

Edgar Filing: NUWAY ENERGY INC - Form 10QSB/A

NUWAY ENERGY INC  
Form 10QSB/A  
March 25, 2002

U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-QSB/A-1

(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, 2001

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 33-43423

NUWAY ENERGY, INC.

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

DELAWARE  
-----  
(State or other jurisdiction  
of incorporation or organization)

65-0159115  
-----  
(IRS Employer  
Identification No.)

19100 Von Karman Ave, Ste 450  
Irvine, CA 92612

-----  
(Address of principal executive offices)

(949) 553-8002

-----  
(Issuer's telephone number)

Check whether the issuer (1) filed all reports required to be filed by  
Section 13 or 15(d) of the Exchange Act during the past 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

Number of shares outstanding of each of the issuer's classes of common  
equity, as of March 22, 2002: 5,133,883 shares of common stock, \$0.00067 par  
value per share.

NUWAY ENERGY, INC. AND SUBSIDIARIES  
-----

CONTENTS  
-----

# Edgar Filing: NUWAY ENERGY INC - Form 10QSB/A

Accountant's Review Report	1
Consolidated Balance Sheets as of June 30, 2001 and December 31, 2000	2
Consolidated Statements of Changes in Stockholders' Equity for the Six months ended June 30, 2001 and Year Ended December 31, 2000	3
Consolidated Statements of Operations for the Three months and Six Months Ended June 30, 2001 and 2000	4
Consolidated Statements of Cash Flows for the Six months Ended June 30, 2001 and 2000	5
Notes to Consolidated Financial Statements as of June 30, 2001 and December 31, 2000	6-17

## Accountants' Review Report

-----

To the Board of Directors  
NuWay Energy, Inc. and Subsidiaries

We have reviewed the accompanying consolidated balance sheets of NuWay Energy, Inc. and Subsidiaries as of June 30, 2001, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the three and six months ended June 30, 2001 and 2000 in accordance with the Statements for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of NuWay Energy, Inc.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The balance sheet for the year ended December 31, 2000 was audited by us and we expressed an unqualified opinion on it in our report dated March 15, 2001, and restated on March 12, 2002 but we have not performed any auditing procedures since that date.

Shubitz Rosenbloom & Co., P.A.

Edgar Filing: NUWAY ENERGY INC - Form 10QSB/A

Miami, Florida  
 August 10, 2001  
 (Except as to Note 1 N  
 Whose date is March 22, 2002)

NUWAY ENERGY, INC. AND SUBSIDIARIES  
 -----

CONSOLIDATED BALANCE SHEETS  
 JUNE 30, 2001 AND DECEMBER 31, 2000

ASSETS  
 -----

	June 30, 2001	December 31, 2000
	-----	-----
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,055,992	\$ 4,422,715
Accounts Receivable, Less \$150,000 of Allowance for Doubtful Accounts in 2001 and 2000	1,287,299	1,382,382
Inventory	538,097	539,560
Prepaid Expenses and Other Current Assets	98,511	136,717
	-----	-----
Total Current Assets	5,979,899	6,481,374
	-----	-----
PROPERTY AND EQUIPMENT - NET	3,187,128	3,708,795
	-----	-----
OTHER ASSETS		
Deposits	86,610	11,609
Other Assets	13,450	46,208
	-----	-----
Total Other Assets	100,060	57,817
	-----	-----
TOTAL ASSETS	\$ 9,267,087	\$ 10,247,986
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY  
 -----

CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 523,598	\$ 190,703
Debentures Payable net of deferred debt issuance costs of \$32,250 and \$64,500 in 2001 and 2000	3,467,750	3,435,500
	-----	-----
Total Current Liabilities	3,991,348	3,626,203

Edgar Filing: NUWAY ENERGY INC - Form 10QSB/A

COMMITMENTS AND CONTINGENCIES	--	--
Total Liabilities	3,991,348	3,626,203
STOCKHOLDERS' EQUITY		
Common Stock, \$.00067 Par Value 15,000,000		
Shares Authorized, 4,225,000 Shares Issued		
4,221,600 Shares Outstanding and 3,400 Shares		
held as Treasury Stock	2,831	2,831
Additional Paid-In Capital	13,796,612	13,796,612
Accumulated Other Comprehensive Income (Loss)	(560,238)	(560,326)
Retained Earnings (Deficit)	(7,958,231)	(6,612,099)
Treasury Stock, at cost	(5,235)	(5,235)
Total Stockholders' Equity	5,275,739	6,621,783
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 9,267,087	\$ 10,247,986

Read accountants' review report and notes to financial statements.

- 2 -

NUWAY ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE SIX MONTHS ENDED JUNE 30, 2001 AND  
FOR THE YEAR ENDED DECEMBER 31, 2000

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)
	Number of Shares	Par Value \$.00067			
BALANCE JANUARY 1, 2000	3,300,000	\$ 2,211	\$10,203,732	(\$ 415,193)	(\$1,912,776)
ADJUSTMENT FOR FOREIGN CURRENCY TRANSLATIONS	--	--	--	(145,133)	--
WARRANTS ISSUED IN EXCHANGE FOR SERVICE	--	--	1,991,700	--	--
COMPENSATION EXPENSES OF VARIABLE OPTION PLANS	--	--	491,900	--	--
COMPENSATION ON RE-PRICING OF STOCK OPTIONS	--	--	34,900	--	--

Edgar Filing: NUWAY ENERGY INC - Form 10QSB/A

EXERCISE OF STOCK OPTIONS	725,000	486	724,514	--	--
STOCK ISSUED AS COMPENSATION	200,000	134	349,866	--	--
NET (LOSS) FOR THE YEAR ENDED DECEMBER 31, 2000	--	--	--	--	(4,699,323)
BALANCE DECEMBER 31, 2000	4,225,000	2,831	13,796,612	(560,326)	(6,612,099)
Comprehensive Income (Loss) For The Year Ended December 31, 2001					
ADJUSTMENT FOR FOREIGN CURRENCY TRANSLATIONS	--	--	--	89	--
NET (LOSS) FOR THE SIX MONTHS ENDED JUNE 30, 2001	--	--	--	--	(1,346,132)
BALANCE JUNE 30, 2001	4,225,000	\$ 2,831	\$13,796,612	(\$ 560,237)	(\$7,958,231)
Comprehensive Income (Loss) For The Six Months Ended June 30, 2001					

Read accountants review report and notes to financial statements.

