

Edgar Filing: KING RESOURCES INC - Form 10QSB

KING RESOURCES INC
Form 10QSB
October 16, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB/A

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the quarterly period ended: July 31, 2001

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

Commission File Number: 333-52945

KING RESOURCES, INC
(Exact name of registrant as specified in its charter)

Delaware 13-3784149
(State or other jurisdiction of (IRS Employer identification No.)
incorporation or organization)

2301 14th Street, Suite 900
Gulfport, Mississippi 39501

(Address of principal executive offices, including zip code)

(228) 864-6667

(Registrant's telephone number, including area code)

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

Name of Each Exchange
Title of Each Class on which Registered

Common Stock, \$.001 par value
OTC / ELECTRONIC BULLETIN BOARD

Indicate by check mark whether the registrant (i) has 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 (ii) has been subject to such filing requirements for the
past 90 days. Yes No

As of October 2, 2001, there were 34,939,804 shares of Common Stock outstanding.

Edgar Filing: KING RESOURCES INC - Form 10QSB

KING RESOURCES, INC & SUBSIDIARY
 INDEX TO FORM 10-QSB
 FOR THE QUARTER ENDED JULY 31, 2001

Part I - Financial Information	Page
-----	----
Item 1. Financial Statements	
Consolidated Balance Sheets - July 31, 2001 (unaudited) and July 31, 2000.....	3
Consolidated Statements of Operations - For the Three months Ended July 31, 2001 (unaudited) and July 31, 2000 (unaudited).....	4
Consolidated Statement of Stockholders' Equity - For the Three months Ended July 31, 2001 (unaudited).....	4
Consolidated Statements of Cash Flows - For the Three months Ended July 31, 2001 (unaudited) and July 31, 2000 (unaudited).....	5
Notes to Unaudited Consolidated Financial Statements.....	7-12
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	12
Part II - Other Information	
Item 1. Legal Proceedings.....	13
Signatures.....	14

-2-

KING RESOURCES, INC. & SUBSIDIARY
 CONSOLIDATED BALANCE SHEET

	July 31 2001 ----	July 31 2000 ----
CURRENT ASSETS		
Cash	\$ 216	\$ 760
Total current assets	216	760
PROPERTY AND EQUIPMENT, net of accumulated depreciation ..	10,362	12,084,772

Edgar Filing: KING RESOURCES INC - Form 10QSB

OTHER ASSETS		
Indemnification Fund	50,000	
Organization cost - less amortization of \$5,160	453	

		50,453
	\$ 10,578	\$ 12,135,985
CURRENT LIABILITIES		
Payroll taxes	\$ 3,101	\$ 16,314
Notes payable	500,000	500,000
Accrued interest on notes	106,096	47,581
Accounts payable	21,079	--
Related parties payable	36,950	--
Other current liabilities	14,028	32,000
Judgment payable	290,000	--
Total current liabilities	971,254	595,895
SHAREHOLDERS' (DEFICIT)		
Preferred stock - \$1.00 par value; 2,000,000 shares authorized; none issued and outstanding		
Common stock - \$.001 par value; 100,000,000 shares authorized; 34,939,804 shares issued and outstanding .	34,940	34,940
Additional paid-in capital	16,097,129	16,097,129
Accumulated (deficit)	(17,092,745)	(4,591,979)
Total shareholders' equity/(deficit)	(960,676)	11,540,090
	\$ 10,578	\$ 12,135,985

See accompanying notes and accountants' review report

-3-

KING RESOURCES, INC. & SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS

	Three months ended	
	July 31, 2001	July 31, 2000
	----	----
OIL AND GAS REVENUES	\$ --	12,321
COST AND EXPENSES		
Lease Operating Expenses	\$ --	8,686
Depreciation, amortization	8,376	22,942
General and administrative	21,201	183,325
Rent - judgment for vacating lease premises prior		

