

GTX CORP
Form 10-Q
August 15, 2011
FORM 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended June 30, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 000-53046

GTX Corp

(Exact name of registrant as specified in its charter)

Nevada

98-0493446

(State or other jurisdiction of incorporation
or organization)

(I.R.S. Employer Identification No.)

117 W. 9th Street, # 1214, Los Angeles, CA, 90015
(Address of principal executive offices) (Zip Code)

(213) 489-3019
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 62,910,512 common shares issued and outstanding as of August 11, 2011

GTX CORP AND SUBSIDIARIES
For the quarter ended June 30, 2011
FORM 10-Q

| | | PAGE NO. |
|--------------------------------------|---|-----------|
| PART I. FINANCIAL INFORMATION | | 3 |
| Item 1. | Financial Statements: | 3 |
| | Consolidated Balance Sheets at June 30, 2011 (unaudited) and December 31, 2010 | 3 |
| | Consolidated Statements of Operations for the three and six months ended June 30, 2011 and 2010 (unaudited) | 4 |
| | Consolidated Statements of Cash Flows for the six months ended June 30, 2011 and 2010 (unaudited) | 5 |
| | Notes to Consolidated Financial Statements (unaudited) | 6 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 13 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk | 22 |
| Item 4. | Controls and Procedures | 22 |
| PART II. OTHER INFORMATION | | 24 |
| Item 1. | Legal Proceedings | 24 |
| Item 1A. | Risk Factors | 24 |
| Item 2. | Unregistered Sales of Equity Securities and Use of Proceeds | 24 |
| Item 3. | Defaults Upon Senior Securities | 24 |
| Item 4. | [REMOVED AND RESERVED] | 24 |
| Item 5. | Other Information | 24 |
| Item 6. | Exhibits | 25 |
| | Signatures | 25 |

PART I

ITEM 1. FINANCIAL STATEMENTS

GTX CORP
CONSOLIDATED BALANCE SHEETS

| | June 30, 2011 (Unaudited) | December 31, 2010 |
|--|------------------------------|-------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 341,372 | \$ 66,488 |
| Accounts receivable, net | 66,501 | 29,962 |
| Inventory, net | 194,628 | 87,069 |
| Other current assets | 19,505 | 14,220 |
| Total current assets | 622,006 | 197,739 |
| Property and equipment, net | 289,342 | 313,762 |
| Other assets | 10,972 | 10,972 |
| Total assets | \$ 922,320 | \$ 522,473 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 222,374 | \$ 177,811 |
| Accounts payable and accrued expenses - related parties | 119,253 | 150,951 |
| Deferred revenues | 124,722 | 54,939 |
| Loan payable | 37,500 | - |
| Convertible promissory notes payable, net | 11,584 | 22,660 |
| Derivative liability | 13,898 | 74,340 |
| Total current liabilities | 529,331 | 480,701 |
| Total liabilities | 529,331 | 480,701 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, \$0.001 par value; 10,000,000 shares authorized; no shares issued and outstanding | - | - |
| Common stock, \$0.001 par value; 2,071,000,000 shares authorized; 61,568,764 and 47,353,624 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively | 61,569 | 47,354 |
| Additional paid-in capital | 12,382,383 | 11,241,121 |
| Accumulated deficit | (12,050,963) | (11,246,703) |

| | | |
|--|------------|------------|
| Total stockholders' equity | 392,989 | 41,772 |
| Total liabilities and stockholders' equity | \$ 922,320 | \$ 522,473 |

See accompanying notes to consolidated financial statements

3

GTX CORP
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|-----------------------------|---------------|---------------------------|---------------|
| | 2011 | 2010 | 2011 | 2010 |
| Revenues | \$ 118,320 | \$ 142,446 | \$254,568 | \$217,712 |
| Cost of goods sold | 85,229 | 64,288 | 183,336 | 101,112 |
| Gross profit | 33,091 | 78,158 | 71,232 | 116,600 |
| Operating expenses | | | | |
| Salaries and professional fees | 322,416 | 320,697 | 719,550 | 872,293 |
| Research and development | 3,070 | 18,199 | 4,049 | 40,475 |
| General and administrative | 71,447 | 90,276 | 139,698 | 185,675 |
| Total operating expenses | 396,933 | 429,172 | 863,297 | 1,098,443 |
| Loss from operations | (363,842) | (351,014) | (792,065) | (981,843) |
| Other income (expense) | | | | |
| Derivative income | 55,596 | - | 60,442 | - |
| Gain on conversion of debt | 6,348 | - | 9,552 | - |
| Interest income | - | 91 | - | 636 |
| Interest expense | (32,699) | - | (82,190) | - |
| Total other income (expense) | 29,245 | 91 | (12,196) | 636 |
| Net loss | \$ (334,597) | \$ (350,923) | \$ (804,261) | \$ (981,207) |
| Weighted average number of common shares outstanding - basic and diluted | 56,001,108 | 41,972,735 | 53,164,000 | 40,849,135 |
| Net loss per share - basic and diluted | \$ (0.01) | \$ (0.01) | \$ (0.02) | \$ (0.02) |

See accompanying notes to consolidated financial statements

GTX CORP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | Six Months Ended June 30, | |
|---|---------------------------|-------------------|
| | 2011 | 2010 |
| Cash flows from operating activities | | |
| Net loss | \$ (804,261) | \$ (981,207) |
| Adjustments to reconcile net loss to net cash used in operating activities | | |
| Depreciation | 96,870 | 89,718 |
| Discount on loan payable | 10,000 | - |
| Stock based compensation | 305,787 | 313,150 |
| Gain on conversion of debt | (9,552) | - |
| Amortization of debt discount | 29,534 | - |
| Change in fair value of derivative liability | (14,500) | - |
| Changes in operating assets and liabilities | | |
| Accounts receivable | (36,539) | (40,351) |
| Inventory | (107,559) | (53,208) |
| Other current assets | (5,285) | (173) |
| Accounts payable and accrued expenses | 40,016 | 87,750 |
| Accounts payable and accrued expenses-related parties | 88,302 | - |
| Deferred revenues | 69,783 | - |
| Net cash used in operating activities | (337,404) | (584,321) |
| Cash flows from investing activities | | |
| Purchase of property and equipment | (28,750) | (114,920) |
| Net cash used in investing activities | (28,750) | (114,920) |
| Cash flows from financing activities | | |
| Proceeds from loan payable, net | 27,500 | - |
| Proceeds from issuance of common stock | 316,038 | 302,709 |
| Proceeds from stock subscription | 297,500 | - |
| Net cash provided by financing activities | 641,038 | 302,709 |
| Net decrease in cash and cash equivalents | 274,884 | (396,532) |
| Cash and cash equivalents, beginning of period | 66,488 | 454,667 |
| Cash and cash equivalents, end of period | \$ 341,372 | \$ 58,135 |
| Supplemental disclosure of cash flow information: | | |
| Income taxes paid | \$ - | \$ - |
| Interest paid | \$ 308 | \$ - |
| Supplementary disclosure of noncash activities: | | |

