the Company, four (4) shares of the Company's Series C Convertible Preferred Stock, par value $0.0001 per share, with each share convertible into ten (10) shares of common stock. The Company sold 15,000 units consisting of an aggregate of 600,000 shares of common stock and 535,000 units consisting of an aggregate of 2,140,000 shares of Series C Convertible Preferred Stock.

On February 19, 2015, the Company issued an aggregate of 1,675,000 shares of common stock to certain current consultants, former consultants and employees. These shares consist of (i) 250,000 shares of common stock issued to a consultant as compensation for services relating to the provision of satellite tracking hardware and related services, sales and lead generation, valued at $12,500 (ii) 1 million shares of common stock issued to a consultant as compensation for the design and delivery of dual mode gsm/Globalstar Simplex tracking devices and related hardware and intellectual property, valued at $50,000 (iii) 250,000 shares of common stock, subject to a one year lock up, issued to the Company's controller, valued at $12,500 and (iv) 175,000 shares of common stock issued to MJI in full satisfaction of outstanding debts of $175,000. MJI agreed to sell only up to 5,000 shares per day and the Company has a nine month option to repurchase these shares at a purchase price of $0.75 per share.

GlobalStar License Acquisition

On October 13, 2015, the Company through its wholly owned subsidiary, Orbital Satcom Corp, purchased from World Surveillance Group, Inc., and its wholly owned subsidiary, Global Telestat Corp the "Globalstar" license and equipment, which it had previously leased. On December 10, 2014, the Company, entered into a License Agreement with World Surveillance Group, Inc., and its wholly owned subsidiary, Global Telestat Corp, by which the Company had an irrevocable non-exclusive license to use certain equipment, consisting of Appliques for a term of ten years. Appliques are demodulator and RF interfaces located at various ground stations for gateways. The Company issued 2,222,222 common shares, valued at $1 per share based on the quoted trading price on date of issuance, or $2,222,222. The company reflected the license as an asset on its balance sheet with a ten-year amortization, the term of the license. On October 13, 2015, the Company acquired the license for additional consideration of $125,000 in cash. The Company valued the asset at $2,160,016, which is the unamortized balance of the Appliques License, $2,043,010 plus the consideration of $125,000.

December 2015 Financings

On December 21, 2015, the Company entered into a Placement Agent Agreement with Chardan Capital Markets LLC, as Agent, pursuant to which the Placement Agent agreed to serve as the non-exclusive placement agent for the Company in connection with any private placement from December 21, 2015 through January 15, 2017. The Company agreed to pay the Placement Agent a cash fee of $50,000 and issue the Placement agent 250,000 shares of common stock following the issuance of at least $900,000 of securities prior to the expiration of the term of the Placement Agent Agreement. On December 28, 2015, upon closing of the note purchase and Series F subscription agreements, the Company paid the respective fees and issued the common shares.

On December 28, 2015, the Company filed with the Secretary of State of the State of Nevada a Certificate of Designation for the Series F Convertible Preferred Stock, setting forth the rights, powers, and preferences of the Series F Convertible Preferred Stock. Pursuant to the Series F Certificate of Designation, the Company designated 1,100,000 shares of its blank check preferred stock as Series F Convertible Preferred Stock. Each share of Series F Convertible

Preferred Stock has a stated value equal to its par value of $0.0001 per share. In the event of a liquidation, dissolution or winding up of the Company, the holder of the Series F Convertible Preferred Stock would have preferential payment and distribution rights over any other class or series of capital stock that provide for Series F Convertible Preferred Stock's preferential payment and over our common stock. The Series F Convertible Preferred is convertible into one (1) share of the Company's common stock. The Company is prohibited from effecting the conversion of the Series F Convertible Preferred Stock to the extent that, as a result of such conversion, the holder beneficially owns more than 4.99%, in the aggregate, of the issued and outstanding shares of common stock calculated immediately after giving effect to the issuance of shares of common stock upon the conversion of the Series F Convertible Preferred Stock. Each share of Series F Convertible Preferred Stock entitles the holder to vote on all matters voted on by holders of common stock as a single class. With respect to any such vote, each share of Series F Convertible Preferred Stock entitles the holder to cast one (1) vote per share of Series F Convertible Preferred Stock owned at the time of such vote, subject to the 4.99% beneficial ownership limitation.