Edgar Filing: KING RESOURCES INC - Form 10QSB

to lease termination	290,000	--
Total cost and expenses	319,577	214,953
(LOSS) FROM OPERATIONS	(319,577)	(202,632)
OTHER INCOME (EXPENSE)		
Interest income	1,229	1
Dividend income	10	3,716
Interest expense	(44,712)	(47,581)
	(43,473)	(43,864)
NET (LOSS)	\$ (363,050)	\$ (246,496)
NET LOSS PER COMMON SHARE AND COMMON SHARE EQUIVALENT SHARE-BASED DILUTED		
	\$ (0.01)	\$ (0.007)
Weighted Average Common and Common Equivalent Shares	34,939,804	34,939,804

See accompanying notes and accountants' review report

KING RESOURCES, INC. & SUBSIDIARY

CONSOLIDATED STATEMENT OF SHAREHOLDERS' (DEFICIT)
Three months ended July 31, 2001

	Shares -----	Common Stock Amount -----	Additional Paid-In Capital -----	
BALANCES, October 31, 2000 (deficit)	34,939,804	\$ 34,940	\$16,097,129	\$ (
NET (LOSS)	-	-	-	
BALANCES, July 31, 2001 (deficit)	34,939,804	\$ 34,940	\$16,097,129	\$ (

See accompanying notes and accountants' review report

Edgar Filing: KING RESOURCES INC - Form 10QSB

	Three months ended	
	July 31, 2001 ----	July 31, 2000 ----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)	\$ (363,050)	\$ (246,496)
Adjustments to reconcile net (loss) to net cash used in operating activities:		
Depletion, depreciation, amortization and provision for impairment	8,376	22,942
Changes in operating assets and liabilities:		
Other current liabilities	354,155	33,240
Other long term-liabilities		47,581
NET CASH (USED) IN OPERATING ACTIVITIES	(519)	(142,733)
(DECREASE) IN CASH AND CASH EQUIVALENTS	(519)	(142,733)
CASH AND CASH EQUIVALENTS, beginning of period	735	143,493
CASH AND CASH EQUIVALENTS, end of period	\$ 216	\$ 760

See accompanying notes and accountants' review report

-5-

Shareholders
King Resources, Inc. & Subsidiary
Gulfport, Mississippi

We have reviewed the accompanying consolidated balance sheet of King Resources, Inc. & Subsidiary (formerly ARXA International Energy, Inc.) as of July 31, 2001 and the related consolidated statements of operations, statement of shareholders' (deficit) and cash flows for the three months then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements are the representation of the management of King Resources, 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.

Edgar Filing: KING RESOURCES INC - Form 10QSB

As discussed in Note B to the consolidated financial statements the Company has a net (loss) of (\$363,050) and negative cash flow from operations of (\$519) for the three months ended July 31, 2001 and had an accumulated (deficit) of (\$17,092,745) at that date, which raises substantial doubt about its ability to continue as a going concern. The Company is currently seeking outside sources of financing to fund its development efforts. Should the Company be unable to access such financing, it will have to materially curtail its development and operating activities. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Gibbons Hall, L.L.C.

/s/ Gene Gibbons

October 2, 2001

-6-

KING RESOURCES, INC. & SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2001

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization - ARXA International Energy, Inc. ("ARXA" or "the Company"), was incorporated in Delaware and has engaged in oil and gas exploration and development in Utah, Louisiana and Texas. Effective December 1, 2000, the company changed its' name to King Resources, Inc. from ARXA International Energy, Inc. ARXA USA, Inc., a wholly owned subsidiary, was incorporated in Delaware. All significant intercompany accounts and transactions have been eliminated in consolidation.

Oil and Gas Revenues - The Company recognizes oil and gas revenues as the oil or gas is produced and sold. As a result, the Company accrues revenue relating to production for which the Company has not received payment.

Oil and Gas Property Held for Sale - Oil and gas property held for sale is carried at the lower of cost or market.

Oil and Gas Property - The Company follows the full-cost method of accounting for oil and gas property. Under the full-cost method, all costs associated with property acquisition, exploration, and development activities are capitalized into a "full-cost pool". Capitalized costs include lease acquisitions, geological and geophysical work, delay rentals, costs of drilling, completing and equipping successful and unsuccessful oil and gas wells and directly related costs. Gains or losses are normally not recognized on the sale or other disposition of oil and gas properties.

