AMERIRESOURCE TECHNOLOGIES INC
Form 10KSB
April 14, 2004

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U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-KSB

x Annual report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2003.

o Transition Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from __________ to __________.

Commission file number: **0-20033**

AmeriResource Technologies, Inc.

(Name of Small Business Issuer in Its Charter)

Delaware	**84-1084784**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

3430 E. Russell Road, Suite 317, Las Vegas, Nevada 89120

(Address of Principal Executive Offices) (Zip Code)

(702) 214-4249

(Issuer s Telephone Number, Including Area Code)

Securities registered under Section 12(g) of the Exchange Act:

Title of Each Class

Common Stock ($0.0001 Par Value)

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 x No o

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B not contained in this form, and no disclosure will be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB x.

The issuer s revenues for the year ended December 31, 2003, were $62,000.

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The aggregate market value of the registrant s voting and non-voting common equity held by non-affiliates was approximately $2,831,832, based on the average bid and asked price for the common equity as of the last business day of the registrant s most recently completed second fiscal quarter. On March 5, 2004, the number of shares outstanding of the registrant s common stock, $0.0001 par value, was 328,234,645.

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PART I

Forward-looking Information

This information statement contains forward-looking statements. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. These statements relate to future events or to our future financial performance. In some cases, you can identify forward-looking statements by terminology such as may, will, should, expects, plans, anticipates, believes, estimates, predicts, pot or the negative of such terms or other comparable terminology. These statements are only predications. Actual events or results do differ materially from those indicated by such forward-looking statements.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results, levels of activity, performance, or achievements. Moreover, the Company does not assume responsibility for the accuracy and completeness of such forward-looking statements. The company is under no duty to update any of the forward-looking statements after the date of this information statement to conform such statements to actual results. The foregoing management s discussion and analysis should be read in conjunction with the Company s financial statements and the notes herein.

ITEM 1. DESCRIPTION OF BUSINESS

As used herein, the term Company refers to AmeriResource Technologies, Inc., a Delaware corporation, and its subsidiaries and predecessors, unless the context indicates otherwise. The Company was formerly known as KLH Engineering Group, Inc. (KLH Engineering), which was incorporated on March 3, 1989 to provide diversified engineering services throughout the United States. KLH Engineering changed its name to AmeriResource Technologies, Inc. on July 16, 1996. Although the Company s operations have historically consisted of providing engineering and construction services, the Company closed and/or sold off its engineering subsidiaries due to continued losses in 1996.

The Company s operations during 2003 were conducted through its wholly owned subsidiaries Jim Butler Performance (JBP) and West Texas Real Estate & Resources, Inc. (WTRER). Although in September 2003 the Company signed a definitive stock for stock like exchange agreement to acquire a 40% equity interest in 449 Corporation and WDHQ, Inc., both corporations being EagleRider franchises with four operating locations. The stock for stock like exchange was completed on February 2, 2004.

ROYAL CASINO ENTERTAINMENT CORP.

On December 20, 2002, the Company and Royal Casino Holdings Corporation (RCH) rescinded, ab intitio, an exchange agreement whereby the Company had acquired a majority interest in Royal Casino Entertainment Corp ("RCE"), which owned and operated the day cruise gaming boat, Royal Casino I, and the land lease on which the Royal Casino I docked adjacent to the Ambassador Hotel on the Intercoastal Waterway in Hollywood, Florida. The Exchange Agreement was not closed until October 2, 2002. The primary delay in closing the Exchange Agreement was RCH s inability to procure sufficient working capital, which was not yet obtained by RCH as of closing but was expected to be obtained within ten (10) days of closing. The Company and RCH executed an Addendum (Addendum) to the Exchange Agreement on November 19, 2002, whereby RCH granted to the Company an option to rescind the Exchange Agreement in the event RCH was unable to maintain working capital sufficient to facilitate the operations of RCE and Royal Casino Cruises, LLC (RCC).

