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RESERVE INDUSTRIES CORP /NM/
Form 10QSB/A
March 02, 2001

U. S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-KSB/A

z Annual report pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934

For the fiscal year ended November 30, 2000

Commission file number 0-3492

RESERVE INDUSTRIES CORPORATION

(Name of Small Business Issuer in its charter)

NEW MEXICO

85-0128783

(State or other jurisdiction (I.R.S.Employer Identification No.)
of Incorporation or Organization)

20 First Plaza,Suite 308, Albuquerque, New Mexico 87102

(Address of principal executive offices) (Zip Code)

505-247-2384

Issuer's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act: none

Securities registered pursuant to Section 12(g) of the Act:

Common stock, \$1.00 Par Value
Title of each class

Check whether the issuer: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

Yes X No
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Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is 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 10KSB. X

State the issuer's revenues from continuing operations for its most recent fiscal year. \$1,759,700

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked prices of such stock, as of a specified date within the

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past 60 days. As of February 15, 2001 \$233,962.

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. As of February 15, 2001, 2,803,763 \$1.00 Par Value.

PART I

Item 1. Description of Business

(a) Business Development. Reserve Industries Corporation, a New Mexico Corporation incorporated in 1957, (the "Registrant") is engaged in the mining and sale of silica sand. The Registrant conducts these operations in the USA. In addition, the Registrant holds several properties with mineral potential and has equity interests in operations that supply services and products to the steel industry and in operations in the Far East that process waste slag from the smelting of copper into various abrasive products used by the ship repair industry.

The Registrant mines and processes silica sand, through its wholly owned subsidiary Reserve Silica Corporation (Reserve Silica), located in Ravensdale, Washington, southeast of Seattle. The mine run sand is extracted from open pit mines and is transported to an adjacent sand processing plant both of which are located on Reserve Silica's land. The wet plant crushes, washes and separates the clay from the mine run sand and classifies the sand into several products. The wet sand products are marketed to the cement industry and to golf courses for sand traps. The facility also incorporates a drying plant, which further processes the wet sand into dried silica sand for the glass container industry. During the 1999 and continuing into the past year, Reserve Silica made improvements to the wet plant and the drying plant, which increased the production rate and allowed production of a glass sand with a much lower iron content. The cost of the improvements, which are continuing, is over \$700,000. Reserve Silica began delivering the low iron content glass sand in late 1999 and production ramped up during the last year. Reserve Silica is now producing and selling low iron glass sand in excess of the target amount of 40,000 tons per year.

The Registrant, through its wholly owned subsidiaries Reserve Rossborough Corporation (Reserve Rossborough) and Reserve Rossborough Ventures Corporation (Reserve Rossborough Ventures), owns a net 44% equity interest in Rossborough Manufacturing Co. L.P. (Rossborough), of Avon Lake, Ohio. A description of ownership is described in footnote 4 of the notes to the consolidated financial statements. Rossborough provides products and services to the primary steel industry. It is a major supplier of magnesium based reagent compounds used to externally desulfurize hot iron metal and external desulfurization is the primary business segment of the Partnership. External desulfurization of hot iron metal is a process in which specially sized reagents are pneumatically injected into hot iron metal prior to transforming it into steel. The primary components used in the process are various blends of magnesium granules, calcium carbide, lime and other minor compounds. The process is used by the primary steel industry to improve the quality of its steel by lowering the amount of sulfur contained in its finished products.

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Rossborough has a magnesium grinding facility located near Walkerton, Indiana that processes both magnesium ingots and secondary magnesium granules into a size suitable for use in iron desulfurization. The magnesium granules are blended at Walkerton with other materials to make the finished desulfurization reagents. Rossborough is one of the three primary suppliers of desulfurization services in North America. It has been working to expand its international operations and is currently operating internationally through joint ventures in Slovakia, Belgium and China.

In China, Rossborough has been involved as a subcontractor on several large desulfurization projects and is supplying co-injection systems at the Benxi steel mill and the Baotou steel mill. China is a large market producing as much steel as the United States and needs to upgrade the quality of the steel through the removal of excess sulfur. An affiliate of Rossborough also purchased an operating magnesium smelter located near the city of Taiyuan in the Shanxi province of China and a magnesium alloying facility in Taiyuan. Due to problems related to operating in China the smelter was shutdown and may be abandoned. The magnesium alloying facility was operated during the year, but is currently closed and may be moved to another location. As a result of these problems Rossborough wrote down the remainder of its loan (\$2.7 million) during the fiscal year ended November 30, 1998.

Rossborough's other business segments include the manufacture of special refractory lances and slag skimmers used in desulfurizing operations; the manufacture of custom desulfurizing reagent injection equipment; the manufacture of molten metal samplers and thermocouples; the exclusive distribution of Bimac Inc. ladle powders and slag conditioning agents; and the distribution of selected other purchased products. As part of Rossborough's quality assurance program it is certified, by a certified ISO auditor, as a supplier that complies with the standards set by the global standardization organization under the program entitled ISO 9001 and 9002. This certification indicates to customers a certain level of quality and process control and is becoming a requirement of the primary steel industry in their selection of suppliers.