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| | | |
|---|------------|-----------|
| Issuance of common stock for development of Apps (Property & equipment) | \$ 43,700 | \$ 16,000 |
| Issuance of common stock for accrued wages | \$ 120,000 | \$ - |
| Issuance of common stock for conversion of notes payable | \$ 77,000 | \$ 4,874 |

See accompanying notes to consolidated financial statements

GTX CORP AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011
(Unaudited)

1. ORGANIZATION AND NATURE OF BUSINESS

GTX Corp and subsidiaries (the “Company” or “GTX”) develops and integrates miniaturized Global Positioning System (“GPS”) tracking and cellular location technology for consumer products and service applications. GTX Corp owns 100% of the issued and outstanding capital stock of Global Trek Xploration, LOCiMOBILE, Inc, and Code Amber News Service, Inc. (“CANS”). LOCiMOBILE, Inc. has developed and owns LOCiMobile™, a suite of mobile tracking applications that turn the iPhone, Android, BlackBerry and other GPS enabled handsets into a tracking device which can then be tracked from handset to handset or through our Location Data Center tracking portal and which allows the user to send a map to the recipient’s phone showing the user’s location. CANS is a U.S. and Canadian syndicator of all state Amber Alerts providing website tickers and news feeds to merchants, internet service providers, affiliate partners, corporate sponsors and local, state and federal agencies.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements of GTX have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and applicable regulations of the U.S. Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted pursuant to such rules and regulations. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair statement of financial position and results of operations have been included. Our operating results for the six months ended June 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011. The accompanying unaudited consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2010, which are included in our Annual Report on Form 10-K, and the risk factors contained therein.

The consolidated financial statements reflect the accounts of GTX Corp and its wholly owned subsidiaries; Global Trek Xploration, LOCiMOBILE, Inc. and Code Amber News Service, Inc. All significant inter-company balances and transactions have been eliminated in consolidation.

Accounting Estimates

The preparation of the accompanying unaudited consolidated financial statements requires the use of estimates that affect the reported amounts of assets, liabilities, revenues, expenses and contingencies. These estimates include, but are not limited to, estimates related to revenue recognition, allowance for doubtful accounts, inventory valuation, tangible and intangible long-term asset valuation, warranty and other obligations and commitments. Estimates are updated on an ongoing basis and are evaluated based on historical experience and current circumstances. Changes in facts and circumstances in the future may give rise to changes in these estimates which may cause actual results to differ from current estimates.

Reclassifications

For comparability, certain prior period amounts have been reclassified, where appropriate, to conform to the financial statement presentation used in 2011.

Recent Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update (“ASU”) No. 2011-4, which amends the Fair Value Measurements Topic of the Accounting Standards Codification to help achieve common fair value measurement and disclosure requirements in GAAP and International Financial Reporting Standards. ASU No. 2011-4 does not require additional fair value measurements and is not intended to establish valuation standards or affect valuation practices outside of financial reporting. The ASU is effective for interim and annual periods beginning after December 15, 2011. The Company will adopt the ASU as required. The ASU may affect the Company’s fair value disclosures, but will not affect the Company’s results of operations, financial condition or liquidity.

In June 2011, the FASB issued ASU No. 2011-5, which amends the Comprehensive Income Topic of the ASU. The ASU eliminates the option to present the components of other comprehensive income as part of the statement of changes in shareholders’ equity, and instead requires consecutive presentation of the statement of net income and other comprehensive income either in a continuous statement of comprehensive income or in two separate but consecutive statements. ASU No. 2011-5 is effective for interim and annual periods beginning after December 15, 2011. The Company will adopt the ASU as required. The ASU will have no affect on the Company’s results of operations, financial condition or liquidity.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), and the SEC did not or are not believed by management to have a material impact on the Company’s present or future financial statements.

3. RELATED PARTY TRANSACTIONS

In order to preserve cash for other working capital needs various members of management and Board Members have agreed to accrue portions of their salary since fiscal 2009. As of June 30, 2011 and December 31, 2010, the Company owed \$119,253 and \$150,951, respectively for such accrued wages.

During January 2011, the Company entered into a \$30,000 short-term loan payable agreement with one of its board members. The loan carried an interest of 8% per annum and was due on April 25, 2011. The loan was repaid in full on May 6, 2011.

4. AETREX AGREEMENT

On December 22, 2010, we entered into an agreement (the “Aetrex Agreement”) with Aetrex Worldwide, Inc. (“Aetrex”) whereby Aetrex agreed to provide funds to the Company to pay for mold and production costs necessary to embed our GPS tracking device into certain footwear products manufactured and sold by Aetrex. Accordingly, Aetrex provided \$32,500 to the Company for the sole purpose of paying for mold costs relating to the production of the devices (“Mold Funds”). The Mold Funds will be used to pay for the first 325 devices delivered to Aetrex. In addition, pursuant to the Aetrex Agreement, Aetrex paid an additional \$76,250 to the Company on January 24, 2011 to cover part of the deposit necessary to produce their initial order of 3,000 devices (“Production Funds”). Both the Mold Funds and the Production Funds have been recorded as Deferred Revenue in the accompanying consolidated financial statements. The Production Funds will be used to pay for 750 devices, consisting of device numbers 326 through 1075 delivered to Aetrex. In the event that pricing of the devices is less than contemplated at the time of the Aetrex Agreement (i.e., \$100/unit), Aetrex shall receive a corresponding reduction and credit for monies owed for licensed products ordered. In the event that the 1,075 devices are not delivered to Aetrex before July 24, 2011, Aetrex can give us a 10-day demand notice for the return of the Mold Funds and the Production Funds. Aetrex has not given us such notice and is preparing to receive 1,500 devices in August 2011 and an additional 1,500 devices in September 2011. On January 26, 2011, Aetrex issued a \$197,000 letter of credit, originally expiring on July 30, 2011, for the benefit of the Company, and has extended the letter of credit to October 31, 2011.