- 3 -

NUWAY ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended		Six Months Ended	
	June 30, 2001	June 30, 2000	June 30, 2001	June 30, 2000
Revenues:				
Rental Income	\$ 117,383	\$ 164,344	\$ 265,718	\$ 404,486
Sales of Cigars	37,859	50,931	71,775	75,232

Edgar Filing: NUWAY ENERGY INC - Form 10QSB/A

Total Revenues	155,242	215,275	337,493	479,718
	-----	-----	-----	-----
Costs and Expenses:				
Impairment Charges	152,652	--	347,071	--
Selling, General & Administration	825,095	534,639	1,344,146	1,062,484
Depreciation	34,239	29,007	50,869	61,854
Costs of Cigar Sales	21,932	44,668	43,316	64,451
	-----	-----	-----	-----
Total Cost and Expenses	1,033,918	608,314	1,785,402	1,188,789
	-----	-----	-----	-----
Operating Income (Loss)	(878,676)	(393,039)	(1,447,909)	(709,071)
Interest Income	45,266	15,368	101,777	25,757
	-----	-----	-----	-----
Net Other Income (Expenses)	45,266	15,368	101,774	25,757
	-----	-----	-----	-----
Income (Loss) Before Income Taxes	(833,410)	(377,671)	(1,346,132)	(683,314)
Income Taxes (Provision) Benefit	--	--	--	--
	-----	-----	-----	-----
Net Income (Loss)	(\$ 833,410)	(\$ 377,671)	(\$1,346,132)	(\$ 683,314)
	=====	=====	=====	=====
Earnings (Loss) Per Common Share and Common Share Equivalent - Basic and Fully Diluted				
Common Share Equivalent Outstanding	4,221,600	3,296,600	4,221,600	3,296,600
	=====	=====	=====	=====
Net Income (Loss)	(\$ .20)	(\$ .11)	(\$ .32)	(\$ .21)
	=====	=====	=====	=====

Read accountants' review report and notes to financial statements.

- 4 -

NUWAY ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 2001 AND 2000

2001

2000

## Edgar Filing: NUWAY ENERGY INC - Form 10QSB/A

### CASH FLOWS FROM OPERATING ACTIVITIES

Net Income (Loss)	(\$1,346,132)	(\$ 683,314)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	50,869	61,854
Asset Impairment Charges	247,071	--
Amortization of Deferred Debt Issuance Costs	32,250	--
Loss on Sale of Fixed Assets	23,571	4,867
Changes in Assets - (Increase) Decrease:		
Accounts Receivable	95,083	105,512
Prepaid Expenses and Other Current Assets	38,206	107,771
Inventory of Cigars	1,463	57,646
Changes in Liabilities - Increase (Decrease):		
Accounts Payable and Accrued Expenses	332,896	(16,507)
	-----	-----
Net Cash Provided by (Used In) Operating Activities	(524,723)	(362,171)
	-----	-----

### CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds on Sale of Fixed Assets	188,351	225,423
Fixed Assets, Other	11,803	(11,247)
Other Assets	(42,243)	14,894
	-----	-----
Net Cash Provided By (Used by) Investing Activities	157,911	229,120
	-----	-----

Effect of Exchange Rate Changes on Cash and Cash Equivalents	89	(133,643)
	-----	-----

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(366,723)	(266,694)
CASH AND CASH EQUIVALENTS - BEGINNING	4,422,715	800,223
	-----	-----
CASH AND CASH EQUIVALENTS - ENDING	\$ 4,055,992	\$ 533,529
	=====	=====

### SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:

Cash Paid During the Period for:		
Interest	\$ 4,696	\$ 14,592
	=====	=====
Income Taxes, Foreign	\$ --	\$ --
	=====	=====

Read accountants' review report and notes to financial statements.

# Edgar Filing: NUWAY ENERGY INC - Form 10QSB/A

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2001 AND DECEMBER 31, 2000

### Note 1. Summary of Significant Accounting Policies

-----

#### A Business and Organization

-----

NuWay Energy, Inc. (formerly Latin American Casinos, Inc.) is a Delaware corporation incorporated on September 19, 1991 (See Note 11). In 1994, the company entered in the gaming and casino business, primarily in Peru and other Latin American countries renting casino type slot machines and other gaming equipment.

In 1994, the company formed a Peruvian subsidiary; in 1995, the company formed a Colombian subsidiary and in 1997, the company formed a subsidiary in Nicaragua (which has subsequently been liquidated) that are in the gaming and casino business in Latin America (See Note 9C). The operations include the renting of casino slot machines and other gaming equipment to casino operators. As of June 30, 2001, the company had acquired approximately 8,000 slot machines, approximately 3,000 of which have been acquired for parts and other related equipment, at a total cost of \$3,809,542 including applicable costs for transportation, duty and refurbishing (See Note 10).