On December 28, 2015, the Company entered into separate subscription agreements with accredited investors relating to the issuance and sale of $550,000 of shares of Series F convertible preferred stock at a purchase price of $0.50 per share. The Preferred F Shares are convertible into shares of common stock based on a conversion calculation equal to the stated value of such Preferred F Share divided by the conversion price. The stated value of each Preferred F Share is $0.50 and the initial conversion price is $0.50 per share, each subject to adjustment for stock splits, stock dividends, recapitalizations, combinations, subdivisions or other similar events. Subject to certain specified exceptions, in the event the Company issues securities at a per share price less than the conversion price for a period of two years from the closing, each holder will be entitled to receive from the Company additional shares of common stock such that the holder shall hold that number of conversion shares, in total, had such holder purchased the Preferred F Shares with a conversion price equal to the lower price issuance.

On December 28, 2015, the Company entered into separate note purchase agreements with accredited investors relating to the issuance and sale of an aggregate of $605,000 in principal amount of original issue discount convertible notes for an aggregate purchase price of $550,000.

The Notes mature on December 28, 2017. The Company must repay 1/24th of the principal of the Notes each month commencing January 18, 2016. The Notes do not bear interest except that all overdue and unpaid principal bears interest at a rate equal to the lesser of 18% per year or the maximum rate permitted by applicable law. The Notes are convertible into common stock at the option of the holder at a conversion price of $1.00, subject to adjustment for stock splits, stock dividends, recapitalizations, combinations, subdivisions or other similar events; provided however, that the principal and interest, if any, on the Notes may not be converted to the extent that, as a result of such conversion, the holder would beneficially own more than 4.99% of the number of shares of common stock outstanding immediately after giving effect to the issuance of shares of common stock upon conversion of the Notes. Subject to certain specified exceptions, in the event the Company issues securities at a per share price less than the conversion price for a period of one year from the closing, each holder will be entitled to receive from the Company additional shares of common stock such that the holder shall hold that number of conversion shares, in total, had such holder purchased the Notes with a conversion price equal to the lower price issuance.

Pursuant to the Subscription Agreement and Note Purchase Agreement, the Company agreed to use its reasonable best efforts to effectuate the increase of its authorized shares of common stock from 200,000,000 shares of common stock to 750,000,000 shares of common stock on or prior to January 31, 2016. The Company’s shareholders on March 5, 2016, approved the increase in authorized common and preferred shares. $350,000 of the proceeds from the sale of Preferred F Shares and the Notes are intended to be utilized for public relations and expenses associated with publications, reports and communications with shareholders and others concerning the company’s business. The Subscription Agreement provides the purchasers of the Preferred F Shares with a 100% right of participation in all future securities offerings of the Company, subject to customary exceptions.

On May 17, 2016, the Company entered into exchange agreements with holders of the Company’s outstanding $504,168 convertible notes originally issued on December 28, 2015, pursuant to which the Notes were cancelled and the exchanging holders were issued an aggregate of 10,083,351 shares of newly designated Series G Preferred Stock.

The terms of the shares of Series G Preferred Stock are set forth in the Certificate of Designation of Series G Preferred Stock as filed with the Secretary of State of the State of Nevada. The Series G COD authorizes 10,090,000 Preferred G Shares. The Preferred G Shares are convertible into shares of common stock based on a conversion calculation equal to the stated value of such Preferred G Share divided by the conversion price. The stated value of each Preferred G Share is $0.05 and the initial conversion price is $0.05 per share, each subject to adjustment for stock splits, stock dividends, recapitalizations, combinations, subdivisions or other similar events. The Company is prohibited from effecting a conversion of the Preferred G Shares to the extent that, as a result of such conversion, such investor would beneficially own more than 4.99% of the number of shares of common stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon conversion of the Preferred G Shares. Each Preferred G Share entitles the holder to vote on all matters voted on by holders of common stock as a single class. with respect to any such vote, each Preferred G Share entitles the holder to cast one vote per share of Series G Preferred Stock owned at the time of such vote subject to the 4.99% beneficial ownership limitation. Subject to certain specified exceptions, in the event the Company issues securities at a per share price less than the conversion price prior to December 28, 2016, each holder will be entitled to receive from the Company additional shares of common stock such that the holder shall hold that number of conversion shares, in total, had such holder purchased the Preferred G Shares with a conversion price equal to the lower price issuance.

The exchanging holders, GRQ Consultants Inc. 401K, Michael Brauser and Intracoastal Capital LLC, are each holders of over 5% of a class of the Company's voting securities.

Key Compensation Arrangements

On December 28, 2015, the Company and Theresa Carlise, its Chief Financial Officer, amended her employment agreement, dated June 9, 2015. Pursuant to the Amendment, which is effective December 1, 2015, the term of Ms. Carlise's employment was extended to December 1, 2016 from June 9, 2016, her annual salary was increased to $140,000 from $72,000 and she agreed to devote her full business time to the Company. The term of the Original Agreement, as amended by the Amendment, shall automatically extend for additional terms of one year each, unless either party gives prior written notice of non-renewal to the other party no later than 60 days prior to the expiration of the initial term or the then current renewal term, as applicable.