5. DEBT

Loan Payable

On May 17, 2011, the Company entered into an original issue discount loan agreement whereby we received \$40,000 and we are required to make payments of \$12,500 each on June 16, July 16, August 16 and September 16, 2011 (the "Loan Payable"). The original issue discount totaling \$10,000 was recorded as interest expense during the three months ended June 30, 2011. The Loan Payable is secured by the Company's equity line financing arrangement with Dutchess Opportunity Fund, II, LP ("Dutchess"). In the event we do not have the funds available to pay the amount due on any designated pay date we are required to immediately instruct Dutchess to sell as many shares as are necessary in order to make such payment. We paid both the June 16 and July 16, 2011 payments as scheduled without using the Dutchess equity line.

Convertible Promissory Notes Payable

On December 16, 2010 and September 14, 2010 the Company entered into two separate Convertible Promissory Notes in the principal amounts of \$52,000 and \$45,000, respectively (the "Notes"). The Notes bear interest at 8% per annum and mature on September 20, 2011 and June 15, 2011, respectively. Under the Convertible Promissory Note Agreements, beginning 180 days following the date of each Note, the lender has the right to convert all or any part of the outstanding and unpaid principal of the Notes into shares of the Company's common stock; provided however, that in no event shall the lender be entitled to convert any portion of the Notes that would result in the beneficial ownership by it and its affiliates to be more than 4.99% of the outstanding shares of the Company's common stock. The Notes are convertible at a variable conversion price which is calculated based on 60% of the average of the five closing prices of the Company's common stock during the five trading day period ending one trading day prior to the date the conversion notice is sent by the lender.

As of June 30, 2011, the lender had elected to convert the entire principal balance of the \$45,000 note plus interest of \$1,800 into 1,467,415 shares of common stock at conversion prices ranging from \$0.0301 to \$0.0338.

As of June 30, 2011 the lender elected to convert \$32,000 of the principal balance of the \$52,000 note into 580,172 shares of common stock at conversion prices ranging from \$.0546 to \$.0558.

In connection with the issuance of the Notes, the Company has applied the guidance of FASB ASC Topic No. 815-40. Accordingly, the conversion features are accounted for as derivative liabilities at the date of issuance and adjusted to fair value through earnings at each reporting date.

The following table summarizes the convertible debt activity for the period from December 31, 2010 to June 30, 2011:

| Description | Convertible Notes | Derivative Liability | Total |
|---|----------------------|-------------------------|-----------|
| Fair value at December 31, 2010 | \$ 22,660 | \$ 74,340 | \$ 97,000 |
| Amortization of debt discount | 53,503 | - | 53,503 |
| Change in fair value for the six months ended June 30, 2011 | - | (60,442) | (60,442) |
| Conversions during period | (64,579) | - | (64,579) |
| Fair value at June 30, 2011 | \$ 11,584 | \$ 13,898 | \$ 25,482 |

The decrease in fair value of the derivative liability of \$60,442 includes \$14,500 of actual change in fair value and \$45,942 of extinguishment associated with the debt conversions. The Company recorded a \$9,552 gain associated with the conversions.

For the three and six months ended June 30, 2011 interest expense related to the convertible notes approximated \$1,000 and \$2,800, respectively.

6. EQUITY

Common Stock

During the six months ended June 30, 2011, the Company issued 1,050,000 shares of common stock from the 2008 Equity Compensation Plan (the "2008 Plan") to various members of management, employees and consultants as compensation for services rendered, the grant-date fair value of which was estimated at \$58,905 and is expensed as stock based compensation in the accompanying consolidated statement of operations. Additionally, 455,000 shares (valued at \$27,450) and 705,000 shares (valued at \$43,700) of common stock from the 2008 Plan were granted during the three and six months ended June 30, 2011 to a consultant for services related to the development of our mobile phone applications. The value of these services is capitalized as Property and Equipment in the accompanying consolidated balance sheet and will be depreciated through cost of goods sold.

During the three and six months ended June 30, 2011, the Company issued 1,988,000 shares (valued at \$109,160) and 3,168,000 shares (valued at \$175,358) of common stock, respectively, subject to restrictions upon transfer pursuant to Rule 144, as promulgated under the Securities Act of 1933, as amended, to various members of management, employees and consultants as compensation for services rendered and accordingly, is expensed as stock based compensation in the accompanying consolidated statement of operations. Additionally, a total of 2,400,000 shares (valued at \$120,000) were issued during June 2011 to our Chief Executive Officer and Chief Operating Officer as payment for a portion of their salary that had been accrued since 2009 (See Note 4). During July 2010, 1,050,000 shares of common stock were issued to members of management and board members which contain repurchase rights whereby the Company retains the rights to acquire the shares from the stock recipients and such repurchase rights lapse ratably over twelve months at a rate of 1/12th per month beginning on July 31, 2010. At the date of issuance, the shares were valued at par (\$.001 per share) and recorded as an Other Current Asset in the accompanying consolidated financial statements. The related stock based compensation expense is recorded in conjunction with the monthly vesting based on the average stock price during the respective month. Accordingly, during the three and six months ended June 30, 2011, \$18,325 and \$34,634, respectively, was expensed as stock based compensation expense.

In connection with the Company's equity line financing arrangement with Dutchess, during the three and six months ended June 30, 2011, the Company sold to Dutchess 2,935,669 and 4,844,553 shares of common stock, respectively, at prices ranging from \$0.050 - \$0.0752 per share resulting in proceeds of approximately \$206,000 and \$316,000, respectively.

During June 2011, subscription agreements were received for the sale of 5,950,000 shares of common stock at \$.05 per share (a total of \$297,500) to 7 investors, including the Company's Chief Financial Officer who purchased 200,000 of the shares of common stock. As of June 30, 2011, the Company had received all of the proceeds relating to these subscription agreements. We intend to issue the 5,950,000 shares in August 2011. As of June 30, 2011, the proceeds relating to these subscription agreements is included in Additional Paid-in Capital in the accompanying consolidated financial statements.

Common Stock Warrants

Since inception, the Company has issued warrants to purchase shares of the Company's common stock to shareholders, consultants and employees as compensation for services rendered.