The capitalized costs of oil and gas properties, plus estimated future development costs relating to proved reserves, are amortized on a unit-of-production method over the estimated productive life of the proved oil and gas reserves. There were no capitalized costs at July 31, 2001.

Edgar Filing: KING RESOURCES INC - Form 10QSB

Capitalized oil and gas property costs, less accumulated amortization and related deferred income taxes, are limited to an amount (the ceiling limitation) equal to the present value of estimated future net revenues from the projected production of proved oil and gas reserves, calculated at prices in effect as of the balance sheet date (with consideration of price changes only to the extent provided by contractual arrangements) at a discount factor of 10%, less the income tax effects related to differences between the book and tax basis of the properties.

Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. The actual results could differ from those estimates.

The Company's financial statements are based on a number of significant estimates including oil and gas reserve quantities which are the basis for the calculation of depreciation, depletion and impairment of oil and gas properties. The Company's reserve estimates are determined by an independent petroleum engineering firm. However, management emphasizes that reserve estimates are inherently imprecise and that estimates of more recent discoveries and reserves associated with non-producing properties are more imprecise than those for producing properties with long production histories. The company owned no oil and gas properties at July 31, 2001. Accordingly, the Company's estimates are expected to change as future information becomes available.

-7-

KING RESOURCES, INC. & SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2001

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES - continued

Property and Equipment - Depreciation of property and equipment, other than oil and gas properties, is provided generally on the straight-line basis over the estimated useful lives of the assets as follows:

Furniture and fixtures	3 - 7 years
Equipment	5 years

Ordinary maintenance and repairs are charged to income, and expenditures which extend the physical or economic life of the assets are capitalized. Gains or losses on disposition of assets other than oil and gas properties and equipment are recognized in income, and the related assets and accumulated depreciation accounts are adjusted accordingly.

Income Taxes - The Company provides for income taxes on the liability method. The liability method requires an asset and liability approach in the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of the

Edgar Filing: KING RESOURCES INC - Form 10QSB

Company's assets and liabilities.

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Company considers cash equivalents to include all cash items, such as time deposits and short-term investments that mature in three months or less.

Concentrations of Credit Risk - Financial instruments which potentially expose the Company to concentrations of credit risk consist primarily of oil and gas receivables. Although the Company is directly affected by the well-being of the oil and gas production industry, management does not believe a significant credit risk existed at July 31, 2001. There were no receivables at July 31, 2001.

Earnings per share - The Company adopted SFAS No. 128, Earnings Per Share (EPS), which was issued in February 1997, which requires presentation of both basic and diluted EPS on the face of the income statement for all periods presented. Basic EPS is computed by dividing net income available to common shareholders (numerator) by the weighted average number of common shares outstanding (denominator) during the period. Diluted EPS is computed using the weighted-average number of common and potential common shares outstanding during the period. In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options. There were no dilutive potential common shares outstanding during the periods encompassed by these financial statements.

NOTE B - GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company had a net (loss) of \$(363,050) and negative cash flow from operations of \$(519) for the nine months ended July 31, 2001 and had an accumulated (deficit) of \$(17,092,745) at that date, which raises substantial doubt about its ability to continue as a going concern.

-8-

KING RESOURCES, INC. & SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS July 31, 2001

NOTE B - GOING CONCERN - continued

The Company has targeted several acquisition opportunities and is aggressively seeking financial sources to assist with the financing.

NOTE C - ACCOUNTS RECEIVABLE

There were no receivables at July 31, 2001.

Edgar Filing: KING RESOURCES INC - Form 10QSB

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment at July 31, 2001 consists of the following:

Furniture and fixtures	\$141,754
Equipment	750

	142,504
Less accumulated depreciation	(132,142)

	\$ 10,362

NOTE E - NOTES PAYABLE

On December 01, 1999, the Company executed a Promissory Note in the amount of \$200,000 together with interest at 10% per annum on the unpaid balance to Mark Trivette and a Promissory Note of \$300,000 to Kenneth A. and Lynn R. Hubbard together with interest at the rate of 10% per annum on the unpaid balance. These notes matured on September 1, 2000, but have not been satisfied. The Company is continuing to accrue interest on these notes. See Note I.