#### B Principles of Consolidation

-----

The accompanying consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries, Latin American Casinos Del Peru S.A. (formerly known as Latin America Casinos, Inc. S.A.) a Peruvian Corporation and Latin American Casinos of Colombia LTDA, a Colombian Corporation effective September 23, 1997. The company incorporated World's Best Rated Cigar Company (World) as a wholly-owned subsidiary of NuWay Energy, Inc. to distribute quality cigars. It was originally intended that the company would market premium cigars at "off price", and will acquire quality cigars from six South American producers and market them through large retail chains, initially on a consignment basis. The cigar operations have been slower than originally anticipated and as of June 30, 2001, the company had expended approximately \$1,190,000 in regard to the cigar operations. Such expenditures have been included in the accompanying consolidated financial statements as follows:

Cash	\$	7,000
Accounts Receivable		60,000
Prepaid and Other Current Assets		10,000
Inventory		538,000
Fixed Assets, Net of Accumulated Depreciation		70,000
Other Assets		3,000
Aggregate Accumulated Deficit		502,000
		-----
Total Investment		\$1,190,000
		=====

In year 2001 the company incorporated NuWay Resource, Inc., a Nevada



## Edgar Filing: NUWAY ENERGY INC - Form 10QSB/A

Corporation and NuWay Resources of Canada, Ltd., a Canadian Company. These corporations are presently inactive and were formed to pursue opportunities in the oil and gas exploration industry (See Note 11).

All material intercompany transactions, balance and profits have been eliminated.

Read accountants' review report.

- 6 -

### NUWAY ENERGY, INC. AND SUBSIDIARIES

-----

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AS OF JUNE 30, 2001, AND DECEMBER 31, 2000

#### Note 1. Summary of Significant Accounting Policies (Continued)

-----

##### C Property and Equipment

-----

Property and Equipment are stated at cost. Depreciation is provided on accelerated and straight-line methods over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the results of operations. Whenever there is a change in events or circumstances, the Company performs an impairment analysis by comparing the future undiscounted cash flows and if they are less than the carrying amount, and impairment charge is recorded to reduce the assets to its estimated fair value.

##### D Revenue Recognition

-----

Revenue is recognized monthly on the rental of slot machines as the slot machines are placed in service. Typical rental arrangements for slot machines are for one year or less in duration with consistent rent income earned over the life of the lease. As a general rule the company does not incur any significant direct costs with the inception of a lease. All leasing expense, payroll and maintenance of equipment are charged to operations as incurred. Revenue on the sale of cigars are recorded when customer orders are shipped. The cost of cigar sales represents the direct cost of the product sold.

##### E Statement of Cash Flows

-----

For purposes of this statement, the company considers all liquid investments purchased with an original maturity of three months or less to be cash equivalents.

##### F Income (Loss) Per Common Share

-----

## Edgar Filing: NUWAY ENERGY INC - Form 10QSB/A

Basic earnings per common share and common share equivalent were computed by dividing net (loss) by the weighted average number of shares of common stock outstanding during the period. Fully diluted earnings per share was calculated based on the assumption that the increase in the number of common shares assumed outstanding on conversion are reduced by the number of common shares that are assumed to be purchased with the proceeds from the exercise of the incentive stock options. During 2001 and 2000 all warrants, stock options and underwriters options (Notes 4, 5, 6, 7) were anti-dilutive, and excluded from the computation of basic and diluted earnings (loss) per share. In the future, these warrants, stock options, and underwriter options could be dilutive and as such future earnings per share could be diluted by 7,607,496 additional shares.

### G Significant Concentration of Credit Risk

-----

The company has concentrated its credit risk for cash by maintaining deposits in banks located within the same geographic region. The maximum loss that would have resulted from risk totaled \$4,052,000 and \$4,320,000 as of June 30, 2001 and December 31, 2000 for the excess of the deposit liabilities reported by the bank over the amounts that would have been covered by federal deposit insurance.

Read accountants' review report.

- 7 -

### NUWAY ENERGY, INC. AND SUBSIDIARIES

-----

### NOTES TO CONSOLIDATED FINANCIAL STATEMENT AS OF JUNE 30, 2001 AND DECEMBER 31, 2000

#### Note 1. Summary of Significant Accounting Policies (Continued)

-----

##### H 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, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. Actual results could differ from those estimates. Estimates are used when accounting for uncollectable accounts receivable, obsolescence, equipment depreciation and amortization, taxes, among others.

##### I Foreign Currency Translation

-----

For most international operations, assets and liabilities are translated into U.S. dollars at year-end exchange rates, and revenues and expenses are translated at average exchange rates prevailing during the year. Translation adjustments, resulting from fluctuations in exchange rates are recorded as a separate component

Edgar Filing: NUWAY ENERGY INC - Form 10QSB/A

of shareholders' equity, as other comprehensive income (loss).

J Inventories  
-----

Inventory of cigars and related material are stated at the lower of average cost or market.

K Valuation of Company's Stock Options and Warrants  
-----

As permitted under the Statement of Financial Accounting Standards No. 123 (SFAS No.123), Accounting for Stock-Based Compensation, the Company accounts for its stock-based compensation to employees in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees. As such, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. Certain pro forma net income and EPS disclosures for employee stock options grants are also included in the notes to the financial statements as if the fair value method as defined in SFAS No. 123 had been applied. Transactions in equity instruments with non-employees for goods or services are accounted for by the fair value method.

L Advertising  
-----

The company expenses all advertising costs as incurred. Included in the statement of operations is approximately \$49,000 and \$34,000 advertising expense charged to operations for the six months ended June 30, 2001 and 2000, respectively. Substantially all advertising expenses incurred were paid with a barter transaction.

M Reclassifications  
-----

Certain amounts reported in prior financial statements have been reclassified to conform to current classification.

Read accountants' review report.