The Registrant owns a 10.9 % stock interest in JPL Industries Pte. Ltd., (JPL) a Singapore company organized in 1990. The other shareholders are a subsidiary of Jurong Shipyards Ltd., a Singapore company and two Japanese companies, Nippon Mining & Metals Company, Ltd. and Mitsui & Company, Ltd. JPL is in the waste management business. JPL is in the business of selling processed and unprocessed copper slags that are used for abrasive blasting purposes. It has a recycling facility that processes used copper slag abrasives generated by the Singapore ship repairing industry. The plant mechanically and hydraulically separates contaminants from used abrasives. The recycled abrasives are segregated into a coarse size fraction and a fine slag size fraction. The coarse size fraction is combined with new copper slag abrasives to make blasting abrasives. The fine slag fraction is used as a raw material in other products such as interlocking concrete pavers and as a partial replacement for sand and aggregates in ready-mix concrete.

During the fall of 1995, JPL authorized the issuance of S\$12.5 million (Singapore dollars) of interest bearing redeemable

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convertible unsecured loan stocks. All of these convertible loan stocks were subscribed by the first quarter of 1996. The loan was used to finance the second stage of the copper slag processing and recycle facility and to expand the concrete paver plant. During the past year JPL issued shares to retire S\$5.0 million of the loan stocks. If the all of the convertible loans are converted into common stock, the Registrant's interest will be reduced to approximately 7%.

The Registrant has a number of mineral interests that it deals with in the normal course of business and below is a description of the properties currently held.

The Registrant, through its wholly owned subsidiary Reserve Minerals Corporation (Reserve Minerals), has retained economic interests in three uranium joint ventures located in northern Saskatchewan, Canada. The retained interests in the Waterbury Lake Joint Venture and the Dawn Lake Joint Venture are net profit interests of approximately 0.75% and 1.5%, respectively. The Registrant owns a 1% royalty on its former 9.063% interest on all minerals produced in the McArthur River Joint Venture. The Registrant began to receive royalty income from McArthur and some or all of the retained net profits interests may become earning assets in the future. The Registrant is not involved in the operation of the properties and the reserve and resource information contained in the following paragraphs is from the public announcements by the companies or organizations operating the properties.

The Waterbury Lake Joint Venture includes the Cigar Lake deposit, which contains proven reserves of 345,000 tons of uranium reserves at a grade of 22.51%, probable reserves of 236,000 tons at a grade of 11.3% and possible reserves of 565,000 tons at a grade of 8.15%. This equates to approximately 331 million pounds of uranium concentrate, U3O8 (171.2 million pounds of proven, 58.8 million pounds of probable and 101.5 million pounds of possible reserves). The deposit covers an area of approximately 40 acres. The Cigar Lake Mining Corporation, formed by the Waterbury Lake Joint Venture, has the responsibility of developing the Cigar Lake property. A special underground remote mining and transport method, which surpasses prevailing safety standards, has been developed and successfully tested within the deposit. Subject to regulatory approval, the venture has made an agreement in principle to have the majority of the ore processed at the existing Rabbit Lake mill with the remainder to be processed at the McClean Lake mill currently under construction. The project has been undergoing the permitting process for number of years and in April 1998 the federal and provincial governments approved the project with certain conditions. Depending upon market conditions and regulatory approval the project could begin production in a few years.

The McArthur River Joint Venture uranium deposit was discovered in 1988. As a result of underground exploration drilling, the property now has proven uranium reserves of 768,000 tons at an average grade of 21.0%, which equates to a reserve of 355.5 million pounds of U3O8. In addition the property has probable reserves of 77,000 tons at an average grade of 23.04% and indicated resources of 614,000 tons at a grade of 10.74%, which equates to a probable reserves and indicated resources of 39.0 million and 145.48 million pounds of U3O8, respectively.

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The operator of the property is Cameco Corporation. The property received a construction license in August 1997. Construction was completed during 1999 and the mine began production in December 1999 and progressed well during the past year. The ore is mined, crushed and processed into a slurry underground. The ore is pumped to the surface and transported 80 kilometers to the Key Lake processing mill. By 2002, Cameco plans to increase annual production at the Key Lake mill to 18 million pounds of U308.

The Dawn Lake Joint Venture has a uranium deposit containing indicated resources of 436,000 tons at an average grade of 1.93% and inferred resources of 165,000 tons at a grade of 1.04%, which equates to a indicated and inferred resources of 18.5 million and 3.8 million pounds of U308, respectively.