Also on December 28, 2015, the Company issued Ms. Carlise options to purchase up to 500,000 shares of common stock and issued Hector Delgado, a director of the Company, options to purchase up to 200,000 shares of common stock. The options were issued outside of the Company's 2014 Equity Incentive Plan and are not governed by the Plan. The options have an exercise price of $0.05 per share, vest immediately, and have a term of ten years.

On January 15, 2016, the Company engaged IRTH Communications LLC., for a term of 12 months to provide investor relations, public relations, internet development, communication and consulting services. As consideration for its services, IRTH will receive from the Corporation a monthly fee of $7,500 and as a single one-time retainer payment, $100,000 worth of shares of the Company's common stock; calculated by the average closing price of the Company's common stock on its principal exchange for the 10 (ten) trading days immediately prior to the execution of this Agreement; which shares shall be Restricted Securities, pursuant to the provisions of Rule 144. As additional compensation, in the event the Company, during or within two (2) years after the term of this Agreement, receives investment monies (debt, equity or a combination thereof) from investor(s) introduced to the Company by IRTH as described herein, Company agrees to pay IRTH a finder's fee equal to three percent (3%) of all gross monies invested by investor(s) and received by Company.

On February 11, 2016, the Company issued 136,612 shares of its common stock, valued at $0.60 per share, or $81,967, to IRTH Communications LLC for services, as disclosed above.

On March 3, 2016, the Company entered into an Executive Employment Agreement with David Phipps, its Chairman, President and Chief Executive Officer, effective January 1, 2016. Under the Employment Agreement, Mr. Phipps will serve as the Company’s Chief Executive Officer and President, and receive an annual base salary equal to the sum of $144,000 and $48,000. Mr. Phipps is also eligible for bonus compensation in an amount equal to up to fifty (50%) percent of his then-current base salary if the Company meets or exceeds criteria adopted by the Compensation Committee, if any, or Board and equity awards as may be approved in the discretion of the Compensation Committee or Board. Also on March 3, 2016 and effective January 1, 2016, the Corporation’s wholly owned subsidiary Orbital Satcom Corp. and Mr. Phipps terminated an employment agreement between them dated February 19, 2015 pursuant to which Mr. Phipps was employed as President of Orbital Satcom for an annual base salary of $180,000. The other terms of the Original Agreement are identical to the terms of the Employment Agreement. Mr. Phipps remains the President of Orbital Satcom.

On May 26, 2017, the Company issued 5,000,000 options to Mr. Phipps, 3,750,000 options to Theresa Carlise, 1,250,000 options to Hector Delgado, its Director and 20,000,000 options to certain employees of the Company. The employees are the adult children of our Chief Executive Officer. All of the options are fully vested and have an exercise price of $0.01 per share and a term of 10 years.

Series H Preferred Stock Financing

On October 26, 2016, the Company entered separate subscription agreements with accredited investors relating to the issuance and sale of $350,000, out of a maximum of $800,000, of shares of Series H Preferred Stock at a purchase price of $4.00 per share. The initial conversion price is $0.04 per share, subject to adjustment as set forth in the Series H COD. The Company is prohibited from effecting a conversion of the Series H Preferred Stock to the extent that, because of such conversion, the investor would beneficially own more than 4.99% of the number of shares of the Company’s common stock outstanding immediately after giving effect to the issuance of shares of common stock upon conversion of the Series H Preferred Stock. Each Series H Preferred Stock entitles the holder to cast one vote per share of Series H Preferred Stock owned as of the record date for the determination of shareholders entitled to vote, subject to the 4.99% beneficial ownership limitation. The Company received the necessary consents as required from prior subscription agreements, Preferred Series C, Preferred Series G and Preferred Series H, as well as antidilution rights. Certain shareholders have waived their right to adjustment, equal treatment, most favored nations and other rights to which they were entitled pursuant to the Prior Offerings, including without limitation, certain rights granted to holders of our Series C Preferred Stock, Series F Preferred Stock and G Preferred Stock. The Company was required to issue 550,000 shares of its Preferred Series C, which is convertible into 5,500,000 shares of the Company’s common stock and 114,944 shares of Preferred Series I, which is convertible into 11,494,400 shares of the Company’s common stock. Preferred Series I was issued to certain holders in lieu of Preferred Series G and Preferred Series H.