- 8 -

NUWAY ENERGY, INC. AND SUBSIDIARIES  
-----

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AS OF JUNE 30, 2001 AND DECEMBER 31, 2000

Note 1. Summary of Significant Accounting Policies (Continued)  
-----

N Restatements  
-----

The Company had restated its previously issued financial statements for the years ended December 31, 2000 and 1999 for the following adjustments:

## Edgar Filing: NUWAY ENERGY INC - Form 10QSB/A

1. Recognition of impairment loss on the sale of Miami Property of \$64,000 was recorded in year 2000 instead of year 2001.
2. Adjustment of beginning additional paid in Capital and retained earnings deficit for expense recorded with option and warrants issued in 1998, \$284,175.
3. Adjustment of retained earnings (deficit) and additional paid in capital for the cost of warrants issued, compensation expenses on variable option plan and compensation recorded on repricing of stock options, \$2,518,500 in year 2000.

### Note 2. Property and Equipment

-----

Property and Equipment are summarized as follows:

	June 30, 2001	December 31, 2000
	-----	-----
Land & Building (See Note 10)	\$ 75,000	\$ 335,363
Rental Equipment (See Note 10)	3,809,542	4,197,282
Leasehold Improvements	19,894	26,027
Furniture, Fixtures & Office Equipment	182,495	141,914
Transportation Equipment	2,830	48,510
	-----	-----
Total	4,089,761	4,749,096
Less: Accumulated Depreciation	902,633	976,301
	-----	-----
Property and Equipment - Net	\$3,187,120	\$3,772,795
	=====	=====

The estimated useful lives of property and equipment, is as follows:

Rental Equipment	5-7 years
Special Used Buildings	10 years
Commercial Buildings	30 years
Leasehold Improvements	7 years
Furniture, Fixtures and Office Equipment	5-7 years
Transportation Equipment	5 years

Included in Rental Equipment is approximately \$3,000,000 of parts and supplies purchased or obtained from other machines previously disassembled for parts.

Rent expense for the three and six months ended June 30, 2001 were \$112,000 and \$92,000, respectively. Included as rental expense for the three and six months ended June 30, 2001 is approximately \$74,000 of rental expenditures incurred at the corporate offices of the Chief Executive officer in California.

The company had leased the land and building it owned in Miami for \$1,200 per month, on a month to month basis. The property was sold in 2001 (See Note 10).

Edgar Filing: NUWAY ENERGY INC - Form 10QSB/A

Read accountants' review report.

- 9 -

NUWAY ENERGY, INC. AND SUBSIDIARIES  
-----

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AS OF JUNE 30, 2001 AND DECEMBER 31, 2000

Note 3. Warrants and Options  
-----

At June 30, 2001 the company has outstanding 1,725,000 five year publicly traded warrants that were issued as part of the company's initial public offering to purchase one share of the company's common stock at an exercise price of \$3.00 by December 11, 2001. In December 2000 the Board of directors authorized the issuance of an additional 3,300,000 private five year stock warrants to acquire common stock at \$1.75 per share (See note 7). The issuance of the private warrants were part of the arrangement with the executive officers of the corporation who also received restricted stock aggregating 200,000 shares. Compensation was recorded on the arrangement equal to the market value of the restricted stock, \$350,000. The remaining warrants were issued for service and were valued at \$1,800,000 using the Black-Scholes option pricing model. This amount has been recorded in the statement of operations for year 2000.

Note 4. Investment Banker Warrants  
-----

Effective June 5, 1998, the company contracted with an investment banker to provide on a non-exclusive basis to the company assistance in possible mergers, acquisitions and internal capital structuring. The duration of the contract is for five years. In consideration for these services, the company granted warrants to purchase an aggregate of 225,000 shares of common stock at the closing bid price of \$1.875 as of June 5, 1998, which can be exercised through June 5, 2003. Effective February 8, 2000, the Board of Directors reduced the exercise price to \$1.06, which was the closing price of the stock at that date (See Note 7). At the date of issuance and subsequent re-pricing date the warrant price equaled or exceeded the market value of the corporate stock. At the date issuance and subsequent re-pricing date the warrant price equaled or exceeded the market value of the corporate stock. The incremental value of the re-priced warrants over the current value of the warrants calculated with the with the Black-Scholes option pricing model was recorded in the restated financial statement of year 2000.

Read accountants' review report.

- 10 -

NUWAY ENERGY, INC. AND SUBSIDIARIES  
-----

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AS OF JUNE 30, 2001 AND DECEMBER 31, 2000

Edgar Filing: NUWAY ENERGY INC - Form 10QSB/A

Note 5. Incentive Stock Option Plan  
-----

On June 13, 1994, the Board of Directors adopted the 1994 Stock Option Plan in which the aggregate number of shares for which options may be granted under the Plan shall not exceed 1,000,000 shares. The term of each option shall not exceed ten years from the date of granting (five years for options granted to employees owning more than 10% of the outstanding shares of the voting stock of the company). The 1991 plan became effective on September 30, 1991 and was terminated in March, 1999. The 1994 plan became effective on June 13, 1994 and will terminate in June, 2004, unless terminated earlier by action of the Board of Directors. In December, 1995, the company authorized the issuance under the 1994 Stock Option Plan of 492,500 options at an exercise price of \$2.50 per share to various officers and employees. On March 6, 1997 the company authorized the issuance of an additional 415,000 options at an exercise price of \$2.50 to various officers and employees. In June, 1999, the company increased the shares allocated to the plan to 1,500,000. Effective December 31, 1998, the company ratified the repricing of the employee stock options to \$1.00 per share and simultaneously authorized the issuance of 85,000 options at an exercise price of \$1.00 per share and canceled 10,000 options issued in 1995 at \$2.50 per share. Effective February, 2000 the company issued 35,000 options at an exercise price of \$1.06 and in December, 2000 the company issued 80,000 options at a \$1.75 exercise price. (See Note 7)

Incentive Stock Options Outstanding  
-----

	Amount	Price Per Share
	-----	-----
Options Outstanding at January 1, 2000	\$ 932,500	\$1.00
Additional Options Issued	35,000	\$1.06
Additional Options Issued	80,000	\$1.75
Options Lapsed	(85,000)	\$1.00
Options Exercised	(725,000)	\$1.00
	-----	
Options Outstanding at December 31, 2000 and June 30, 2001	\$ 237,500	
	=====	

Read accountants' review report.