(b) Business of Issuer. The business of the issuer is as follows:

1. The Registrant primarily produces and sells silica sand to the glass, cement and golf course industries. Further descriptions of the businesses are contained in Item 1. (a) above.
2. In the majority of cases, the Registrant distributes its products directly to its customers by truck or rail. Some of the golf course bunker sand is sold to distributors.
3. The Registrant has not publicly announced any new products or services. However, as described above it completed installation of equipment at its sand plant to lower the iron content of its dried sand and delivered this sand throughout the year.
4. For the silica sand operation numerous competitors exist, however competition is limited to regions by the cost of shipping. The Registrant competes on the basis of keeping prices in line with the competition and maintaining the quality and consistency of the products.
5. The Registrant acquires the raw materials for the silica sand operation from a silica sand deposit owned by the Registrant and the mine is operated to provide mine run sand as required by operations.
6. The Registrant deals with relatively few customers. For the silica sand business, approximately two-thirds of the sales are made to two long-term customers; Saint Gobain Glass Container Co. LLC and LaFarge Cement Company.
7. There are no patents or trademarks of material importance to the Registrant's business. Mining claims, leases and crown grants are believed held under valid contracts or other evidence of title.
8. The Registrant does not currently require any new government approval in order to conduct its business.
9. As with all small and large businesses, the existing and probable governmental regulations are a significant burden, and the cumulative effects are potentially detrimental to business expansion.
10. The Registrant spent less than \$100,000 during 1999 investigating methods to lower the iron content of its dried silica sand. As a result of these efforts, the Registrant spent over \$700,000 on new equipment and installation cost in 1999 and 2000. None of these costs have been borne directly by the Registrant's customers.
11. Federal, state and local laws and regulations relating to protection of the environment affect the Registrant in many areas of its operations. Most of the cost and effects of these laws,

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in the opinion of management, are currently contained in the Registrant's financial statements. During 2000, Reserve Silica spent less than \$50,000 to comply with laws and regulations relating to protection of the environment.

12. The Registrant has 15 full time employees and 1 part time employee.

Item 2. Description of Properties

(a) Information as to the location of the principal plants is forth under Item 1. above. The silica sand mine and processing facility is situated on approximately 340 acres and is owned by Reserve Silica. The mineral property interests are described in the table below.

| RESERVE INDUSTRIES CORPORATION | |
|--------------------------------|-------------|
| MINERAL INTERESTS | |
| | Gross |
| Location and Mineral | Acres (1) |
| | ----- |
| Saskatchewan Canada - Uranium | |
| McArthur River Project | 211,400 (2) |
| Waterbury Lake Project | 234,300 (2) |
| Dawn Lake Project | 386,800 (2) |

(1) Approximate

(2) The company's interest in these projects is described in Item 1.

(b) Investment Policies. In the normal course of business, the Registrant currently does not deal in investments in real estate or real estate mortgages.

(c) Description of Real Estate and Operating Data. The Registrant does not deal in Real Estate investments and a description of its operating properties is contained above. The Registrant believes that its operating properties are adequately insured.

Item 3. Legal Proceedings

(a) Pending legal proceedings - none

(b) Pending governmental legal proceedings - none

Item 4. Submission of Matters to a Vote of Security Holders

The was no submission to the shareholders during the fourth quarter.

PART II

Item 5. Market For Common Equity and Related Shareholders Matters.

(a) Market Information. The Registrant's common stock is currently not publicly traded because the Registrant has elected to forgo an audit in order to conserve capital for necessary plant improvements and legal fees in connection with past litigation. Once the financial condition of the Registrant improves, its plans to file audited financial statements. Prior to August 1992, the Registrant was listed on the NASDAQ National

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Over-the-Counter Market. Since the Registrant's stock is not quoted, the Registrant cannot list current prices for its stock.

(b) Holders. On February 15, 2001, the Registrant had approximately 800 shareholders.

(c) Dividends. The Registrant has never paid a dividend. There are currently no restrictions or covenants to limit the ability to pay a dividend.

Item 6. Management's Discussion and Analysis or Plan of Operation.

Results of Operations. For the year ended November 30, 2000, the Registrant had revenues of \$1,759,700, which resulted in net loss of \$(1,191,579) or \$(0.42) per share included in the loss is a nonrecurring gain of \$244,653 related to the closing of the L-Bar Products, Inc. estate. For the year ended November 30, 1999, the Registrant had revenues from continuing operations of \$446,087, which resulted in net income of \$27,351 or \$0.01 per share. Included in the results were nonrecurring losses of \$817,110 and \$101,000 related the sale of a mineral property and losses related to L-Bar Products, which were offset by a nonrecurring gain of \$2,973,245 from the disposal of discontinued operations represented by L-Bar Products. Without the nonrecurring gains and losses, the loss for the year ended November 30, 1999 was \$2,027,784 or \$0.69 per share.

The revenues in 2000 increased from 1999 as a result of an increase in sales from \$1,190,808 to \$2,160,879 and a decrease in equity losses from \$(943,979) to \$(718,154). The sales at the Registrant's silica sand operation increased as a result of the introduction of the Registrant's low iron sand, which is purchased by its glass customer. Sales of the low iron sand began late last year and were phased-in during the first quarter of this year. The sales volume for the year was above the expected 40,000 tons. The plant improvement program was continued during the year and is planned to be completed by the end of the second quarter 2001. These final improvements are expected to reduce the cost of sales. The Registrant's equity income remained in a loss position as its affiliated partnership was able to replace the most of sales lost last year, but at a much lower gross margins, which resulted in a loss for the year.