Series J Preferred Stock Financing

On May 31, 2017, the Company entered into separate subscription agreements with accredited investors relating to the issuance of shares of Series J Preferred Stock at a purchase price of $10.00 per share for sale of $500,000 proceeds and settlement of $46,694 accounts payable. The Series J Preferred Stock are convertible into shares of common stock based on a conversion calculation equal to (i) multiplying the number of shares to be converted by the stated value thereof, and then (ii) dividing the result by the conversion price in effect immediately prior to such conversion. The stated value of each Series J Preferred Stock is $10.00 and the initial conversion price is $0.01 per share, subject to adjustment as set forth in the Series J COD. The Company is prohibited from effecting a conversion of the Series J Preferred Stock to the extent that, as a result of such conversion, the investor would beneficially own more than 4.99% of the number of shares of the Company's common stock outstanding immediately after giving effect to the issuance of shares of common stock upon conversion of the Series J Preferred Stock. Each Series J Preferred Stock entitles the holder to cast one vote per share of Series J Preferred Stock owned as of the record date for the determination of shareholders entitled to vote, subject to the 4.99% beneficial ownership limitation.

In connection with the Series J Offering, the Company obtained the consent of certain shareholders, as required under the agreements entered into by the Company and issued shares pursuant to applicable anti-dilution obligations. The Company is required to issue to certain prior investors of Series G Preferred Stock additional shares of Series G Preferred Stock, which would be convertible into an aggregate of 38,805,668 shares of the Company's common stock. However, in lieu of issuing such additional shares of Series G Preferred Stock, the Company will create a new series of preferred stock, to be designated as "Series K Preferred Stock" and will issue to such holders of Series G Preferred Stock an aggregate of 388,057 shares of Series K Preferred Stock, each of which shall be convertible into 100 shares of the Company's common stock. In addition, in order to proceed with the Series J Offering, the Company agreed to issue additional shares of Series F Preferred Stock and Series H Preferred Stock to certain prior investors. However, in lieu of issuing such additional shares of Series F Preferred Stock and Series H Preferred Stock, the Company issued to such holders of Series F Preferred Stock and Series H Preferred Stock an aggregate of 701,832 shares of Series K Preferred Stock, each of which are convertible into 100 shares of the Company's common stock, or 70,183,243 shares. In addition, certain creditors of the Company were also entitled to anti-dilution protection from issuances and as a result such creditors were, at the closing of the Series J Offering, issued an aggregate of 76,762 shares of Series K Preferred Stock convertible into 7,676,241 shares of common stock in full satisfaction of payments owed to them.

The following table describes the capital raised for the periods as described above:

	Date	Units	Stated Value	Total Proceeds	Common Equivalents	Anti-Dilution Issuances	Total Common Equivalents
Preferred Series C	2/19/2015	550,000	$2.00	$1,100,000	22,000,000	5,500,000	27,500,000
Preferred Series F	12/28/2015	1,099,998	$0.50	$550,000	1,099,998	53,899,902	54,999,900
Preferred Series G	5/17/2016	10,083,351	$0.05	$504,168	10,083,351	40,333,449	50,416,800
Preferred Series H	10/31/2016	87,500	$4.00	$350,000	8,750,000	26,250,000	35,000,000
Preferred Series J	5/31/2017	50,000	$10.00	$500,000	5,000,000	-	5,000,000
				$3,004,168	46,933,349	125,983,351	172,916,700

Results of Operations for the Three and Six Months Ended June 30, 2017 compared to the Three and Six Months Ended June 30, 2016

Revenue. Sales for the three and six months ended June 30, 2017 consisted primarily of sales of satellite phones, accessories and airtime plans. For the three months ended June 30, 2017, revenues generated were approximately $1,567,191 compared to approximately $1,188,593 of revenues for the three months ended June 30, 2016, an increase in total revenues of $378,598 or 31.9%. Sales for the six months ended June 30, 2017 were $2,938,881 compared to approximately $2,483,857 of revenues during the six months ended June 30, 2016, a $455,024 increase in total revenues or 18.3%. The Company attributes the increases in revenue to an increase in recurring revenue related customer and the introduction of new product lines, offset by exchange rate variances as described above.

Cost of Sales. During the three months ended June 30, 2017, cost of revenues increased to $1,272,551 compared to $1,004,891 for the three months ended June 30, 2016, an increase of $267,660 or 26.6%. For the six months ended June 30, 2017, cost of revenues increased to $2,344,325 compared to $1,892,323 for the three months ended June 30, 2016, an increase of $452,002 or 23.9%. Gross profit margins during the three months ended June 30, 2017 were 18.8% as compared to 15.5% for the comparable period in the prior year. During the six months ended June 30, 2017, gross profit margins were 20.2% as compared to 23.8%. We expect our cost of revenues to continue to increase during fiscal 2017 and beyond, as we expand our operations and begin generating additional revenues under our current business. However, we are unable at this time to estimate the amount of the expected increases. Gross margins reacted negatively with the devaluation of GBP against US$ following the BREXIT vote and in order to remain competitive we had to maintain product pricing. In addition, we attracted new reseller customers who buy in larger quantities at lower margins.