NOTE F - RELATED PARTIES

The Company owes \$36,950 to companies owned by two officers of King Resources, Inc. These amounts were advanced to the Company for operating expenses.

-9-

KING RESOURCES, INC. & SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS July 31, 2001

NOTE G - INCOME TAXES

The Company had net operating loss carryforwards (NOL's) for income tax reporting purposes of approximately \$14,859,055 at October 31, 2000. If not utilized, these NOL's will begin expiring in 2019.

NOTE H - JUDGEMENT PAYABLE

In August 1998, the Company signed a non-cancelable operating lease agreement that provides for monthly payments ranging from \$7,524 to \$8,495 for 60 months. The Company canceled the lease during the year ended October 31, 1999 and

Edgar Filing: KING RESOURCES INC - Form 10QSB

retained an attorney to represent the Company. On October 15, 1999, Radler Enterprises Texas, Inc. filed suit against the Company for actual damages for the unpaid lease payments. On January 18, 2001 the Company settled with Radler Enterprises Texas, Inc. for \$290,000 plus interest at the rate of 10 percent per annum. These amounts have been recorded on the books.

NOTE I - COMMITMENTS AND CONTINGENCIES

On March 9, 2001, Kenneth A. Hubbard, Lynn R. Hubbard and Mark Trivette filed suit against King Resources, Inc. The plaintiffs are suing for damages on promissory notes against the defendants for \$500,000 plus interest, attorney fees and court costs. King Resources, Inc. is vigorously defending this case. See note E.

King Resources, Inc. has filed its answer admitting that the promissory notes of plaintiffs are unpaid as to principal and accrued interest, King Resources, Inc. has filed a counteraction against plaintiffs for damages in excess of \$1,000,000.

Environmental Contingencies - The Company's activities are subject to existing federal and state laws and regulations governing environmental quality and pollution control. It is impossible to predict the impact of environmental legislation and regulations on operations in the future, although compliance may necessitate significant capital outlays, that would materially affect earning power or cause other material changes. Penalties may also be assessed to the Company for any pollution caused by the Company's operations and the Department of Interior is authorized to suspend any operation which threatens immediate or serious harm to life, property or environment, which suspension may remain in effect until the damage has ceased. This regulatory burden on the oil and gas industry increases the cost of doing business and consequently affects the Company's profitability. It may be anticipated that state and local environmental laws and regulations will have an increasing impact on oil and gas exploration and operations.

The Company has never been fined or incurred liability for pollution or other environmental damage in connection with its operations.

-10-

KING RESOURCES, INC. & SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2001

NOTE J - STOCKHOLDERS' (DEFICIT)

The Company issued warrants to acquire 3,297,000 (pre-split), 659,400 (post-split) shares of its common stock as part of an acquisition transaction with Phoenix Energy Resources, Inc. (Phoenix).

The warrants are exercisable at \$2.00 (pre-split) \$10.00 (post-split) per share. These warrants expired without being exercised on August 9, 2000.

On August 21, 1998, the Company issued 57,700 warrants to certain Arxa (King Resources, Inc.) shareholders to purchase the Company's common stock at \$1.25. These warrants expired on August 31, 2000, without being exercised.

Edgar Filing: KING RESOURCES INC - Form 10QSB

Prior to the merger transaction with Phoenix, the Company issued 405,000 warrants to purchase the Company's common stock at \$10.00. These warrants expired on August 9, 2000 without being exercised.

In addition, Phoenix granted options to employees and directors to acquire 147,753 shares of Phoenix's common stock and an option to an individual to acquire 6,146 shares of its common stock. The options, which expire on September 11, 2007, have an exercise price of \$12.50 per share.

Options issued to employees to acquire 110,877 shares of Phoenix's common stock were exercisable in equal amounts on September 12, 1998, 1999 and 2000. These options expired without being exercised.

NOTE K - STOCK OPTION PLAN

The Company has a stock option plan under which options to purchase a maximum of 200,000 shares of common stock may be issued to employees, consultants and non-employee directors of the Company. The stock option plan provides both for the grant of options intended to qualify as "incentive stock options" under the Internal Revenue Code of 1986, as amended, as well as options that do not so qualify. As of July 31, 2001, no options had been granted under the Plan.