The costs and expenses were \$2,951,279 in 2000 and \$3,391,981 in 1999. Included in the costs for 2000 and 1999 are nonrecurring (gain) cost of \$(244,653) and \$101,000, respectively, related to settlement of a L-Bar Products obligations and for 1999 a cost of \$817,110 related to the loss on the sale of a mineral property. The cost of sales increased by \$708,637 from 1999 to 2000 due to the increased sales described above. The G&A decreased slightly from 1999 to 2000. The interest costs increased because the loan to improve the sand plant was paid for a full year.

Liquidity and Capital Resources. The Registrant's net cash provided (used) by operating activities was \$94,263 and \$(337,539) in 2000 and 1999, respectively. The net cash used by investing activities was \$173,225 and \$186,740 2000 and 1999, respectively. Most of the cash used by investing activities in 2000 and 1999 was for capital improvements to the sand project. The Registrant increased its debt by \$68,002 and \$500,748 in 2000 and 1999, respectively. The Registrant cash and cash equivalents

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decreased by \$10,960 and \$23,531 in 2000 and 1999, respectively.

The Registrant had working capital deficits of approximately \$4.86 million and \$4.35 million in 2000 and 1999, respectively. The working capital deficit increased as a result of the operating losses. As part of the Registrant's program to conserve cash in order to operate the company, part of the salaries due to the officers of the Registrant, all of the deferred compensation due to the deceased chairman's spouse and the part of the interest due on certain loans were accrued but not paid in 2000 and 1999. As of November 30, 2000, these accruals (salaries, deferred compensation and deferred interest) exceeded \$xx.7 million.

In 2001, the Registrant plans to continue to accrue part of the obligations described in the paragraph and expects to continue to generate sufficient cash flow to operate.

Forward-Looking Statements. The Company may from time to time make written or oral "forward-looking statements", within the meaning of the Private Securities Litigation Reform Act of 1995, including statements contained in this Form 10KSB and in other documents filed by the Company with the Securities and Exchange Commission and in its reports to stockholders, as well as elsewhere. "Forward-looking statements" are statements such as those contained in projections, plans, objectives, estimates, statements of future economic performance, and assumptions related to any of the foregoing, and may be identified by the use of forward-looking terminology, such as "may", "expect", "anticipate", "estimate", "goal", "continued", or other comparable terminology. By their very nature, forward-looking statements are subject to known and unknown risks and uncertainties relating to the Company's future performance that may cause the actual results, performance or achievements of the Company, or industry results, to differ materially from those expressed or implied in such "forward-looking statements". Any such statement is qualified by reference to the following cautionary statements.

The Company's business operates in highly competitive markets and is subject to changes in general economic conditions, competition, customer and market preferences, government regulation, the impact of tax regulation, foreign exchange rate fluctuations, the degree of market acceptance of the products, the uncertainties of potential litigation, as well as other risks and uncertainties detailed elsewhere herein and from time to time in the Company's Securities and Exchange Commission filings. This Form 10KSB contains forward looking statements, particularly in the following sections: Item 1. Business descriptions, Item 6 Management's Discussion and Analysis of Financial Condition and Results of Operations and in some of the footnotes to the financial statements. Actual results could differ materially from those projected in the forward looking statements as a result of known and unknown risks, uncertainties, and other factors, including but not limited market acceptance of the Company's products and services, changes in expected research and development requirements, and the effects of changing economic conditions and business conditions generally. The Company does not undertake and assumes no obligation to update any forward-looking statement that may be made from time to time by or on behalf of the Company.

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Item 7. Financial Statements.

The following Consolidated Financial Statements of the Registrant and its subsidiaries are filed as a part of the report and are attached:

Consolidated Balance Sheets as of November 30, 2000 and 1999

Consolidated Statements of Operations for the Years Ended
November 30, 2000 and 1999

Consolidated Statements of Stockholders' Investment for the
Years Ended November 30, 2000 and 1999

Consolidated Statements of Cash Flows for the Years Ended
November 30, 2000 and 1999

Notes to Consolidated Financial Statements

Because the financial statements are not audited there is no report of independent accountants.

All other schedules are omitted, as the required information is not required, or the information is presented in the financial statements or related notes.

Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

Because of the Registrant's program to conserve cash, it was not able to retain an independent accountant to audit the financial statements for the fiscal years of 1991 through 2000.

While the Registrant has not used an independent accountant for the fiscal years listed above, the Registrant is not aware of any disagreements with accountants as contemplated by item 304 of SEC Regulation S-B.

PART III

Item 9. Directors, Executives Officers, Promoters and Control Persons; Compliance With Section 16(c) of the Exchange Act.

(a) Identify Directors and Executive Officers.