Operating Expenses. Total operating expenses for the three months ended June 30, 2017 were $1,119,925, an increase of $337,070, or 43.1%, from total operating expenses for the three months ended June 30, 2016 of $782,855. For the six months ended June 30, 2017 total operating expenses were $1,652,023, as compared to $1,494,363, for the same period in 2016, an increase of $157,660 or 10.6%. Factors contributing to the increase are described below.

Selling, general and administrative expenses were $144,160 and $160,624 for the three months ended June 30, 2017 and 2016, respectively, a decrease of $16,464 or 10.3%. For the six months ended June 30, 2017, selling, general and administrative expenses were $298,616 as compared to $314,887, a decrease of $16,271 or 5.2%. The decrease for the three and six months ended June 30, 2017, was due to lower exchange rates in the current period offset by variable expenses which increase as revenue increases.

Salaries, wages and payroll taxes were $181,870 and $170,981, for the three months ended June 30, 2017 and 2016, respectively, an increase of $10,889, or 6.4%. For the six months ended June 30, 2017, salaries, wages and payroll taxes were $334,594 as compared to $344,836, a decrease of $10,242, or 3.0%, for the same period in the prior year. For the three months ended June 30, 2017, the increase is attributable to an increase in compensation as a result of additional employees, offset by the decrease in the exchange rate. For the six months ended June 30, 2017, the decrease is related to changes in personnel from the prior year.

Stock based compensation was $600,000 for the three and six months ended June 30, 2017, as compared to $0 for the three and six months ended June 30, 2016. On May 26, 2017, the Company issued 5,000,000 options to Mr. Phipps, 3,750,000 options to Theresa Carlise and 20,000,000 options to certain employees of the Company. The employees are the adult children of our Chief Executive Officer. All of the options are fully vested and have an exercise price of $0.01 per share and a term of 10 years.

Professional fees were $119,809 and $387,916 for the three months ended June 30, 2017 and 2016, respectively, a decrease of $268,107, or 69.1%. For the six months ended June 30, 2017, professional fees were $268,655 as compared to $688,484, a decrease of $419,829 or 61.0% from the six months ended June 30, 2016. The decrease was primarily attributable to the Company's decrease of investor relation fees from the same period in the prior year.

Depreciation and amortization expenses were $74,086 and $63,334 for the three months ended June 30, 2017 and 2016, respectively, an increase of $10,752 or 17.0%. For the six months ended June 30, 2017 depreciation and amortization expenses were $150,158 as compared to $146,156, an increase of $4,002, or 2.7% from the same period in the prior year. For the three and six months, the increase in depreciation is proportionately related to an increased in website development, which has a shorter useful life and an increase in computer equipment, respectively.

We expect our expenses in each of these areas to continue to increase during fiscal 2017 and beyond as we expand our operations and begin generating additional revenues under our current business. However, we are unable at this time to estimate the amount of the expected increases.

Total Other (Income) Expense. Our total other (income) expenses were $2,305,229 compared to $574,584 during the three months ended June 30, 2017 and 2016 respectively, an increase of $1,730,645. Our total other (income) expenses were $2,302,806 compared to $210,962 during the six months ended June 30, 2017 and 2016 respectively, an increase of $2,091,844. The increase is primarily attributable to the expense of $2,308,981 related to the Series J Preferred stock issuance, for price protection to certain Subscribers of Preferred Series F, Preferred Series G and Preferred Series H. The additional issuance for price protection, while expensed as other expense, also results as an increase to additional paid in capital.

Net Income (Loss)

We recorded net loss before income tax of $3,130,516, for the three months ended June 30, 2017 as compared to a net loss of $1,173,737, for the three months ended June 30, 2016. We recorded net loss before income tax of $3,360,273, for the six months ended June 30, 2017 as compared to a net loss of $1,113,791, for the six months ended June 30, 2016. The increase in net loss is a result of the factors as described above.

Comprehensive (Loss) Income

We recorded a gain for foreign currency translation adjustments for the three months ended June 30, 2017 and 2016, of $9,050 and $4,413, respectively. For the six months ended June 30, 2017, we recorded a gain of $14,642 and for the six months ended June 30, 2016, a loss of $2,375. The fluctuations of the increase/decrease are primarily attributed to the increase recognized due to exchange rate variances.

Liquidity and Capital Resources

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations, and otherwise operate on an ongoing basis. At June 30, 2017, we had a cash balance of $501,689. Our working capital is $322,092 at June 30, 2017.

Our current assets at June 30, 2017 increased by approximately 74.0% from December 31, 2016 and included cash, accounts receivable, unbilled revenue, inventory, prepaid and other current assets.