A summary of the Company's warrant activity and related information for the six months ended June 30, 2011 is provided below:

| | Exercise Price | Number of Warrants |
|--|-------------------|--------------------|
| Outstanding and exercisable at December 31, 2010 | 0.40 – \$ 1.50 | 3,201,750 |
| Warrants exercised | | - |
| Warrants granted | | - |
| Warrants expired | \$ 1.50 | (1,930,750) |
| Outstanding and exercisable at June 30, 2011 | \$ 0.40 | 1,271,000 |

| Exercise Price | Stock Warrants as of June 30, 2011 | | |
|----------------|------------------------------------|------------------------|----------------------|
| | Warrants Outstanding | Remaining Life (Years) | Warrants Exercisable |
| \$ 0.40 | 1,271,000 | 2.04 | 1,271,000 |
| | 1,271,000 | | 1,271,000 |

Common Stock Options

During the three and six months ended June 30, 2011, the Company recorded compensation expense related to options granted under the 2008 Equity Compensations Plan (the "2008 Plan") of \$915 and \$36,915, respectively. No stock options were granted during the six months ended June 30, 2011.

The 2008 Plan provides for the issuance of a maximum of 7,000,000 shares of which, after adjusting for estimated pre-vesting forfeitures, approximately 133,000 were still available for issuance as of June 30, 2011.

Stock option activity under the 2008 Plan for the six months ended June 30, 2011 is summarized as follows:

| | Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (in years) | Grant Date Fair Value |
|---------------------------------------|------------|--|---|-----------------------------|
| Outstanding at December 31, 2010 | 2,915,500 | \$0.34 | 2.23 | \$458,201 |
| Options granted | - | - | - | - |
| Options exercised | - | - | - | - |
| Options cancelled/ forfeited/ expired | (133,418) | - | - | (110,309) |
| Outstanding at June 30, 2011 | 2,782,082 | \$0.27 | 1.99 | \$347,892 |
| Exercisable at June 30, 2011 | 2,726,836 | \$0.27 | 1.68 | \$344,656 |

As of June 30, 2011, after adjusting for estimated pre-vested forfeitures, there was approximately \$3,000 of unrecognized compensation cost related to unvested stock options which is expected to be recognized monthly over the next 10 months. The Company intends to issue new shares to satisfy share option exercises.

Share-Based Compensation Payments

Total non-cash compensation expense related to the issuance of stock, warrants, and options was as follows:

| | Three months ended June 30, | | Six months ended June 30, | |
|----------------------|-----------------------------|-----------|---------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| Stock compensation | \$ 127,486 | \$ 10,075 | \$ 268,872 | \$ 139,795 |
| Options compensation | 915 | 67,634 | 36,915 | 173,355 |
| | \$ 128,401 | \$ 77,709 | \$ 305,787 | \$ 313,150 |

7. COMMITMENTS & CONTINGENCIES

From time to time, we may be involved in routine legal proceedings, as well as demands, claims and threatened litigation that arise in the normal course of our business. The ultimate amount of liability, if any, for any claims of any type (either alone or in the aggregate) may materially and adversely affect our financial condition, results of operations and liquidity. In addition, the ultimate outcome of any litigation is uncertain. Any outcome, whether favorable or unfavorable, may materially and adversely affect us due to legal costs and expenses, diversion of management attention and other factors. We expense legal costs in the period incurred. We cannot assure you that additional contingencies of a legal nature or contingencies having legal aspects will not be asserted against us in the future, and these matters could relate to prior, current or future transactions or events. Except as described below, we are not currently a party to any material litigation.

In January 2011, a lawsuit was filed against the Company by a former independent contractor who claims we owe him \$16,250 for services rendered during 2008 and 2009. We contend that the independent contractor was paid in full for the services rendered and no additional funds are due to the former independent contractor. In February 2011 we filed a demurrer to the complaint and in June, 2011 we filed a demurrer to the amended complaint. We intend to defend this case vigorously. The outcome of the lawsuit is not expected to have a material impact on the Company's financial condition or operations and accordingly, there has been no accrual for potential loss included in the accompanying consolidated financial statements.

A lawsuit was filed against the Company in 2009 by a former consultant who claims we owe \$23,912 plus interest and attorney fees for services rendered during 2009. We contend that the services in question were not performed, not approved or not delivered and accordingly, no additional funds are due to the former consultant. We have countersued the former consultant and continue to defend this case vigorously. The outcome of the lawsuit is not expected to have a material impact on the Company's financial condition or operations and accordingly, there has been no accrual for potential loss included in the accompanying consolidated financial statements.

8. SUBSEQUENT EVENTS

Subsequent to June 30, 2011, the Company issued 750,000 shares of common stock to various contractors and consultants as compensation for services rendered, the grant-date fair value of which was estimated at \$55,500. Such shares are subject to restrictions upon transfer pursuant to Rule 144, as promulgated under the Securities Act of 1933, as amended. Additionally, the Company issued 130,000 shares of common stock from the 2008 Equity Compensation Plan to a consultant for services related to the development of our mobile phone applications and accordingly, the value will be capitalized as Property and Equipment and depreciated through cost of goods sold. The grant-date fair value of the shares was estimated at \$10,400.

During July 2011 the lender of our convertible debt elected to convert the remaining \$20,000 of the \$52,000 convertible promissory note plus \$2,080 of interest payable into 461,748 shares of common stock at a conversion price of approximately \$0.0478, resulting in the December 16, 2010 promissory note being extinguished in full.

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

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 2 of Part I of this report include forward-looking statements. These forward looking statements are based on our management's current expectations and beliefs and involve numerous risks and uncertainties that could cause actual results to differ materially from expectations. In some cases, you can identify forward-looking statements by terminology such as "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "proposed," "intended," or "continue" or the negative of these terms or other comparable terminology. You should read statements that contain these words carefully, because they discuss our expectations about our future operating results or our future financial condition or state other "forward-looking" information. Many factors could cause our actual results to differ materially from those projected in these forward-looking statements, including but not limited to: variability of our revenues and financial performance; risks associated with product development and technological changes; the acceptance our products in the marketplace by existing and potential future customers; general economic conditions. You should be aware that the occurrence of any of the events described in this Quarterly Report could substantially harm our business, results of operations and financial condition, and that upon the occurrence of any of these events, the trading price of our securities could decline. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, growth rates, levels of activity, performance or achievements. We are under no duty to update any of the forward-looking statements after the date of this Quarterly Report to conform these statements to actual results.

Introduction

As used in this Quarterly Report, the terms "GTX Corp", "we", "us", "our", and "the Company" mean GTX Corp and our three wholly-owned subsidiaries.