The following paragraphs list the names, ages and business experience of the directors, each of whom is an executive officer of the Registrant.

James J. Melfi, Jr., age 72, is Chairman of the Board of the Registrant. Mr. Melfi was elected Chairman of the Board in April 1985, and he was President from December 1975 to December 1985. He has been a director of the Registrant since 1970.

Frank C. Melfi, age 64, is President of the Registrant, a position he has held since December 1985. From 1976 through December 1985, he was Executive Vice President of the Registrant. He has been a director of the Registrant since April 1985.

William J. Melfi, age 58, is Vice President of Finance and Administration of the Registrant, a position he has held since December 1985. He is also Treasurer of the Registrant, a

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position he assumed in July 1995. For more than five years prior to 1985, he was manager of operations. He has been a director of the Registrant since January 1993.

All of these directors have been with the Registrant for several years and are knowledgeable about the Registrant's operations, problems and opportunities.

The executive officers of the Registrant are elected annually and serve until such time as their respective successors are elected and qualified.

(b) Identification of certain significant employees. Not applicable.

(c) Family Relationships. James J. Melfi, Jr., Frank C. Melfi and William J. Melfi are brothers.

(d) Involvement in certain legal proceedings.

(1), (2), (3), and (4). Not applicable.

Based solely on a review of applicable forms provided to the Registrant, the Registrant believes that the officers, directors and beneficial owners of the Registrant were all in timely compliance with Section 16(a) of the Exchange Act.

Item 10. Executive Compensation

(a) General. The following text and tables provide information on the compensation of the Chief Executive Officer and those officers whose salary and bonus compensation equaled or exceeded \$100,000 for the fiscal years ended November 30, 2000, 1999, and 1998.

(b) Summary Compensation Table.

Summary Compensation Table

| Name and Principal Position | Year | Annual Compensation | | |
|------------------------------------|------|---------------------|--------|-------|
| | | Salary | Bonus | Other |
| | | \$ | \$ | \$ |
| Frank C. Melfi CEO | 2000 | 135,000 | 27,000 | 1,927 |
| | 1999 | 135,000 | 27,000 | 1,927 |
| | 1998 | 135,000 | 27,000 | 1,340 |
| James J. Melfi, Jr. Chairman | 2000 | 135,000 | 27,000 | 4,933 |
| | 1999 | 135,000 | 27,000 | 3,501 |
| | 1998 | 135,000 | 27,000 | 1,000 |
| William J. Melfi Vice President | 2000 | 135,000 | 27,000 | 3,268 |
| | 1999 | 135,000 | 20,000 | 2,914 |
| | 1998 | 100,000 | 20,000 | 2,630 |

The amounts of salary and bonus stated for Mr. Frank C. Melfi, Mr. James J. Melfi, Jr. and Mr. William J. Melfi represent the amounts due to them and accrued by the Registrant during the year. As part of the Registrant's program to conserve cash, all three individuals accrued part of their annual compensation. Mr. Frank C. Melfi, Mr. James J. Melfi, Jr. and Mr. William J. Melfi were paid \$21,927, \$14,933 and \$15,267, respectively of the annual compensation due them in 2000.

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For the fiscal year ended November 30, 1999, the Registrant established the Reserve Industries Corporation Profit Sharing Plan for the benefit of all of its eligible employees. As employees Mr. Frank C. Melfi, Mr. James J. Melfi, Jr. and Mr. William J. Melfi are also participants in the Plan. To date no contributions have been made to the Plan.

(c) Option/SAR Grants Table. This table is omitted because there was no activity in the 2000 fiscal year.

(d) Aggregated Option/SAR Exercises and Fiscal Year-End Option/SAR Value Table. This table is omitted because there was no activity in the 2000 fiscal year.

The Registrant has one active stock option plan, which is described in footnote 7 of the notes to the consolidated financial statements.

(e) Long-term Incentive Plans. This table is omitted because the Registrant currently does not have a long-term incentive plan.

(f) Compensation of Directors. The Registrant did not pay any fees to directors, as such, as it does not have any directors who are not employees of the Registrant.

(g) Employment Contracts and Termination of Employment, and Change-in-Control Arrangements. N/A.

(h) Report on Repricing of Options/SARs. During 2000, none of the outstanding Options were repriced.

Item 11. Security Ownership of Certain Beneficial Owners and Management.