- 11 -

NUWAY ENERGY, INC. AND SUBSIDIARIES  
-----

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AS OF JUNE 30, 2001 AND DECEMBER 31, 2000

Note 5. Incentive Stock Option Plan (Continued)  
-----

All outstanding warrants and non-qualified options are incentive stock options were exercisable at March 31, 2001.

## Edgar Filing: NUWAY ENERGY INC - Form 10QSB/A

The following table shows the years in which all the company's options and warrants (as discussed in Notes 4, 5, and 6) will expire:

Year Ending December 31	Range		Number of Shares	Weighted Average Exercise Price
	Low	High		
2001	\$ 3.00	\$ 3.00	1,725,000	\$ 3.00
2002	1.00	1.00	172,500	1.00
2003	1.00	1.00	310,000	1.00
2004	--	--	--	--
Thereafter	1.06	1.75	3,415,000	1.74
Total			5,622,500	

The weighted average fair value of options granted during fiscal 2000 was \$1.07 per share. All options were granted at an exercise price that equaled the market price.

The Company adopted the provision so SFAS No. 123, Accounting for Stock Based Compensation, effective for fiscal year 1997 for all issuances of stock options to non-employees of the Company. The Company will continue to apply APB Opinion On 25 (Opinion 25), Accounting for Stock Issued to Employees for all issuances stock options to its employees. In June 1999, the Company adopted the Financial Accounting Standards Board Interpretation Number 44, which requires re-priced options be re-measured for expenses each quarter based on the quarter end stock price. Expenses are also re-measured upon exercise for the options. The Company recorded \$491,900 and no expenses as a result of the aforementioned accounting in 2000 and 2001, respectively.

Had compensation cost for the Plan been determined based upon the fair value at the grant date for options granted consistent with the provision of SFAS 123, the Company's net loss and net loss per share would have been reduced to the pro forma amounts indicated below:

	2001	2000
Net income - as reported	\$ (1,346,132)	\$ (4,699,323)
Net income -pro forma	\$ (1,346,132)	\$ (6,429,924)
Loss per share - as reported:		
Basic and Diluted	\$ (.32)	\$ (1.40)
Loss per share - pro forma:		
Basic and Diluted	\$ (.32)	\$ (1.90)

The fair value of each option grant under the Plan is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	2000
Risk - free interest	\$ 5.80%
Expected life	5 years
Expected volatility	68.19%
Expected dividend	--

Edgar Filing: NUWAY ENERGY INC - Form 10QSB/A

Read accountants' review report.

- 12 -

NUWAY ENERGY, INC. AND SUBSIDIARIES  
-----

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AS OF JUNE 30, 2001 AND DECEMBER 31, 2000

Note 6. Debentures  
-----

In December 2000 the company, through a private placement issued \$3,500,000 principle amount of 6% convertible debentures. These debentures were due June 13, 2001 and were extended to December 13, 2001 and are convertible into common stock at an exercise price of \$1.75 per share. Included in accounts payable and accrued expenses in the accompanying financial statements is approximately \$122,000 of accrued interest on these disbursements. The interest on these debentures are payable either in cash or in additional shares of common stock, at the discretion of the company (see Note 7). The company incurred approximately \$64,500 of costs in regard to this private placement. The debt issuance costs are being amortized over the life of the debentures. Included as part of selling general & administration expenses in the statement of operations for the three and six months ended June 30, 2001 is \$32,250 and \$16,125 amortization of deferred debt issuance costs.

Note 7. SEC Registration Statement  
-----

In July 2001 the company filed a registration statement with the Securities and Exchange Commission to register 7,229,608 shares of common shares of the corporation. These shares represent substantially all the convertible shares outstanding from options, warrants and debentures. In addition, certain shareholders have included in the registration legend stock they currently own. The estimated cost incurred with the registration statement, \$25,000, has been included as part of selling, general and administration expenses in the accompanying statements.

Note 8. Provision of Income Taxes  
-----

As of June 30, 2001 the company had available for income tax purposes unused net operating loss carryforwards which may provide future tax benefits of \$5,136,000 expiring in the year 2016. No valuation allowance has been provided for unremitted foreign profits. No provision had been provided for deferred taxes in the accompanying financial statements. The current provision for taxes, if any, are based on tax provisions of foreign operations.

Note 9. Commitments and Contingencies  
-----

A Litigation  
-----

The company is a defendant from time to time on claims and lawsuits



## Edgar Filing: NUWAY ENERGY INC - Form 10QSB/A

arising out of the normal course of its business, none of which are expected to have a material adverse effect on its business, operations, financial position, or corporate liquidity.