Our current liabilities at June 30, 2017 increased by 49.0% from December 31, 2016 and included our accounts payable, derivative liabilities, due to related party and deferred revenue and other liabilities in the ordinary course of our business.

Our recent sources of financing are discussed in more detail under “Recent Transactions,” above. Growing and operating our business will require significant cash outlays, liquidity reserves and capital expenditures and commitments to respond to business challenges, including developing or enhancing new or existing products.

Operating Activities

Net cash flows used in by operating activities for the six months ended June 30, 2017 amounted to $100,631 and were primarily attributable to our net loss of $3,360,273, total amortization expense of $12,500, depreciation of $137,658, imputed interest of $436, stock based compensation of $600,000, preferred price based stock protection expense of $2,308,981, amortization of prepaid expense for stock based compensation for services of $80,582 offset by change in fair value of derivative liabilities of $1,237 and net change in assets and liabilities of $120,722, primarily attributable to an increase in accounts receivable of $115,846, increase in inventory of $92,303, increase in unbilled revenue of $33,989, decrease in prepaid expense of $10,000, increase in other current assets of $55,256, increase in accounts payable of $389,017 and an increase in deferred revenue of $19,099.

Net cash flows used in operating activities for the six months ended June 30, 2016 amounted to $705,892 and were primarily attributable to our net loss of $1,113,791, total amortization expense of $615,015, depreciation of $133,656, imputed interest of $471, issuance of common stock for prepaid services of $164,608 and offset by change in fair value of derivative liabilities of $424,846 and net change in asset and liabilities of $81,005, primarily attributable to an increase in accounts receivable of $63,198, increase in inventory of $38,004, decrease in unbilled revenue of $5,705, increase in prepaid expense of $1,237, decrease in other current assets of $1,047, increase in accounts payable of $31,342 and an decrease in deferred revenue of $16,662.

Investing Activities

Net cash flows used in investing activities were $16,964 and $30,654 for the six months ended June 30, 2017 and 2016, respectively. We purchased property and equipment of $16,964 during the six months ended June 30, 2017. We purchased property and equipment of $30,654 during the six months ended June 30, 2016.

Financing Activities

Net cash flows provided by (used in) financing activities were $492,981 and ($89,263) for the six months ended June 30, 2017 and 2016, respectively. Net cash flows provided by financing activities were $492,981 for the six months ended June 30, 2017 and were for proceeds from sale of preferred stock for $500,000 and amounts owed to a related party of $7,019. During the six months ended June 30, 2016, net cash used in financing activities were repayments of convertible notes payable of $100,834 and proceeds from related party payable of $11,571.

Off-Balance Sheet Arrangements

We do not currently have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to our stockholders.

Our company has not entered into any transaction, agreement or other contractual arrangement with an entity unconsolidated with us under which we have

- an obligation under a guarantee contract, although we do have obligations under certain sales arrangements including purchase obligations to vendors

- a retained or contingent interest in assets transferred to the unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to such entity for such assets,

- any obligation, including a contingent obligation, under a contract that would be accounted for as a derivative instrument, or

- any obligation, including a contingent obligation, arising out of a variable interest in an unconsolidated entity that is held by us and material to us where such entity provides financing, liquidity, market risk or credit risk support to, or engages in leasing, hedging or research and development services with us.

Critical Accounting Policies and Estimates

Critical accounting estimates are those that management deems to be most important to the portrayal of our financial condition and results of operations, and that require management's most difficult, subjective or complex judgments, due to the need to make estimates about the effects of matters that are inherently uncertain. We have identified our critical accounting estimates which are discussed below.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the reporting period. Actual results could differ from those estimates. The Company's significant estimates include the valuation of stock based charges, the valuation of derivatives and the valuation of inventory reserves.

Effect of Exchange Rate on Results

The Company's reporting currency is US Dollars. The accounts of one of the Company's subsidiaries, GTCL, is maintained using the appropriate local currency, Great British Pound, as the functional currency. All assets and liabilities are translated into U.S. Dollars at balance sheet date, shareholders' equity is translated at historical rates and revenue and expense accounts are translated at the average exchange rate for the year or the reporting period. The translation adjustments are reported as a separate component of stockholders' equity, captioned as accumulated other comprehensive (loss) gain. Transaction gains and losses arising from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the statements of operations.

The relevant translation rates are as follows: for the three and six months ended June 30, 2017 closing rate at 1.30240 US$: GBP, average rate at 1.27779 US$: GBP and 1.25801 US$: GBP. For the three and six months ended June 30, 2016 closing rate at 1.3311 US$: GBP, average rate at 1.43544 US$: GBP and 1.43414 US$: GBP and for the year ended 2016 closing rate at 1.2345 US$: GBP, average rate at 1.35585 US$ GBP.