With respect to incentive stock options, no option may be granted more than ten years after the effective date of the stock option plan or exercised more than ten years after the date of grant (five years if the optionee owns more than 10% of the common stock of the Company at the date of grant). Additionally, with regard to incentive stock options, the exercise price of the option may not be less than 100% of the fair market value of the common stock at the date of grant (110% if the optionee owns more than 10% of the common stock of the Company). Subject to certain limited exceptions, options may not be exercised unless, at the time of exercise, the optionee is in the service of the Company.

Non-qualified options granted under the plan may not have an exercise price less than 85% of the fair market value of the Company's common stock on the date of grant.

-11-

KING RESOURCES, INC. & SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS July 31, 2001

NOTE K - STOCK OPTION PLAN - continued

On July 27, 1998 the Company authorized the issuance of warrants to management and non-employee directors to purchase 1,000,000 shares of common stock at \$.25 per share. 50% of the warrants are to be exercisable when the Company's stock price reaches \$6.25 per share, 25% when the price reaches \$7.50 per share, and 25% when the stock price reaches \$8.75 per share. Should the Company declare a stock dividend the number of shares will go up and the prices will go down

Edgar Filing: KING RESOURCES INC - Form 10QSB

proportionately. These warrants have not been issued as of July 31, 2001. The pro forma effect of the 1,000,000 shares is shown below in this footnote.

In October 1995, the Financial Accounting Standards Board issued a new statement titled "Accounting for Stock-Based Compensation" (SFAS 123). SFAS 123 encourages, but does not require, companies to recognize compensation expense for grants of stock, stock options, and other equity instruments to employees based on fair value. Fair value is generally determined under an option pricing model using the criteria set forth in SFAS 123.

The Company applies APB Opinion 25, Accounting of Stock Issued to Employees, and related interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized for its fixed stock option plans.

Had compensation expense for the Company's stock based compensation plans been determined based on the fair value at the grant dates for awards under those plans consistent with the method prescribed by SFAS 123, the Company's net loss and loss per common share would have been increased to the pro forma amounts indicated below:

Net loss-as reported	\$363,050
Net loss-Pro forma	(2,145,450)
Net loss per common share-as reported	(.010391)
Net loss per common share-Pro forma	(.061404)

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: risk-free rate of 8%; volatility of 198%, no assumed dividend yield; and expected life of one year.

-12-

KING RESOURCES, INC. & SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2001

NOTE L - SUPPLEMENTAL CASH FLOW INFORMATION

The Company paid no interest during the nine months ended July 31, 2001.

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

A. RESULTS OF OPERATIONS

Oil and gas revenues for the three months ended July 31, 2001 were \$-0-, which is \$12,321 less than the oil and gas revenues for the three months ended July

Edgar Filing: KING RESOURCES INC - Form 10QSB

31, 2000 and is primarily attributed to the slow down of production. Lease operating expense decreased from \$8,686 for the three months ended July 31, 2000 to \$-0- for the three months ended July 31, 2001, a decrease of \$8,686. The decrease is primarily due to the cessation of production activity. General and administrative costs decreased from \$183,325 for the three months ended July 31, 2000 to \$21,201 for the three months ended April 30, 2001. The decrease of \$162,124, primarily consists of a decrease in payroll and office overhead expenses.

B. LIQUIDITY AND CAPITAL RESOURCES

Net cash flow from operating activities was a negative \$519 for the three months ended July 31, 2001 as compared to a negative of \$142,733 for the three months ended July 31, 2000.

At July 31, 2001, the Company's current assets of \$216 were exceeded by current liabilities of \$971,254 by \$971,038. The Company had a net loss of \$363,050 and negative cash flow from operations of \$519 for the quarterly period ended July 31, 2001 and had an accumulated deficit of \$17,092,745 at that date, which raises substantial doubt about the Company's ability to continue as a going concern. The Company is continuing to target several acquisition opportunities and is aggressively seeking financial sources to assist with the financing.