Read accountants' review report

- 13 -

### NUWAY ENERGY, INC. AND SUBSIDIARIES

-----

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2001 AND DECEMBER 31, 2000

#### Note 9. Commitments and Contingencies (Continued)

-----

##### B Employment Agreements

-----

In January 1997, the company entered into a five year employment agreement with the Chief Executive Officer, Lloyd Lyons, which provided for an annual salary commencing January, 1997 of \$275,000. The agreement provided that in the event of either a merger, consolidation, sale or conveyance of substantially all the assets of the company which results in his discharge, he would be entitled to 200% of the balance of payments remaining under the contract. The contract provided for the salary continuation for a period of two years after the death of Mr. Lyons. In January 2000, Mr. Lyons passed away and effective August 2, 2000 the company amended its employment contract with his surviving widow and primary beneficiary of his Estate where-in the salary continuation clause included in his contract was replaced with a severance arrangement which requires the company to pay the spouse \$100,000 over a one year period commencing on the first month following her termination from her employment with the company and upon her termination she is to receive 100,000 shares of common stock pursuant to an amendment to her employment agreement. The amended employment agreement will obligate the company to register these shares and reimburse her for the difference in the gross proceeds upon the sale of such shares and \$300,000, regardless of the time she holds such shares. Upon termination of the employee contract the company will record additional compensation at the greater of the then market price of the company stock or the guaranteed price stipulated in the contract. The agreement further provides that the spouse remain in the employment of the company for at least 4 months following the amendment of the contract. The contract revisions further provided that Mr. Lyons loan of \$115,000 be recorded as additional compensation, as required by the officer compensation agreement. The employment agreement with the spouse remains intact in all other regards and obligates the company to provide an annual compensation at the rate of \$46,800 per annum in the year 2000 and \$51,480 in the subsequent year.

In January 2000 the company entered into two additional employment contracts, with the company president and the officer in charge of Latin American Operations, both for the duration of two years and provides that company be obligated for an aggregate compensation of \$115,000 in year 2000 and \$126,500 in year 2001. Effective August 2,

## Edgar Filing: NUWAY ENERGY INC - Form 10QSB/A

2000 both of these employment contracts were amended to reflect upon termination from employment these individuals would also be entitled to nine months of compensation and will receive in the aggregate 35,000 shares of common stock which the company has agreed to reimburse the respective employees the difference between the gross proceeds they receive upon sale and \$105,000, regardless of the term the employees hold such shares. Upon termination of the employees contract the company will record additional compensation at the greater of the market price of the company stock or the guaranteed price stipulated in the contract.

The company entered into two additional one-year employment agreements with the Chief Operating Officer and the Chief Executive Officer, requiring the company issue 100,000 shares of stock and 750,000 warrants to purchase additional common stock at \$1.75 per share, individually. Compensation was recorded on the arrangement equal to the then market value of the restricted stock, \$350,000, in year 2000.

Read accountants' review report

- 14 -

NUWAY ENERGY, INC. AND SUBSIDIARIES  
-----

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AS OF JUNE 30, 2001 AND DECEMBER 31, 2000

### Note 9. Commitments and Contingencies (Continued)

-----

#### C Foreign Assets

-----

The accompanying consolidated balance sheets includes assets relating to the company's slot machine rental operations in Peru and Colombia of \$3,246,000 and \$979,000 respectively. Although these countries are considered politically and economically stable, it is possible that unanticipated events in foreign countries could disrupt the company's operations. In that regard, the company was informed that in Peru an excise tax has been instituted effective October 1, 1996, on the leases of gaming equipment. The company with others in the industry negotiated with the appropriate governmental agencies and have had the excise tax significantly curtailed. In addition, a significant portion of the company's inventory in cigars is being stored in South America awaiting instructions to deliver them to the Miami location. Revenue from rental operations is entirely earned in Colombia and Peru.

#### D Lease Commitment

-----

The company is obligated for a three year lease for its Miami office premises, which expires in September, 2001 and requires monthly rent of \$2,500. In addition, the company is obligated for a two year lease for its warehouse space, at a monthly rent of \$1,400. The company is also obligated for an office lease at its California facility. This lease requires monthly rentals of \$7,670 through

## Edgar Filing: NUWAY ENERGY INC - Form 10QSB/A

March, 2002. All other leases are of short duration or are on a month to month arrangement. Future minimum payments required as of June 30, 2001 on all non-cancelable leases in effect that are one year in duration or longer, are as follows:

	Total	Miami Faculty	Warehouse	California Office
	-----	-----	-----	-----
Year 2001	\$ 61,920	\$ 7,500	\$ 8,400	\$ 46,020
Year 2002	39,810	--	16,800	23,010
	-----	-----	-----	-----
Total	\$ 101,730	\$ 7,500	\$ 25,200	\$ 69,030
	=====	=====	=====	=====

### Note 10. Asset Impairment Charges

-----

In March 2001, the company sold its Miami property for an aggregate consideration of \$139,000 and recorded an additional loss on disposition of \$64,000. The \$64,000 loss had been recorded as an impairment charges in the restated fiscal year 2000 financial statement. In addition, the company recorded a reduction in value for certain slot machine parts of \$194,000 and recorded gaming equipment impairment costs of \$100,000. The impairment costs associated with gaming equipment parts was the result of non usable parts previously recorded as part of slot machine fixed asset costs on the accompanying balance sheet. The impairment costs on the gaming equipment of \$100,000 was the result of management's on-going valuation as to the utility of gaming equipment in conjunction with decreased volume of operations.

In February, 2001 the company announced that it had entered into a non binding letter of intent to merge with Digital Convergence Corporation, a privately held California company. The merger agreement had been rescinded in May, 2001 and the company recorded \$52,000 as part of asset impairment costs.

Read accountants' review report

- 15 -

NUWAY ENERGY, INC. AND SUBSIDIARIES

-----

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AS OF JUNE 30, 2001 AND DECEMBER 31, 2000

### Note 11. Subsequent Event

-----

In August 2001 Latin American Casinos, Inc., changed it's name to NuWay Energy, Inc. The stock symbol will be changed to NWAY and will commence trading with the new symbol on August 15, 2001. The name change reflects a new direction that the company will be exploring. The company anticipates it will enter the oil and gas industries in Canada via the formation of subsidiaries in Alberta Canada and Nevada U.S. and other potential acquisitions in the energy field without disturbing its current business operations.