Global Telesat Communications LTD, (GTCL) represents 70.6% of total company sales for the six months ended June 30, 2017 and as such, currency rate variances have an impact on results. For the six months ended June 30, 2017 the net effect on revenues were impacted by the differences in exchange rate from quarterly average exchange of 1.43414 to 1.25801. Had the yearly average rate remained, sales for the six months would have been higher by $290,606. GTCL comparable sales in GBP, its home currency, increased 31.3% or £412,574, from £1,237,379 to £1,649,954, for the six months ended June 30, 2017 as compared to June 30, 2016.

Basis of Presentation and Principles of Consolidation

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP") and the rules and regulations of the U.S Securities and Exchange Commission for Interim Financial Information. All intercompany transactions and balances have been eliminated. All adjustments (consisting of normal recurring items) necessary to present fairly the Company's financial position as of June 30, 2017, and the results of operations and cash flows for the six months ended June 30, 2017 have been included. The results of operations for the six months ended June 30, 2017 are not necessarily indicative of the results to be expected for the full year.

Accounts Receivable

The Company extends credit to its customers based upon a written credit policy. Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate for the amount of probable credit losses in the Company's existing accounts receivable. The Company establishes an allowance of doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends, and other information. Receivable balances are reviewed on an aged basis and account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not require collateral on accounts receivable. As of June 30, 2017, and December 31, 2016, there is an allowance for doubtful accounts of $415 and $6,720.

Accounting for Derivative Instruments

Derivatives are required to be recorded on the balance sheet at fair value. These derivatives, including embedded derivatives in the Company's structured borrowings, are separately valued and accounted for on the Company's balance sheet. Fair values for exchange traded securities and derivatives are based on quoted market prices. Where market prices are not readily available, fair values are determined using market based pricing models incorporating readily observable market data and requiring judgment and estimates

Research and Development

Research and Development ("R&D") expenses are charged to expense when incurred. The Company has consulting arrangements which are typically based upon a fee paid monthly or quarterly. Samples are purchased that are used in testing, and are expensed when purchased. R&D costs also include salaries and related personnel expenses, direct materials, laboratory supplies, equipment expenses and administrative expenses that are allocated to R&D based upon personnel costs.

Foreign Currency Translation

The Company's reporting currency is US Dollars. The accounts of one of the Company's subsidiaries is maintained using the appropriate local currency, (Great British Pound) GTCL as the functional currency. All assets and liabilities are translated into U.S. Dollars at balance sheet date, shareholders' equity is translated at historical rates and revenue and expense accounts are translated at the average exchange rate for the year or the reporting period. The translation adjustments are deferred as a separate component of stockholders' equity, captioned as accumulated other comprehensive (loss) gain. Transaction gains and losses arising from exchange rate fluctuation on transactions denominated in a currency other than the functional currency are included in the statements of operations.

The relevant translation rates are as follows: for the three and six months ended June 30, 2017 closing rate at 1.30240 US$: GBP, average rate at 1.27779 US$: GBP and 1.25801 US$: GBP. For the three and six months ended June 30, 2016 closing rate at 1.3311 US$: GBP, average rate at 1.43544 US$: GBP and 1.43414 US$: GBP and for the year ended 2016 closing rate at 1.2345 US$: GBP, average rate at 1.35585 US$ GBP.

Revenue Recognition and Unearned Revenue

The Company recognizes revenue from satellite services when earned, as services are rendered or delivered to customers. Equipment sales revenue is recognized when the equipment is delivered to and accepted by the customer. Only equipment sales are subject to warranty. Historically, the Company has not incurred significant expenses for warranties.

The Company's customers generally purchase a combination of our products and services as part of a multiple element arrangement. The Company's assessment of which revenue recognition guidance is appropriate to account for each element in an arrangement can involve significant judgment. This assessment has a significant impact on the amount and timing of revenue recognition.

Revenue is recognized when all of the following criteria have been met:

Persuasive evidence of an arrangement exists. Contracts and customer purchase orders are generally used to determine the existence of an arrangement.

Delivery has occurred. Shipping documents and customer acceptance, when applicable, are used to verify delivery.

The fee is fixed or determinable. We assess whether the fee is fixed or determinable based on the payment terms associated with the transaction and whether the sales price is subject to refund or adjustment.

Collectability is reasonably assured. We assess collectability based primarily on the creditworthiness of the customer as determined by credit checks and analysis, as well as the customer's payment history.