(a) Security Ownership of Certain Beneficial Owners. The following tabulation sets forth the number of shares of Common Stock held by each person who owned of record, or is known by the Registrant to own beneficially, five percent (5%) or more of the Registrant's Common Stock. Included in the table for certain individuals are the maximum number of shares of the Registrant's Common Stock, which might be deemed to be beneficially owned under the rules of the Securities and Exchange Commission by those individuals. The number of shares beneficially owned by those individuals includes shares subject to option to purchase, and the computation of the percentage owned assumes exercise of such options. The information is as of February 15, 2001

| Name and Address | Amount and Nature of Beneficial Ownership | Percent of Class |
|---|---|------------------|
| Melfi Corporation Suite 308, 20 First Plaza Albuquerque, New Mexico 87102 | Direct 198,500 | 7.1% |
| James J. Melfi, Jr. (1) Suite 308, 20 First Plaza Albuquerque, New Mexico 87102 | Direct and Indirect 279,549 | 9.9% |
| Frank C. Melfi (2) Suite 308, 20 First Plaza Albuquerque, New Mexico 87102 | Direct and Indirect 291,669 | 10.4% |

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| | | |
|-------------------------------|---------------------|------|
| William J. Melfi (3) | Direct and Indirect | |
| Suite 308 20 First Plaza | 162,349 | 5.8% |
| Albuquerque, New Mexico 87102 | | |

To the best of the Registrant's knowledge, the principal shareholders listed have sole voting and investment power with respect to the shares of the Registrant's Common Stock owned by such shareholders, except as noted below.

(1) Included in the number of shares opposite Mr. James J. Melfi, Jr.'s name in the table above are 26,700 shares owned by his wife, for which beneficial ownership is disclaimed. Mr. Melfi has sole voting and investment power with respect to the shares owned by him. James J. Melfi, Jr. and members of his immediate family own 25 percent of the issued and outstanding stock of Melfi Corporation, which owns 198,500 shares of Common Stock of the Registrant, for which he may be deemed to share voting and investment power. James J. Melfi, Jr. is also an officer and director of Melfi Corporation.

(2) Mr. Melfi has sole voting and investment power with respect to the shares owned by him. Frank C. Melfi and members of his immediate family own 25 percent of the issued and outstanding stock of Melfi Corporation, which owns 198,500 shares of Common Stock of the Registrant, for which he may be deemed to share voting and investment power. Frank C. Melfi is also an officer and director of Melfi Corporation.

(3) Included in the number of shares opposite Mr. William J. Melfi's name in the table above are 7,790 shares owned by his wife for whom beneficial ownership is disclaimed. Mr. Melfi has sole voting and investment power with respect to the shares owned by him. William J. Melfi and members of his immediate family own 25 percent of the issued and outstanding stock of Melfi Corporation, which owns 198,500 shares of Common Stock of the Registrant, for which he may be deemed to share voting and investment power. William J. Melfi is also an officer and director of Melfi Corporation.

(b) Security Ownership of Management. The ownership of Common Stock by officers and directors is set forth in the table below. Included in the table are the maximum number of shares of the Registrant's Common Stock, which might be deemed to be beneficially owned under the rules of the Securities and Exchange Commission by each nominee and director and by the officers and the directors of the Registrant as a group. The number of shares beneficially owned by each individual and each group includes shares subject to option to purchase and the computation of the percentage owned assumes exercise of such options. The text below the table sets forth certain information as to the extent to which beneficial ownership consists of the right to acquire the Registrant's Common Stock. The information is as of February 15, 2001.

| Name and Address | Amount and Nature of Beneficial Ownership | Percent of Class |
|-------------------------------|---|------------------|
| James J. Melfi, Jr. (1) | Direct and Indirect | |
| Suite 308, 20 first Plaza | 279,549 | 9.9% |
| Albuquerque, New Mexico 87102 | | |

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| | | |
|---------------------------|---------------------|-------|
| Frank C. Melfi (2) | Direct and Indirect | |
| Suite 308, 20 First Plaza | 291,669 | 10.4% |
| Albuquerque, New Mexico | 87102 | |
| | | |
| William J. Melfi (3) | Direct and Indirect | |
| Suite 308 20 First Plaza | 162,349 | 5.8% |
| Albuquerque, New Mexico | 87102 | |
| | | |
| Officers and Directors | Direct and Indirect | |
| as a group | 733,567 | 25.8% |

(1) Reference is made to "Security Ownership of Certain Beneficial Owners" herein for information regarding the shares of Common Stock of the Registrant beneficially owned by James J. Melfi, Jr.

(2) Reference is made to "Security Ownership of Certain Beneficial Owners" herein for information regarding the shares of Common Stock of the Registrant beneficially owned by Frank C. Melfi.

(3) Reference is made to "Security Ownership of Certain Beneficial Owners" herein for information regarding the shares of Common Stock of the Registrant beneficially owned by William J. Melfi.

(c) Changes in control. Not applicable.

Item 12. Certain Relationships and Related Transactions.