In August 2001 the company entered into a consulting arrangement for

## Edgar Filing: NUWAY ENERGY INC - Form 10QSB/A

financial advisory services. As part of the consideration for the agreement the company advanced \$90,000. The consulting arrangement has subsequently been rescinded.

### Note 12. Operating Segments Six Months Ended June 30, 2001

	Total	Cigars Operations	Gaming Equipment	Unallocated
	-----	-----	-----	-----
Revenues	\$ 337,493	\$ 71,775	\$ 265,718	\$ 0
	-----	-----	-----	-----
Costs & Expenses				
Cost of Product Sold	43,316	43,316	0	0
Direct Overhead Cost	557,374	81,085	496,289	
Allocated Overhead				
Costs	766,772	163,070	603,702	0
Depreciation	50,869	5,202	42,167	3,500
Assets Impairment				
Costs	347,071	0	347,071	--
	-----	-----	-----	-----
Total Costs and Expenses	1,785,402	292,673	1,489,229	3,500
	-----	-----	-----	-----
Operating Income (Loss)	(\$1,447,909)	(\$ 220,898)	(\$1,223,511)	(\$ 3,500)
	=====	=====	=====	=====
Total Assets	\$ 9,267,000	\$ 687,000	\$ 4,467,000	\$ 4,114,000
	=====	=====	=====	=====

Read accountants' review report

- 16 -

NUWAY ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AS OF JUNE 30, 2001 AND DECEMBER 31, 2000

### Note 12. Operating Segments Six Months Ended June 30, 2000 (Continued)

	Total	Cigars Operations	Gaming Equipment	Unallocated
	-----	-----	-----	-----

Edgar Filing: NUWAY ENERGY INC - Form 10QSB/A

Revenues	\$ 479,718	\$ 75,232	\$ 404,486	\$ --
	-----	-----	-----	-----
Cost & Expenses				
Cost of Product Sold	64,451	64,451	--	--
Direct Overhead Cost	624,354	60,403	563,951	
Allocated Overhead				
Cost	438,130	68,709	369,421	--
Depreciation	61,854	5,682	52,172	4,000
Assets Impairment				
Cost	--	--	--	--
	-----	-----	-----	-----
Total Costs				
And Expenses	\$ 1,188,789	\$ 199,245	\$ 985,544	\$ 4,000)
	=====	=====	=====	=====
Operating Income				
(Loss)	\$ (709,071)	\$ (124,013)	\$ (581,058)	\$ (4,000)
	=====	=====	=====	=====
Total Assets	\$ 7,245,000	\$ 758,000	\$ 5,476,000	\$ 1,011,000
	=====	=====	=====	=====

The company allocates indirect overhead expenses to specific segments in proportion to the revenues earned by the segment. All revenue from gaming equipment and the related assets are in South America where as all revenue and a majority of the assets of the cigar operations are in the United States.

Read accountants' review report.

- 17 -

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

General

-----

In August 2001 Latin American Casinos, Inc., changed its name to NuWay Energy, Inc. The name change reflects a new direction that the company will be exploring. The Company anticipates it will enter the oil and gas industries in Canada via the formation of subsidiaries in Alberta Canada and Nevada U.S. and other potential acquisitions in the energy field without disturbing its current business operations.

Since January 1995, the Company has been engaged in the renting of slot machines and other gaming equipment to licensed gaming establishments in various cities through its wholly owned subsidiaries in South and Central America. In 1994, the Company formed its Peruvian subsidiary in late 1995 the Company formed its Colombian subsidiary.

As of June 30, 2001, the Company had approximately 900 machines under rental contracts in Peru and Colombia.

The Company currently concentrates its efforts on the rental of used

## Edgar Filing: NUWAY ENERGY INC - Form 10QSB/A

slot machines. These machines were purchased at a fraction of the cost of new machines and are refurbished for use in South and Central America. Whereas a new slot machine would cost approximately \$10,000 plus additional charges for duty, the used slot machines cost approximately \$700 each including freight, duty, and refurbishing expenditures.

In September 1997, the Company incorporated World's Best Rated Cigar Company, as a wholly owned subsidiary, to distribute premium cigars. It was originally intended that the company would acquire quality cigars from six manufacturers and market them at "off price" through large retail chains. In February 2000, the marketing strategy was modified to include selling directly to consumers through our web site, [www.worldsbestrated.com](http://www.worldsbestrated.com), and our toll free number. Substantially all advertising expense incurred is paid with barter transactions.

In 2001 the Company formed two subsidiaries, NuWay Resources, Inc., a Nevada Corporation and NuWay Resources of Canada, Ltd., a Canadian company. These corporations are presently inactive and were formed to pursue opportunities in the oil and gas exploration industry.

In March 2001, the company sold its Miami property for an aggregate consideration of \$139,000 and recorded an additional loss on disposition of \$64,000. The \$64,000 loss had been recorded as an impairment charges in the restated fiscal year 2000 financial statement. In addition, the company recorded a reduction in value for certain slot machine parts of \$194,000 and recorded gaming equipment impairment costs of \$100,000. The impairment costs associated with gaming equipment parts was the result of non usable parts previously recorded as part of slot machine fixed asset costs on the accompanying balance sheet. The impairment costs on the gaming equipment of \$100,000 was the result of management's on-going valuation as to the utility of gaming equipment in conjunction with decreased volume of operations.

In February, 2001 the company announced that it had entered into a non binding letter of intent to merge with Digital Convergence Corporation, a privately held California company. The merger agreement had been rescinded in May, 2001 and the company recorded \$52,000 as part of asset impairment costs.