Operations

GTX Corp provides various interrelated and complimentary products and services in the Personal Location Services marketplace. We currently conduct our operations through three wholly-owned subsidiaries that operate in related sectors of the personal location-based market. In general our subsidiaries consist of the following:

- Our subsidiary, Global Trek Xploration ("GTX California"), offers a GPS and cellular location platform that enables subscribers to track in real time the whereabouts of people, pets or high valued assets through a miniaturized transceiver module, wireless connectivity gateway, middleware and viewing portal. On March 18, 2010, GTX California entered into a four-year agreement with Aetrex Worldwide, Inc. ("Aetrex") pursuant to which we granted Aetrex the licensing rights to our end to end patented two way GPS platform and embed our GPS tracking device into certain footwear products manufactured and sold by Aetrex. Aetrex Worldwide, Inc. is a global leader in pedorthic footwear and foot orthotics. Aetrex has certain exclusive and non-exclusive rights under this agreement. In order to retain its exclusive rights, Aetrex must purchase 156,000 devices from us over the four-year period commencing on the date that we ship to Aetrex the first production order of devices as follows: 6,000 GPS tracking devices in the first year, 25,000 devices during the second year, 50,000 during the third year, and 75,000 devices during the fourth year. On June 30, 2010, Aetrex issued its first purchase order for 3,000 devices, which we expect to ship to Aetrex in the third quarter of 2011. The end-users of the GPS enabled Aetrex shoes, expected to be predominately seniors afflicted with dementia, will be required to pay us a monthly service fee, a portion of which will be shared with Aetrex. The Aetrex shoe is scheduled to be released in the third quarter of 2011.

On May 28, 2010, the Company entered into a three year agreement with Midnite Air Corp (“MNX”) granting MNX the exclusive rights to the GPS tracking platform for use in the transportation of high valued assets. In order to retain exclusive rights, MNX must purchase a minimum of 15,000 devices over the three year term at 5,000 per year and activate each device with a monthly monitoring subscription. Each device shipped will automatically be activated within 90 days of receipt with a monthly data monitoring and connectivity subscription fee. We have completed the integration process between the GTX tracking platform and the MNX backend customer service portal, delivered 40 devices to MNX and activated the monthly monitoring as of August 11, 2011. MNX must purchase an additional 4,960 devices before May 3, 2012 in order to retain their exclusive rights.

During 2010, the Company also signed two international licensing agreements, with Tracking Central in Australia and with Peace of Mind in Mexico, expanding its international distribution channels.

- Our LOCiMOBILE, Inc. subsidiary has developed, and launched smart-phone mobile applications (“Apps”) for the iPhone, iPad, Android, BlackBerry and other GPS enabled handsets and tablets that permit authorized users to locate and track the movement of the holder of the handset. Our 17 Apps, that run on six different platforms (including iPhone, BlackBerry and Google Android), have experienced over 1,030,000 downloads in 117 countries with two of our Apps in the iTunes top 25 social networking category, reaching number seven on the downloads list, number two on the highest grossing list and iTunes “What’s Hot” list. There are currently several new Apps in development and scheduled for release in the third quarter of 2011. These include a series of applications that will be geared for the enterprise user, by offering “private label” versions of our popular consumer apps to companies looking for a more personalized and secure method of keeping track of their employees. In addition, the Company will expand into proximity marketing and begin to leverage its global user base. Our roadmap also consists of further development of additional applications for the iPad and other tablets and TV’s, and more applications for the iPhone, BlackBerry and Google Android operating systems, all of which are expected to further contribute to our user base community, the value of our brand, and revenue increases from App sales, monthly subscriptions and advertising. LOCiMOBILE has created 9 new videos that have been posted on YouTube, is formulating 2 new strategic alliances with signed contracts expected to close in the 3rd quarter and is entering the gaming and entertainment category looking to expand its user base and demographics.
- Our Code Amber News Service, Inc. (“CANS”) subsidiary is a U.S. and Canadian syndicator and content provider of all state Amber Alerts (public notifications of child abductions) and missing person alerts. Additionally, CANS markets and sells the patent pending electronic medical Code Amber Alertag and has recently signed up dozens of online affiliates and channel partners with a current total of 290 affiliates in 61 countries and 25 active fundraising organization throughout the United States that are selling the Alertag. The Alertag comes with an annual \$19.95 subscription based model and compliments the overall GTX business model of providing peace of mind and personal location solutions to the masses. Code Amber recently formed an alliance with Lifespire, Inc., a nonprofit organization dedicated to helping developmentally disabled individuals reach their life’s aspirations. LifeSpire is working on a new version of the Code Amber Alertag which will help accelerate the treatment and care of those in need, and potentially save thousands of lives. LifeSpire informed us that their initial 400 unit test order was successful and that they plan to place another order in the 3rd quarter of 2011.

GTX Corp has recognized Latin America as a growing and strategically important market and is engaging this market through partnerships, bilingual sales and technical support staff along with localized software translated into Spanish for the region. GTX Corp has commenced selling personal location solutions to Mexico, Brazil, Colombia, Peru, Chile, Venezuela and Guatemala, through hardware devices, platform licensing and smart phone Apps and Alertags. The Company expects to see significant growth in 2011 as the Company increases the number of local partnerships and marketing efforts in these international territories. For 2011 the Company is exploring partnerships in Europe, Canada and China and has signed agreements with companies operating in those territories in order to explore and evaluate expansion into those territories.

In addition, based on the successful soft launch of the MNX product, the Company is planning to expand into Europe and is securing office space in the UK to better support the global needs of MNX and Aetrex. The Company has brought on 3 advisors in the region to advance our wireless carrier relationships, expand our mobile apps presence in the European app stores and to establish licensing partners for the GTX backend monitoring platform. Australia, New Zealand, China, Canada and Israel are also being explored as potential launch markets in 2012.

Results of Operations

The following discussion should be read in conjunction with our consolidated financial statements and the related notes that appear elsewhere in this Quarterly Report.