In accordance with ASC 605-25, *Revenue Recognition — Multiple-Element Arrangements,* based on the terms and conditions of the product arrangements, the Company believes that its products and services can be accounted for separately as its products and services have value to the Company's customers on a stand-alone basis. When a transaction involves more than one product or service, revenue is allocated to each deliverable based on its relative fair value; otherwise, revenue is recognized as products are delivered or as services are provided over the term of the customer contract.

Property and Equipment

Property and equipment are carried at historical cost less accumulated depreciation. Depreciation is based on the estimated service lives of the depreciable assets and is calculated using the straight-line method. Expenditures that increase the value or productive capacity of assets are capitalized. Fully depreciated assets are retained in the property and equipment, and accumulated depreciation accounts until they are removed from service. When property and equipment are retired, sold or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operations. Repairs and maintenance are expensed as incurred.

The estimated useful lives of property and equipment are generally as follows:

	Years
Office furniture and fixtures	4
Computer equipment	4
Appliques	10
Website development	2

Impairment of long-lived assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable, or at least annually. The Company recognizes an impairment loss when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The amount of impairment is measured as the difference between the asset's estimated fair value and its book value. The Company did not consider it necessary to record any impairment charges during the periods ended June 30, 2017 and December 31, 2016, respectively.

Fair value of financial instruments

The Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, "Fair Value Measurements and Disclosures", for assets and liabilities measured at fair value on a recurring basis. ASC 820 establishes a common definition for fair value to be applied to existing US GAAP that require the use of fair value measurements which establishes a framework for measuring fair value and expands disclosure about such fair value measurements.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

The following table presents a reconciliation of the derivative liability measured at fair value on a recurring basis using significant unobservable input (Level 3) from January 1, 2016 to June 30, 2017:

	Conversion feature derivative liability	Warrant liability	Total
Balance at January 1, 2016	$614,035	$4,356	$618,391
Change in fair value included in earnings	(422,974)	(3,119)	(426,093)
Net effect on additional paid in capital	(191,062)	-	(191,062)
Balance at December 31, 2016	$-	$1,237	$1,237
Change in fair value included in earnings	-	(1,237)	(1,237)
Balance at June 30, 2017	$-	$-	$-

The Company did not identify any other assets or liabilities that are required to be presented on the consolidated balance sheets at fair value in accordance with the accounting guidance. The carrying amounts reported in the balance sheet for cash, accounts payable, and accrued expenses approximate their estimated fair market value based on the short-term maturity of the instruments.

Share-Based Payments

Compensation cost relating to share based payment transactions be recognized in the financial statements. The cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the employee's requisite service period (generally the vesting period of the equity award).

Recent Accounting Pronouncements

The Company does not believe that any recently issued accounting pronouncements will have a material impact on its financial statements.

ITEM 3. QUANTITATIVE AND QUALITIATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, as defined in Rule 12b-2 of the Exchange Act, we are not required to provide the information required by this Item.

ITEM 4. CONTROLS AND PROCEDURES.

We maintain "disclosure controls and procedures," as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

With respect to the six months ending June 30, 2017, under the supervision and with the participation of our management, we conducted an evaluation of the effectiveness of the design and operations of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934. Based upon our evaluation regarding the fiscal quarter ended June 30, 2017, our management, including our principal executive officer and principal financial officer, has concluded that our disclosure controls and procedures were ineffective due to our limited internal audit functions and lack of ability to have multiple levels of transaction review. The Company has been actively addressing the evaluation and is pursuing upgrading its accounting software.

Management is in the process of determining how best to change our current system and implement a more effective system to insure that information required to be disclosed in this quarterly report on Form 10-Q has been recorded, processed, summarized and reported accurately. Our management acknowledges the existence of this problem, and intends to develop procedures to address them to the extent possible given limitations in financial and manpower resources. While management is working on a plan, no assurance can be made at this point that the implementation of such controls and procedures will be completed in a timely manner or that they will be adequate once implemented.

Changes in Internal Controls

There have been no changes in our internal control over financial reporting during the fiscal quarter ended June 30, 2017 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

There were no unregistered securities sold by us during the quarter ended June 30, 2017, that were not otherwise disclosed by us in a Current Report on Form 8-K.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101.ins	XBRL Instance Document
101.sch	XBRL Taxonomy Schema Document
101.cal	XBRL Taxonomy Calculation Document
101.def	XBRL Taxonomy Linkbase Document
101.lab	XBRL Taxonomy Label Link base Document
101.pre	XBRL Taxonomy Presentation Link base Document

* Filed herein

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: August 14, 2017 **ORBITAL TRACKING CORP.**

By: */s/ David Phipps*
David Phipps
Chief Executive Officer and Chairman

(Principal Executive Officer)

/s/ Theresa Carlise
Chief Financial Officer, Treasurer and Secretary

(Principal Financial Officer and Principal Accounting Officer)

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