RCH was unable to procure and maintain sufficient working capital to support the operations of RCE and RCC, and the Company consequently exercised its option to rescind the Exchange Agreement by executing a Recission of Exchange Agreement with RCH on December 20, 2002.

As additional consideration for the Recission of the Exchange Agreement, RCH, agreed to pay to the Company twenty percent (20%) on any and all proceeds or recovery obtained on behalf of RCE and /or RCC in connection with the lessor s breach of the agreement pursuant to which RCE leased the berth for its casino boat, the Royal Casino I, and its principal offices.

JIM BUTLER PERFORMANCE, INC.

Jim Butler Performance, Inc. (JBP) was acquired by the Company on September 26, 2001 from Wasatch Business Investors, Inc. (WBI) and Covah, LLC (Covah) in exchange for One Million (1,000,000) shares of the Company s common stock. The agreement between WBI, Covah and the Company required all assets of JBP to be free and clear of all liens and any encumbrances.

The Company was made aware of a lien, as disclosed in the Form 10-KSB for year ended 2002, in the approximate amount of $550,000 which had been apparently executed by the interim officers of JBP, Keith Warburton and Ronnie Hale, during the time frame WBI had purchased JBP from Jim & Joy Butler, and WBI s sale of JBP, to the Company.

The Company has made numerous attempts to resolve the issues with WBI & Covah over the last two years however, could never reach a resolution that was equitable and mutually agreeable to all parties whereby, allowing JBP to achieve profitability and grow the business. Therefore, on March 25, the Company notified WBI & Covah of their breaches and has rescinded the acquisition of JBP. The stock that had been issued to WBI and Covah will be returned to the Company s treasury**.**

WEST TEXAS REAL ESTATE AND RESOURCES, INC.

WTRER s business operations in 2003 consisted primarily of searching for a joint-venture partner whom would have the financial resources to assist in the development of the oil & gas property into producing oil or gas wells.

GENERAL

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The Company continues to search for viable business operations to acquire or merge with in order to increase the Company s revenues, asset base and achieve profitability. The Company has made a significant reduction in its liabilities in the approximate amount of $1,300,000 for the calendar year end 2003 or subsequent thereto. The Company will continue to strive to attain consistent profitability through acquisitions of revenue producing businesses.

As of March 30, 2004, the Company had a total of one full time employee with two part-time employees.

449 CORPORATION & WDHQ, INC.

On September 17, 2003, the Company and Donald Herborn executed a stock for stock like exchange agreement (Exchange Agreement) whereby, Donald Herborn agreed to exchange his 40% equity interest in 449 Corporation as well as in WDHQ, Inc., both corporations being EagleRider franchises with four operating locations within the continental USA. EagleRider is the only company exclusively licensed by Harley Davidson Motor Corporation to rent Harley Davidson Motorcycles. The stock for stock like exchange agreement was closed on February 2, 2004 therefore, there was no recorded activities included in the financial statements for the Year end 2003.

ITEM 2. DESCRIPTION OF PROPERTY

The Company s office of approximately 300 square feet is located at 3430 E. Russell Rd., Ste. 317, Las Vegas, Nevada 89120, and is subject to a five (5) year lease with an option for an additional two (2) years at $625 per month.

WTRER owns a lease with an interest in the oil, gas and mineral rights called the Glass Mountains Pilares A111 which consists of contiguous acreage of approximately 800 acres comprising a portion of Glass Mountain acreage located in Pecos County, Texas. The Company s interest in this property is subject to a twenty percent (20%) royalty interest due the lessor. This lease was entered into on October 6, 1999 and has a five (5) year term which is renewable.

ITEM 3. LEGAL PROCEEDINGS

The following are pending material cases involving the Company and its subsidiaries.