Second Quarter of 2011 Compared to Second Quarter of 2010

| | Three Months Ended June 30, 2011 | | 2010 | | Dollar Variance | % Variance |
|--------------------------------|-------------------------------------|------------------|--------------|------------------|--------------------|---------------|
| | \$ | % of Revenues | \$ | % of Revenues | | |
| Revenues | \$ 118,320 | 100 % | \$ 142,446 | 100 % | \$(24,126) | (17)% |
| Cost of goods sold | 85,229 | 72 % | 64,288 | 45 % | (20,941) | (33)% |
| Net profit | 33,091 | 28 % | 78,158 | 55 % | (45,067) | (58)% |
| Salaries and professional fees | 322,416 | 272 % | 320,697 | 225 % | (1,719) | (1)% |
| Research and development | 3,070 | 3 % | 18,199 | 13 % | 15,129 | 83 % |
| General and administrative | 71,447 | 60 % | 90,276 | 63 % | 18,829 | 21 % |
| Operating expenses | 396,933 | 335 % | 429,172 | 301 % | 32,239 | 8 % |
| Loss from operations | (363,842) | (307)% | (351,014) | (246)% | (12,828) | (4)% |
| Other income (expense), net | 29,245 | 25 % | 91 | - % | 29,154 | 32,037 % |
| Net loss | \$(334,597) | (282)% | \$(350,923) | (246)% | \$16,326 | 5 % |

Revenues

The decrease in our revenues during the second quarter of 2011 is primarily due to a \$49,000 or 46% decrease in our Application revenues in comparison to the second quarter of 2010. This decrease is due to a decrease in the number of paid for Apps released in 2011 compared to 2010. A large portion of subscriber downloads of our Apps in 2011 relate to upgrades to current subscriptions, which upgrades are provided free of charge. During the second quarter of 2011 we continued to recognize revenue from our agreements with Aetrex and MNX, hardware product sales, portal software licensing, monthly subscriptions, Code Amber annual news feed subscriptions, points of display sponsorships and the sale of Code Amber Alertags. We expect that revenues will increase during the third quarter of 2011 with the release of the Aetrex shoe, the continued sales of devices and monthly monitoring services to MNX, the continued sales of smart-phone Apps along with the introduction of new Apps, and continued Code Amber Alertag sales.

Cost of goods sold

The increase in cost of goods sold as a percentage of revenues during the second quarter of 2011 is primarily attributable to costs incurred in generating new business for our portal services, as well as costs associated with implementing the Aetrex agreement. Additionally, included in cost of goods sold is the depreciation on the capitalized costs of the Apps, which increased by approximately \$14,000 or 65% in comparison to the second quarter of 2010 due to the continued development of our Apps.

Salaries and professional fees

Salaries and professional fees during the second quarter of 2011 stayed relatively unchanged compared to the same 2010 period. Near the end of fiscal 2009, we implemented numerous cost cutting efforts, including reductions in staff and management positions, in response to the downturn in the U.S. and global economy. These reductions have remained in place and we continue to keep the current workforce at the minimum level necessary to maintain operations. Professional fees consist primarily of costs attributable to consultants and contractors who primarily spend their time on sales, marketing and the development of technology; legal fees relating to general corporate matters and our patent applications; and accounting expenses. We anticipate that operations will increase during the third quarter of 2011 primarily from the release of the Aetrex shoe and the continued sale of devices to MNX. Accordingly, we may have to increase our workforce, increase the amount of wages and benefits we pay, and increase the utilization of consultants and contractors in the future as the economy recovers from the setbacks caused by the crisis in the global markets.

Research and development

Research and development expense during the second quarter of 2011 decreased 83% in comparison to the comparable 2010 period because we have moved substantially out of the development stage into the sales stage, including sales of our LOCiMOBILE® Apps, our GPS tracking devices and our Location Data Center monitoring portal.

General and administrative

General and administrative expenses consist primarily of corporate administrative costs, depreciation, occupancy costs, insurance and travel and entertainment. General and administrative expenses during the second quarter of 2011 decreased 21% in comparison to the comparable period in 2010 due primarily to reductions in depreciation expense and website maintenance, as well as the implementation of various general cost cutting measures.

Other Income (Expense), net

Other income (expense), net for the second quarter of 2011 is primarily attributable to discount amortization, derivative income and the gain on conversion of our convertible promissory notes. The derivative income represents the net unrealized (non-cash) change during the period in the fair value of our derivative liabilities related to embedded derivatives in our convertible promissory notes that have been bifurcated and accounted for separately. Additionally, during the second quarter of 2011, a lender converted \$65,808 of our convertible promissory notes (including interest of approximately \$2,000) resulting in a gain on conversion of approximately \$6,000. The financial instruments that resulted in the derivative liability and debt discounts were not in place during the second quarter of 2010. Interest income generated during the same period in 2010 was minor and related to interest earned on money market accounts.

Six Months Ended June 30, 2011 Compared to the Six Months Ended June 30, 2010

| | Six Months Ended June 30, 2011 | | Six Months Ended June 30, 2010 | | Dollar Variance | % Variance | Favorable (Unfavorable) |
|--------------------------------|-----------------------------------|------------------|-----------------------------------|------------------|--------------------|---------------|-------------------------|
| | \$ | % of Revenues | \$ | % of Revenues | | | |
| Revenues | \$254,568 | 100 % | \$217,712 | 100 % | \$36,856 | 17 % | |
| Cost of goods sold | 183,336 | 72 % | 101,112 | 46 % | (82,224) | (81)% | |
| Net profit | 71,232 | 28 % | 116,600 | 54 % | (45,368) | (39)% | |
| Salaries and professional fees | 719,550 | 283 % | 872,293 | 401 % | 152,743 | 18 % | |
| Research and development | 4,049 | 1 % | 40,475 | 19 % | 36,426 | 90 % | |
| General and administrative | 139,698 | 55 % | 185,675 | 85 % | 45,977 | 25 % | |
| Operating expenses | 863,297 | 339 % | 1,098,443 | 505 % | 235,146 | 21 % | |
| Loss from operations | (792,065) | (311)% | (981,843) | (451)% | 189,778 | (19)% | |
| Other income (expense), net | (12,196) | (5)% | 636 | - % | (12,832) | (2,018)% | |
| Net loss | \$(804,261) | (316)% | \$(981,207) | (451)% | \$176,946 | (18)% | |

Revenues

Revenues during the first six months of 2011 increased 17% as compared to the same period in 2010 primarily because of an increase in revenues generated from our licensing agreements with Aetrex and MNX. In addition to approximately \$125,000 in revenues generated from the sale of our Apps, we continued to generate revenues from the Aetrex agreement, the promotion of our portal services, hardware product sales, portal software licensing, monthly subscriptions, Code Amber annual news feed subscriptions, points of display sponsorships and the sale of Code Amber Alertags. We expect that revenues will increase during the third quarter of 2011 with the release of the Aetrex shoe and the continued sale of devices to MNX.