(a) Transactions with management and others. The Melfi Family Trust, which is part of the estate of Mr. James J. Melfi, Sr., loaned the Registrant \$695,000 in 1991. These funds were used by the Registrant to purchase 20% of the stock in JPL Industries Pte. Ltd., a Singapore company organized in 1991. The terms of the agreement between the Melfi Family Trust and the Registrant call for a five-year note at 10% interest, which was prime plus 0.5% at the time of the loan, and a warrant to purchase 60,000 shares of the common stock of the Registrant. The loan plus accrued interest has not been paid. In addition, several times during 1991, Ruth Ann Melfi, deceased, the wife of the Registrant's former Chairman James J. Melfi, Sr., lent the Registrant working capital. In order to conserve cash the Registrant has not fully repaid this loan. The outstanding balance of the loan at November 30, 2000 was \$145,000, interest was paid through November 30, 1996. The interest rate on this loan is 10% per annum. Both of these loans are secured by the stock in JPL Industries, Reserve Minerals Corporation, Reserve Rossborough Corporation, and Reserve Rossborough Ventures Corporation. In 1997, Embro Corporation, which is owned by James J. Melfi, Jr., Frank C. Melfi and William J. Melfi, lent Reserve Silica Corporation \$65,000. The terms call for payments over a 36-month period at 11.5% interest, and the loan is secured by the stock in Reserve Silica Corporation. As of November 30, 2000 the loan balance was \$64,719 plus accrued interest. In addition from time to time James J. Melfi, Jr., Frank C. Melfi and William J. Melfi have lent the Registrant working capital. At November 30, 2000 the amount owed pursuant to these loans was \$58,536.

Pursuant to certain promissory notes to the Registrant, James J. Melfi, Jr., Frank C. Melfi and William J. Melfi have borrowed \$126,210, \$224,470 and \$167,518, respectively. The notes are

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unsecured with an interest rate of 7% and are due January 31, 2002.

(c) Parents of Registrant. Not applicable

(d) Transactions with promoters. Not applicable.

Item 13. Exhibits and Reports on Form 8-K.

(a) Exhibits. See the attached Index to Exhibits.

(b) Reports on Form 8K. There were no reports on Form 8K filed during the last quarter.

RESERVE INDUSTRIES CORPORATION EXHIBIT INDEX

| Exhibit Number | Description |
|----------------|---|
| 3.1 | Articles of Incorporation dated August 28, 1957** |
| 3.2 | By-Laws of Reserve Industries Corporation as amended on June 8, 1987** |
| 4.1 | Loan Agreement with the Key Bank of Puget Sound (formerly the Seattle Trust & Savings Bank) dated February 28, 1986** |
| 4.2 | Amendment No. 4 to the Loan Agreement with the Key Bank of Puget Sound dated June 15, 1987** |
| 4.3 | Loan Agreement between Northwest Alloys, Inc. and L-Bar Products dated August 2, 1990** |
| 4.4 | Stock Purchase Agreement with Northwest Alloys, Inc. dated October 28, 1991** |
| 4.5 | Loan Agreement with the Melfi Family Trust dated October 31, 1991** |
| 4.6 | Supplemental Security Agreement with the Melfi Family Trust dated January 31, 1994** |
| 4.7 | Second Supplemental Security Agreement with the Melfi Family Trust dated May 6, 1996** |
| 9 | Not Applicable |
| 10.1 | Sohio Agreement (Settlement) dated September 9, 1982** |
| 10.2 | Amendment to Employment Agreement, J. J. Melfi, Sr. dated June 20, 1978** |
| 10.3 | 1977 Stock Option Plan** |
| 10.4 | Agreement between Central Electricity Generating Board Exploration (Canada) Limited and Registrant dated March 23, 1984** |
| 10.5 | Agreement between Cogema and Registrant dated May 17, 1984** |
| 10.6 | Agreement between 413418 Ontario Limited and Registrant dated August 31, 1984** |
| 10.7 | Agreement to purchase the assets of Industrial Mineral Products, Incorporated dated March 3, 1986** |
| 10.8 | Agreement with Northwest Alloys dated January 1, 1985** |
| 10.9 | Agreement with Meridian Minerals Company dated July 1, 1987** |
| 10.10 | Agreement and Plan of Acquisition of Interest of Rossborough Manufacturing Company dated August 11, 1987** |
| 10.11 | Sales agreement between L-Bar Product, Incorporated |

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| | |
|-------|--|
| | and La Porte Metal Processing Venture dated September 1, 1987, subject to confidential treatment** |
| 10.12 | 1987 Incentive Stock Option Plan** |
| 10.13 | 1987 Nonqualified Stock Option Plan** |
| 10.14 | Sales agreement between Rossborough Manufacturing Company and La Porte Metal Processing Venture dated September 1, 1987, subject to confidential treatment** |
| 10.15 | Grinding Joint Venture Agreement between L-Bar Grinding Corporation and La Porte Metal Processing Company dated September 1, 1987** |
| 10.16 | Agreement between L-Bar Canada, Inc. and Norsk Hydro Canada, Inc. dated March 23, 1989** |
| 10.17 | Dispute Resolution Agreement between Reserve Industries Corporation and Rossborough et al, dated October 11, 1993** |
| 10.18 | Settlement and Release Agreement between L-Bar Products, Inc. and La Porte Metal Processing Venture et al, dated September 1, 1993** |
| 10.19 | Settlement and Release Agreement between Reserve Industries Corporation and Northwest Alloys, Inc., dated January 28, 1999 |
| 11. | Not Applicable |
| 12. | Not Applicable |
| 13. | Not Applicable |
| 16. | Not Applicable |
| 18. | Not Applicable |
| 19. | Not Applicable |
| 21. | List of Subsidiaries* |
| 22. | Not Applicable |
| 23. | Not Applicable |
| 24. | Not Applicable |
| 25. | Not Applicable |
| 27. | Not Applicable |
| 28. | Not Applicable |
| 29. | Not Applicable |

* These exhibits are filed electronically with the report.