Orix Real Estate Capital Markets, LLC , as the Special Servicer for Finova Realty Capital, Inc. v. Magnolia Manors Properties, LLC, et al., Case No. CV-01-3086-SH, was filed in the Montgomery Circuit Court in Montgomery County, Alabama in May 2000 by Orix Real Estate Capital Markets, LLC (Orix) as the Special Servicer for Finova Realty Capital, Inc. alleging that Magnolia Manors Properties, LLC defaulted on the provisions of a promissory note to Finova Realty Capital, Inc. by which it promised to repay $9,280,000. This lawsuit alleged that because the Company had been, between December 23, 1999 and February 27, 2001, in negotiations to merge or acquire the assets of Magnolia Manors Properties, LLC that it has bound itself to certain provisions of these loan documents. On January 25, 2002, the Company and Delmar Janovec filed a Motion for Summary Judgment asking the Court to enter an order granting judgment in their favor on all claims asserted against them. The Circuit Court granted summary judgment in favor of the Company and Delmar Janovec on March 29, 2002. Orix appealed this judgment to the Alabama Supreme Court on June 26, 2002. The Circuit Court s summary judgment was affirmed by the Alabama Supreme Court on January 14, 2003.

American Factors Group, L.L.C. vs. AmeriResource Technologies, Inc., et al. This case was filed in the United States District Court, District of New Jersey, Case Number 3:97cv01094(GEB).

In February 2000, the parties stipulated to the dismissal of certain claims in this suit with prejudice. This stipulation dismissed all of the claims in this suit except for the claims against defendants Rod Clawson, Michael Cederstrom and Tim Masters. These remaining claims were resolved pursuant to a Settlement Agreement which has been subsequently amended.

The Settlement Agreement provided for the payment by the Company and Delmar Janovec (Janovec) of certain obligations and judgments entered against the defendants. An Addendum dated August 10, 2000 was executed to modify certain terms of the repayment schedule. As the Company and Janovec were unable to meet the terms of repayment set forth in the Addendum, a Second Addendum was executed in the first quarter of 2002 to modify the repayment conditions as follows:

1. the interest rate and all other penalties and late charges assessed on the outstanding obligation of $308,692.08 owed by Janovec and the Company shall be fifteen percent (15%) until the obligation is paid in full on or before March 31, 2002;

2. the repayment schedule shall be weekly payments of not less than $2,500, with repayments increasing in the event the price of the Company s Common Stock increases;

3. to the extent the Company secures a line of credit through vSource 1 and receives any investor monies, American Factors Group, L.L.C. (AFG) shall receive fifty percent (50%) of any such monies; and

4. the Company shall issue to AFG ten million (10,000,000) shares of the Company s Common Stock in consideration of the modification of the repayment conditions.

As the Company s Common Stock reaches the specific prices stated in the repayment schedule, Delmar Janovec, the Company s president, has agreed to sell his personal shares of the Company s Common Stock to make the scheduled payment. In the event the obligation was not paid in full by March 31, 2002, AFG would be entitled to proceed with any available proper legal

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action to collect on its judgment. AFG and the Company have extended the terms of the Second Addendum until December 27, 2003. The terms of the Second Addendum have been met.

Internal Revenue Service Issue. The IRS and the Company have been trying to resolve outstanding issues since 2000 for unpaid payroll taxes created by the previous engineering subsidiaries during the close down phases of the offices and was not successful in reaching a resolution with the IRS. On or about January 16, 2001, the IRS notified Rod Clawson, a director of the Company and the former President of the engineering subsidiaries, that the IRS was filing a lien against him, individually, for the payment of taxes. Subsequently, several meetings were held and an agreement was reached on or about March 22, 2001 with the IRS whereby Clawson will pay $50,000 per month until approximately $282,000, constituting principal and interest, is paid off in its entirety. Mr. Clawson has made payments in excess of $115,000 to date.