The Company notes that there is not sufficient cash flow from operations to continue to operate the business for the next fiscal quarter.

C. MANAGEMENT'S RESPONSE AND PLAN OF OPERATIONS

Under-capitalization continues to be the most serious problem facing the Company.

To correct this problem the Company has acquired the rights to several high potential oil and gas development prospects which would provide the justification for the Company's planned additional Public Offering which will now proceed as rapidly as possible. It is the intent of the Company to apply for membership on the American Exchange simultaneously with the offering.

-13-

The Company believes that a listing on a major stock exchange in preference to the Bulletin Board will open opportunities for acquisitions with stock and cash. The Company is confident that, with the offering completed, it will qualify for the AMEX.

PART II - OTHER INFORMATION

ITEM I. LEGAL PROCEEDINGS

King is not engaged in any pending legal proceedings nor are any of its properties subject to any legal proceedings except for the following discussion. King is further not aware of any legal proceedings pending or threatened against its officers and/or directors in their capacity as corporate officers or directions of King except for the following discussion.

1. On October 15, 1999, Radler Enterprises Texas, Inc., filed suit

Edgar Filing: KING RESOURCES INC - Form 10QSB

against ARXA now King and Craig Ford in the 55th Judicial District for the District Court of Harris County, State of Texas. The lawsuit was on a Lease Agreement executed on August 19, 1998 by Craig Ford as President of ARXA. The Lease Agreement was not approved by the Board of Directors of ARXA. The Plaintiff, Radler Enterprises Texas, Inc., is suing for actual damages for the unpaid lease payments for the term of the lease of approximately \$390,275 plus attorney fees and court costs. On July 10, 2000, Radler amended its complaint to add as additional defendants, Norris R. Harris and Jack R. Durland, Jr., and requested damages in the same amount as sought against ARXA and Ford. On or about January 18, 2001, the attorneys for King, Mr. Harris, and Mr. Durland entered into a Agreed Interlocutory Judgment against King in the amount of \$290,000.00 plus interest thereon at the rate of 10 percent (10%) per annum, and judgment against the defendants Norris R. Harris and Jack R. Durland, Jr., jointly and severally, in the amount of \$40,000.00 plus interest thereon at the rate of ten percent (10%) per annum. As of June 18, 2001, Mr. Durland and Mr. Harris have paid \$10,000.00 on this judgment. The balance of \$30,000.00 is to be paid quarterly.

2. Coastal Oil & Gas Corporation filed suit against ARXA in the 33rd Judicial District for the District of Harris County, State of Texas, and obtained a judgment in the amount of \$14,028.01 plus attorney fees and costs in approximately June of 2000. ARXA is in the process of attempting a settlement of this lawsuit and judgment.
3. On March 9, 2001, Kenneth A. Hubbard, Lynn R. Hubbard, and Mark Trivette filed suit in Case No. 1:01CV94GR in the United States District Court for the Southern District of Mississippi, Southern Division, against the following named parties: King Resources, Inc., Gulfport Oil & Gas, Inc., Norris R. Harris, and Jack R. Durland, Jr. The plaintiffs are suing for damages on promissory notes against the Defendants for \$500,000.00 plus interest, attorney fees, and court costs. King has filed its answer admitting that the promissory notes of plaintiffs are unpaid as to principal and accrued interest. King, Gulfport, Mr. Harris, and Mr. Durland have filed a counterclaim against plaintiffs for damages in excess of \$1,000,000.00. King, Gulfport, Mr.

-14-

Harris, and Mr. Durland are vigorously defending this case. This case will not be set for trial until April, 2002.

KING RESOURCES, INC
SIGNATURES

Pursuant to the requirements 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.

KING RESOURCES, INC
(Registrant)

Date: 10-15-01 /s/ Norris R. Harris

Norris R. Harris
President

Edgar Filing: KING RESOURCES INC - Form 10QSB

Date: 10-15-01

/s/ Jack R. Durland, Jr.

Jack R. Durland, Jr.
Vice President and CFO

THIS FINANCIAL DATA SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM JULY 31, 2001 FORM 10-QSB FINANCIAL STATEMENTS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

-15-