Cost of goods sold

The increase in cost of goods sold as a percentage of revenues during the first six months of 2011 is primarily attributable to costs incurred in generating new business for our portal services, as well as, costs associated with the Aetrex agreement. Additionally, included in cost of goods sold is the depreciation on the capitalized costs of the Apps, which increased by approximately \$32,000 or 82% in comparison to the first six months of 2010 due to the continued development of our Apps.

Salaries and professional fees

Salaries and professional fees during the first six months of 2011 decreased 18% compared to the same 2010 period. The decrease is primarily due to reductions in staffing in order to preserve cash, as well as cost cutting efforts we implemented in response to the downturn in the U.S. and global economy. Professional fees consist primarily of costs attributable to consultants and contractors who primarily spend their time on sales, marketing and the development of technology; legal fees relating to general corporate matters and our patent applications; and accounting expenses. We anticipate that operations will increase during the third quarter of 2011 primarily from the release of the Aetrex shoe and the continued sale of devices to MNX. Accordingly, we may have to increase our workforce, increase the amount of wages and benefits we pay, and increase the utilization of consultants and contractors in the future.

Research and development

Research and development expense during the first six months of 2011 decreased 90% in comparison to the same 2010 period because we have moved substantially out of the development stage for all of our products, including our LOCiMOBILE® Apps, our GPS tracking devices and our Location Data Center tracking portal.

General and administrative

General and administrative expenses consist primarily of corporate administrative costs, depreciation, occupancy costs, insurance and travel and entertainment. General and administrative expenses during the first six months of 2011 decreased 25% in comparison to the same period in 2010 due primarily to reductions in depreciation expense and website maintenance, as well as, the implementation of various general cost cutting measures.

Other Income (Expense), net

Other income (expense), net for the first six months of 2011 is primarily attributable to discount amortization, derivative income and the gain on conversion of our convertible promissory notes. The derivative income represents the net unrealized (non-cash) change during the period in the fair value of our derivative liabilities related to embedded derivatives in our convertible promissory notes that have been bifurcated and accounted for separately. Additionally, during the first six months of 2011, a total of \$78,808 of our convertible promissory notes (including interest of approximately \$2,000) were converted, resulting in a gain on conversion of approximately \$14,000. The financial instruments that resulted in the derivative liability and debt discounts were not in place during the first six months of 2010. Interest income generated during the same period in 2010 was minor and related to interest earned on money market accounts.

Liquidity and Capital Resources

As of June 30, 2011, we had approximately \$341,000 of cash and cash equivalents, and working capital of approximately \$93,000 compared to approximately \$66,000 of cash and cash equivalents and a working capital deficit of approximately \$283,000 as of December 31, 2010.

During the six months ended June 30, 2011 our net loss decreased to approximately \$804,000 compared to a net loss of approximately \$981,000 for the same 2010 period. Net cash used in operating activities was approximately \$337,000 for the first six months of 2011 compared to \$584,000 during the same 2010 period. The decrease in cash used in operating activities is primarily attributable to an increase in the use of stock, rather than cash, to pay consultants and employees, the accrual of management's salaries, a reduction in our support staff, and reductions in amounts paid for accounting and legal services during the period.

Net cash used in investing activities during the six months ended June 30, 2011 and 2010 was approximately \$29,000 and \$115,000, respectively and consisted primarily of payments for the development of our LOCiMOBILE® products, which payments were capitalized.

Net cash provided by financing activities during the six months ended June 30, 2011 and 2010 was approximately \$641,000 and \$303,000, respectively and primarily consists of proceeds received from the sale of shares from the Equity Line financing agreement and \$297,500 from the June 2011 subscription agreements. During the first six months of 2011, we sold 4,844,553 shares of common stock to Dutchess at prices ranging from \$0.050 - \$0.0752 per share under our Equity Line, resulting in proceeds of approximately \$316,000. .

Because revenues from our operations have, to date, been insufficient to fund our working capital needs, we currently rely on the cash we receive from our financing activities as well as the common stock line of credit we entered into with Dutchess to fund our capital expenditures and to support our working capital requirements. Since we entered into the Investment Agreement with Dutchess in November 2009 in connection with the Equity Line, we have sold to Dutchess 7,183,389 shares of our common stock (at prices ranging from \$0.1763 - \$.050 per share) for net proceeds of approximately \$614,000. We anticipate that we will continue to, from time to time, draw on the Equity Line to provide additional funding. The amount of such funding will depend upon our needs and the amount that is available to us under the Equity Line. In the event that we do not generate the amount of revenues that we anticipate, or if our expenses exceed our budgeted amounts, we may need to increase our use of the Equity Line. No assurance can be given that we will be able to obtain sufficient funds under the Equity Line to fund our expected working capital deficits.

On December 16, 2010 and September 14, 2010, in order to fund our working capital needs, we received loans from a third-party in the principal amounts of \$52,000 and \$45,000, respectively (the "Loans"). The Loans bore interest at 8% per annum with maturity dates of September 20, 2011 and June 15, 2011, respectively, and were convertible into shares of our common stock. On March 23, 2011, the lender converted \$13,000 of the principal balance of the \$45,000 note into 384,615 shares of common stock at a conversion price of \$.0338 per share. During April 2011, the lender converted the remaining balance of \$32,000 plus \$1,800 of accrued interest on the \$45,000 note into 1,082,800 shares of common stock at conversion prices ranging from \$.0301 to \$.0321 per share. During June 2011, the lender converted \$32,000 of the principal balance of the \$52,000 note into 580,172 shares of common stock at conversion prices of approximately \$.055 per share. During July 2011, the lender converted the remaining balance of \$20,000 plus \$2,080 of accrued interest on the \$52,000 note into 461,748 shares of common stock at conversion prices of approximately \$.048 per share. Accordingly, as of July 6, 2011, both Loans are paid in full.

On May 17, 2011, the Company entered into a \$50,000 original issue discount loan agreement whereby we received \$40,000 and we are required to make payments of \$12,500 each on June 16, July 16, August 16 and September 16, 2011. The original issue discount totaling \$10,000 was recorded as interest expense during the three months ended June 30, 2011. The Loan Payable is secured by the Company's equity line financing arrangement with Dutchess. In the event we do not have the funds available to pay the amount due on any designated pay date we are required to immediately instruct Dutchess to sell as many shares as are necessary in order to make such payment. We paid both the June 16 and July 16, 2011 payments as scheduled without using the Dutchess equity line.