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

There were no matters submitted to a vote of the Company s security holders during the fourth quarter of 2003.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company s Common Stock is traded on the OTC Bulletin Board under the symbol ARES . The Common Stock had traded under the symbol ARET until the Company s shareholders effected a reverse stock split in February 2002. The table below sets forth the high and low sales prices for the Company s Common Stock for each quarter of 2002 and 2003, which have been adjusted to reflect the February 2002 reverse stock split of one-for-one hundred (1-for-100). The quotations below reflect the reverse stock split of the Company s Common Stock and inter-dealer prices without retail markup, markdown or commission. The quotations may not represent actual transactions:

Year	Quarter	High	Low
2003	First	$0.014	$0.0025
	Second	$0.008	$0.0015
	Third	$ 0.01	$0.0028
	Fourth	$0.007	$0.0045

Year	Quarter	High	Low
2002	First	$ 0.47	$ 0.03
	Second	$ 0.05	$ 0.02
	Third	$ 0.21	$ 0.015
	Fourth	$ 0.09	$ 0.01

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Shareholders

The Company is authorized to issue One Billion (1,000,000,000) shares of Common Stock and Ten Million (10,000,000) shares of preferred stock (Preferred Stock). As of March 5, 2004, there were approximately 1,202 shareholders of record holding a total of 328,234,645 shares of Common Stock, although management believes approximately 17,309 persons own our common stock beneficially, either of record or thru broker, bank or other nominee.

Dividends on the Common Stock

The Company has not declared a cash dividend on its Common Stock in the last two fiscal years and the Company does not anticipate the payment of future dividends. The Company may not pay dividends on its Common Stock without first paying dividends on its Preferred Stock. There are no other restrictions that currently limit the Company s ability to pay dividends on its Common Stock other than those generally imposed by applicable state law.

Preferred Stock

No trading market currently exists for the Company s preferred stock. The Company has four (4) series of Preferred Stock, A, B, C, and D. As of March 9, 2004, there were fifteen (15) shareholders of record of the Company s Series A Preferred Stock holding a total of 131,275 shares. On March 9, 2004, there was one (1) shareholder of record of the Company s Series B Preferred Stock holding a total of 177,012 shares. On March 9, 2004, there was one (1) shareholder of record of the Company s Series C Preferred Stock holding a total of 1,000,000 shares. On March 9, 2004, there was one (1) shareholder of record of the Company s Series D Preferred Stock holding a total of 250,000 shares. Each share of the Series A and B Preferred Stock may be converted by the holder into one share of Common Stock. The Series A and B Preferred Stock have liquidations value of $1.25 per share and have voting rights equivalent to one share of Common Stock. Dividends on the Series A and B Preferred Stock accrue quarterly at an annual rate of $0.125 per share.

Each share of the Series C Preferred Stock may be converted into Common Stock of the Company on the basis of the stated value of the Series C Preferred Stock, $2.00 per share, divided by fifty percent (50%) of the average closing price of the Common Stock on five (5) business days preceding the date of conversion. The Series C Preferred Stock has a liquidation value of $2.00 per share and has voting rights equivalent to one share of Common Stock. Holders of the Series C Preferred Stock are not entitled to receive dividends.

Each share of the Series D Preferred Stock may be converted by the holder into one share of Common Stock. The Series D Preferred Stock has a liquidation value of $0.001 per share and as voting rights equivalent to five (5) shares of Common Stock. Holders of the Series D Preferred Stock are not entitled to receive dividends.

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The Company has never declared or paid dividends on its Preferred Stock.

ITEM 6. MANAGEMENT S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

General

The Company is attempting to settle as much debt from the balance sheet as possible. As such, the Company entered a settlement agreement with Mr. Delmer Janovec whereby common stock was issued to Janovec in exchange for the retirement of the $1,217,773 debt the Company owed Janovec. Additionally, the Company s operations for 2003 were primarily affected through its wholly owned subsidiaries, JBP and West Texas Real Estate and Resources, Inc. However, subsequent to the year ended December 31, 2003, the Company rescinded its agreement with JBP. The Company continues to search for other viable business entities that have operations with revenues and net profits.