### Results of Operations

-----

Revenues from the rental of slot machines in Peru and Colombia for the three months ended June 30, 2001 decreased by \$47,000 or 29%, to \$117,400 from \$164,300 for the same period in 2000. The Company's revenues from cigar sales were \$37,900 in the second quarter of 2001 as compared to sales of \$51,000 for the same period in 2000.

Revenues from the rental of slot machines in Peru and Colombia for the six months ended June 30, 2001 decreased by \$138,800 or 34%, to \$265,700 from \$404,500 for the comparable period in 2000. The Company's revenues from cigar sales were \$71,800 for the six months ended June 30, 2001 as compared to sales of \$75,200 for the same period in 2000.

The decrease in revenues was the overall weakness of the economy in South America. Additionally, the decrease was due in part to continued concerns over government-mandated obsolescence, political changes, increased competition as well as the devaluation of foreign currency.

## Edgar Filing: NUWAY ENERGY INC - Form 10QSB/A

Selling, general, and administrative expenses incurred in the quarter ended June 30, 2001 increased \$280,400 or 54%, to \$825,000 from \$534,600 for the same period in 2000. Selling, general, and administrative expenses incurred for the six months ended June 30, 2001 increased \$281,700 or 26%, to \$1,384,000 from \$1,062,500 for the same period in 2000.

These increases are due in part to the increased cost of servicing the older machines, as well as fees and costs associated with exploring new ventures and acquisitions and costs associated with pending registration statement and the amortization of deferred debt issuance costs.

Net (loss) for the three months ended June 30, 2001 was (\$833,400) or (\$0.20) per share compared to (\$377,700) loss or (\$0.11) per share for the same period in 2000. Net (loss) for the six months ended June 30, 2001 was (1,410,100) or (\$0.32) per share compared to (\$683,300) or \$0.21 per share for the same period in 2000.

The increase in net loss was attributable to the significant decline in revenues from slot machine operations and an increase in overhead expenditures, costs associated with exploring new ventures and acquisitions, as well as certain non-recurring expenses for the rescinded merger and asset impairment costs.

Through June 30, 2001 the Company expended approximately \$1,190,000 on the establishment of a premium cigar business; minor additional expenditures for marketing and personnel are expected throughout the year 2001. No additional costs associated with acquisitions of new cigars and related inventory occurred in year 2001. In 2001 an insignificant amount was spent to acquire additional inventory.

### Liquidity and Capital Resources

-----

Cash and cash equivalents decreased approximately \$366,700 or 8%, to \$4,056,000 at June 30, 2001 from \$4,422,700 at December 31, 2000. The decrease is attributable primarily to the poor results of operations and the increase in overhead expenditures.

The Company anticipates that its cash position and interest earned on cash equivalents will be sufficient to meet its cash needs for the next twelve months. The Company does not have any commitments for material capital expenditures.

### Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits: 99.1 Amendment to 6% Convertible Debenture

- 19 -

### Forward Looking Statements

-----

From time to time, the Company may publish forward looking statements relating to such matters as anticipated financial performance, business prospects, new products and certain other matters. The words "may", "will", "expect", "anticipate", "continue", "estimate", "project", "intend" and similar expressions are intended to identify such forward looking statements. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for

Edgar Filing: NUWAY ENERGY INC - Form 10QSB/A

forward-looking statements. In order to comply with the terms of the safeharbor, the Company notes that a variety of factors could cause its actual results and experience to differ materially from anticipated results and other expectations that may effect the operations, performance, development and results of the Company's business, including the following:

1. Changes in government regulations of gaming, tobacco, and oil and gas exploration could have an effect on the Company's operations and business.
2. Political factors affecting Canada, and South and Central America, particularly as they pertain to currency valuation, could affect the Company's business in ways, which are difficult to predict.
3. The Company's proposed venture into oil and gas exploration is subject to all the risks and uncertainties associated with the commencement of a new enterprise. There can be no assurances that the Company will be able to successfully penetrate the market, or that this operation will become profitable.
4. The Company may be required to raise additional funds to expand its business operations, particularly the Company's proposed venture into oil and gas exploration, if it proves successful. There can be no assurances that the Company will be able to raise such funds, either through the sale of equity or debt securities or through commercial sources. The inability to acquire needed capital could have a material adverse effect on the Company's ability to expand.

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

NuWay Energy, Inc.

Date: March 25, 2002  
-----

/s/ TODD SANDERS  
-----

Todd Sanders  
President

Date: March 25, 2002  
-----

/s/ JOE TAWIL  
-----

Joe Tawil  
Acting Chief Financial and  
Accounting Officer

- 20 -

EXHIBIT 99.1

AMENDMENT TO LATIN AMERICAN CASINOS, INC.  
6% Convertible Debenture due June 13, 2001

Latin American Casinos, Inc. and the undersigned holder (the "Holder") of that principal amount of Latin American Casinos, Inc. 6% Convertible Debentures due June 13, 2001 (the "Debentures") set forth below hereby agree, as



Edgar Filing: NUWAY ENERGY INC - Form 10QSB/A

of the date below, as follows:

1. Within thirty (30) days of the date below, Latin American Casinos, Inc. agrees to file a registration statement with the Securities and Exchange Commission including the shares of Latin American Casinos, Inc. common stock underlying that principal amount of Debentures owned by the Holder as set forth below.
2. The Maturity Date as defined in the Debentures is hereby amended to be December 13, 2001.
3. The Holder has good and marketable title to the principal amount of Debentures set forth below free and clear of any security interests, pledges, mortgages or other encumbrances of any kind, and the Holder is authorized to enter into this amendment.

Holder:

-----

-----

Debenture No.:

Principal Amount of Debenture: \$

Latin American Casinos, Inc.

By:

-----

Jeffrey Felder, President

Dated:

-----