We are currently a party to two licensing agreements (Aetrex and MNX), two international distributor agreements, and two separate platform test agreements for the development and release of additional products. Based on the anticipated release of the products pursuant to the licensing agreements, the orders and subscription revenues from our international partners and the development and testing of the products that are currently the subject of platform test agreements, and on the early results of those tests, we currently anticipate that we will generate revenues from both of the licensing agreements, at least one of the platform test agreements and all three of our current international distributors during 2011. However, we currently expect to incur continued losses until these and our other revenue initiatives collectively generate substantial revenues. Revenues from these sources are expected to be realized during the course of 2011. However, no assurance can be given that our current contractual arrangements and the revenues from device sales, subscriptions, Alertags, software licensing or our smart phone or tablet Apps will be sufficient to fund our working capital needs by the end of calendar year 2011.

We will continue to incur normal operating expenses and we intend to continue our development efforts for our various technologies and products, including hardware, software, interface customization, and website development. We expect to further develop our sales, marketing and manufacturing programs associated with the commercialization and licensing of our GPS devices and technology. In addition, we intend to further commercialize our LOCiMOBILE® Apps, CANS and the CANS Code Amber Alertags. These activities can only be conducted if our liquidity improves. Accordingly, unless we improve our liquidity, the development of improved products, and our ability to compete, will be adversely affected.

Our funding requirements will depend on numerous factors, including:

- Costs involved in the completion of the hardware, software, interface customization and website development necessary to continue the commercialization of our products;
 - The costs of outsourced manufacturing;
 - The costs of licensing activities, including product marketing and advertising; and
- Revenues derived from product sales and the licensing of our technology, the sale of GPS enable shoes in conjunction with the Aetrex Licensing Agreement, sales to MNX, the sales of the LOCiMobile® applications for GPS enabled handsets, and advertising sales from CANS.

As noted above, based on budgeted revenues and expenditures, planned sales of stock, proceeds from the Equity Line, the use of stock to pay for services and other measures to preserve cash, we believe that we will have sufficient liquidity to satisfy our operating cash requirements for the next twelve months. However, we expect that unless our sales increase significantly, we will need to raise additional funds during the remainder of 2011. The sale of additional equity securities will result in additional dilution to our existing stockholders. Sale of debt securities could involve substantial operational and financial covenants that might inhibit our ability to follow our business plan. Additional financing may not be available in amounts or on terms acceptable to us or at all. We may draw on the Equity Line from time to time at our option over a three year period by selling to Dutchess either (a) 200% of the average daily volume (U.S. market only) of the common stock for the three (3) trading days prior to the date of delivery of the applicable put notice, multiplied by the average of the closing prices for such trading days, or (b) any other specified amount, up to \$500,000. If we are unable to obtain additional financing (through the Equity Line, or otherwise), we may be required to reduce the scope of, delay or eliminate some or all of our planned research, development and commercialization activities, which could harm our financial conditions and operating results.

Since inception in 2002, we have generated significant losses (as of June 30, 2011, we had an accumulated deficit of approximately \$12,051,000), and we currently expect to incur continued losses until our revenue initiatives collectively generate substantial revenues. Depending on our current contractual arrangements and the revenues from our new LOCiMOBILE® applications, we currently anticipate that our losses will continue until at least the end of calendar year 2011. We are subject to many risks associated with small and growing businesses, including the above-discussed risks associated with the ability to raise capital. Please see the section entitled “Risk Factors” included in our Annual Report on Form 10-K for the year ended December 31, 2010 for more information regarding risks associated with our business.

Off-Balance Sheet Arrangements

There are no 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 is material to investors.

Inflation

We do not believe our business and operations have been materially affected by inflation.

Critical Accounting Policies and Estimates

There are no material changes to the critical accounting policies and estimates described in the section entitled “Critical Accounting Policies and Estimates” under Item 7 in our Annual Report on Form 10-K for the year ended December 31, 2010.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a “smaller reporting company”, we are not required to provide the information under this Item 3.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 as of the end of the period covered by this report (the "Evaluation Date"). Based upon the evaluation, our principal executive officer and principal financial officer concluded as of the Evaluation Date that our disclosure controls and procedures were effective. Disclosure controls are controls and procedures designed to reasonably ensure that information required to be disclosed in our reports filed under the Exchange Act, such as this report, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls include controls and procedures designed to reasonably ensure that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls Over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the quarterly period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

ITEM 1A. RISK FACTORS.

As a “smaller reporting company”, we are not required to provide disclosure under this Item 1A.

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

During the three months and six months ended June 30, 2011, we issued 4,388,000 and 5,568,000 shares of common stock, respectively to various consultants, members of management and board members, at prices ranging from \$0.050 to \$0.085 per share, as compensation for services rendered, the grant-date fair value of which was approximately \$229,000 and \$295,000, respectively. Subsequent to June 30, 2011, 750,000 shares of common stock were issued to a total of five consultants, at \$0.074 per share, as compensation for services rendered, the grant-date fair value of which was estimated at \$55,500. The foregoing shares were issued in reliance upon an exemption from the registration requirements pursuant to Section 4(2) of the Securities Act of 1933, as amended.

In connection with the conversion of a \$45,000 Convertible Promissory Note, we issued 1,467,415 shares of common stock, at conversion prices ranging from \$.0301 to \$.0338 per share, to one lender during March and April 2011. In connection with the conversion of a \$52,000 Convertible Promissory Note, we issued 1,041,920 shares of common stock, at conversion prices ranging from \$.0467 to \$.0558 per share, to the same lender during June and July 2011. The foregoing shares were issued to a single accredited investor in reliance upon an exemption from the registration requirements pursuant to Section 4(2) of the Securities Act of 1933, as amended.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

ITEM 5. OTHER INFORMATION.

None

ITEM 6. EXHIBITS.

(a) Exhibits

- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act
- 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act
- 32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema
- 101.CAL XBRL Taxonomy Extension Calculation
- 101.LAB XBRL Taxonomy Extension Label
- 101.PRE XBRL Taxonomy Extension Presentation

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GTX CORP

Date: August 11, 2011 By: /s/ MURRAY WILLIAMS
Murray Williams,
Chief Financial Officer (Principal Financial Officer)

Date: August 11, 2011 By: /s/ PATRICK BERTAGNA
Patrick Bertagna,
Chief Executive Officer