Results of operations

Revenues for the fiscal year ended December 31, 2003 decreased to $62,000 from $1,152,481 in revenues for 2002. The operating loss decreased to $637,062 as compared to $744,435 in 2002 as a result in a decrease of General and Administrative expenses from $522,744 for the year ended December 2002, to $146,905 for 2003 and an increase in consulting expenses from $233,932 for the year end December 31, 2002 to $367,497 in 2003. The operating loss is also attributable to a decrease in salaries and bonuses of $100,000 for the year ended December 31, 2003 as compared to $245,033 for 2002.

The Company s net profit decreased dramatically to a net loss of $724,714 from a net profit of $491,857 in 2002. The decrease in net profit resulted from the loss of operations of one of the Company s subsidiaries, Jim Butler Performance, Inc. This was a one time extraordinary expense which was incurred by the Company when it rescinded an Acquisition Agreement due to breaches in the contract made by the seller, WBI, Inc. and Covah, LLC.

Expenses	2003	2002
General and Administrative	146,905	522,744
Consulting	367,497	233,932
Employee Salaries and Bonuses	100,000	245,033
Interest Expense	(26,540)	(88,669)
Legal and Professional	84,660	60,000

Liquidity and capital resources

The Company s current assets as of December 31, 2003 were $86,395. This amount is in cash and a note receivable. Other assets include oil and gas properties in the amount of $1,700,000 which represents rights of certain leased oil rights that have a value exceeding $10,000,000 but has been recorded as to the value paid for the oil lease.

For the year ended December 31, 2003, the Company account payable were $0. The Company had notes payable to other parties in the amount of $350,000 and accrued interest totaling $29,692.

The Company plans to increase its liabilities by acquiring additional income producing assets in exchange for its securities, and attempting to settle additional payables with equity. The Company hopes to continue to improve shareholder equity by acquiring income-producing assets which are generating profits.

Going Concern

The Company has relied upon its chief executive officer, Delmar Janovec, for its capital requirements and liquidity. The Company will continue to seek alternate sources of financing to allow the Company to acquire other operating entities which may improve the Company s weak liquidity and capital resources. Additionally, the Company may continue to use its equity and resources of its chief executive officer to finance operations. However, no assurances can be provided that the Company will be successful in acquiring assets, whether revenue-producing or otherwise, or that Mr. Janovec will continue to assist in financing the Company s operations.

ITEM 7. FINANCIAL STATEMENTS

The Company s financial statements for the fiscal year ended December 31, 2003 are attached hereto beginning on page F-1

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AMERIRESOURCE TECHNOLOGIES, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2003

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AMERIRESOURCE TECHNOLOGIES, INC. AND SUBSIDIARIES

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INPENDENT AUDITOR S REPORT

The Stockholders
And Board of Directors
Of AmeriResource Technologies, Inc.
Las Vegas, NV

We have audited the accompanying consolidated balance sheet of AmeriResource Technologies, Inc. and subsidiaries as of December 31, 2003, and the related consolidated statements of operations, stockholders equity, and cash flows for the years ended December 31, 2002 and 2003. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AmeriResource Technologies, Inc. and subsidiaries as of December 31, 2003, and the results of its operations and cash flows for the years ended December 31, 2002 and 2003, in conformity with accounting principles generally accepted in the United States.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 10 to the financial statements, the Company has suffered recurring losses from operations and has an accumulated deficit that raises substantial doubt about its ability to continue as a going concern. Management s plans in regard to those matters are also described in Note 10. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Clyde Bailey P.C.

San Antonio, Texas
March 30, 2004

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AMERIRESOURCE TECHNOLOGIES, INC.

Consolidated Balance Sheet
December 31, 2003

	December 31, 2003	
ASSETS		
Current Assets:		
Cash	34,090	
Notes receivable	52,305	
Total current assets		86,395
Fixed Assets		
Leasehold improvements	6,230	
Accumulated depreciation	(130)	
Net fixed assets		6,100
Other Assets		
Oil and gas properties	1,700,000	
Marketable securities	621	
Total other assets		1,700,621
Total Assets		1,793,116
LIABILITIES		