** These exhibits were filed as indicated below and are incorporated herein by this reference thereto:

| | | |
|-------|----------------------|-------|
| 3.1 | 1982 10K - Exhibit | 3.1 |
| 3.2 | 1987 10K - Exhibit | 3.2 |
| 4.1 | 1986 10K - Exhibit | 4.1 |
| 4.2 | 1987 10K - Exhibit | 4.2 |
| 4.3 | 8K filed August 1990 | |
| 4.4 | 1991 10K - Exhibit | 4.4 |
| 4.5 | 1992 10K - Exhibit | 4.5 |
| 10.1 | 1982 10K - Exhibit | 10.6 |
| 10.2 | 1982 10K - Exhibit | 10.7 |
| 10.3 | 1976 Proxy Statement | |
| 10.4 | 1984 10K - Exhibit | 10.13 |
| 10.5 | 1984 10K - Exhibit | 10.14 |
| 10.6 | 1984 10K - Exhibit | 10.15 |
| 10.7 | 1986 10k - Exhibit | 10.7 |
| 10.8 | 1986 10k - Exhibit | 10.8 |
| 10.9 | 1987 10K - Exhibit | 10.9 |
| 10.10 | 1987 10K - Exhibit | 10.10 |
| 10.11 | 1987 10K - Exhibit | 10.11 |
| 10.12 | 1987 10K - Exhibit | 10.12 |

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| | |
|-------|---|
| 10.12 | 1986 Proxy Statement |
| 10.13 | 1986 Proxy Statement |
| 10.14 | 1987 10K - Exhibit 10.14 |
| 10.15 | 1987 10K - Exhibit 10.15 |
| 10.16 | 1989 10K - Exhibit 10.16 |
| 10.17 | 1993 10KSB - Exhibit 10.17 |
| 10.18 | 1993 10KSB - Exhibit 10.18 |
| 10.19 | August 31, 1998 10QSB/A - Exhibit 10.19 |

RESERVE INDUSTRIES CORPORATION AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES

| | Page |
|---|------|
| Consolidated Balance Sheets - November 30, 2000 and 1999 | 1 |
| Consolidated Statements of Income - For the years ended November 30, 2000 and 1999 | 2 |
| Consolidated Statements of Cash Flows - For the years ended November 30, 2000 and 1999 | 3 |
| Consolidated Statements of Stockholders' Investment - For the years ended November 30, 2000 and 1999 | 4 |
| Notes to Consolidated Financial Statements | 5-11 |

All other schedules are omitted as the required information is not applicable or the information is presented in the accompanying consolidated financial statements or related notes.

RESERVE INDUSTRIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
NOVEMBER 30, 2000 AND 1999

| | 2,000 | 1999 |
|--|-------------|-------------|
| | ----- | ----- |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 6,729 | \$ 17,689 |
| Receivables, less allowance for doubtful accounts -0- | 362,889 | 182,652 |
| Receivables from affiliates and related parties (Note 11) | 527,423 | 481,210 |
| Inventories (Note 2) | 182,498 | 395,153 |
| Prepaid expenses and deposits | 73,292 | 17,745 |
| | ----- | ----- |
| Total current assets | 1,152,831 | 1,094,448 |
| PROPERTY, PLANT AND EQUIPMENT, at cost (Note 3) | 3,147,237 | 3,160,308 |
| Less accumulated depreciation and depletion | (1,249,060) | (1,336,409) |
| | ----- | ----- |
| | 1,898,177 | 1,823,899 |

INVESTMENT IN UNCONSOLIDATED AFFILIATES

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| | | |
|---|--------------|--------------|
| (Note 4) | 2,155,158 | 2,884,323 |
| | ----- | ----- |
| Total assets | \$ 5,206,166 | \$ 5,802,670 |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' INVESTMENT | | |
| CURRENT LIABILITIES: | | |
| Trade accounts payable | \$ 433,889 | \$ 319,450 |
| Short-term debt related party | 175,000 | 175,000 |
| Current portion of long-term debt (Note 9) | 997,196 | 993,940 |
| Deferred obligations to related parties (Note 11) | 4,377,963 | 3,923,141 |
| Other current liabilities (Note 8) | 31,466 | 33,183 |
| | ----- | ----- |
| Total current liabilities | 6,015,514 | 5,444,714 |
| LONG-TERM DEBT, less current portion (Note 10) | 558,261 | 493,516 |
| STOCKHOLDERS' INVESTMENT: | | |
| Common stock, \$1.00 par value. Authorized 6,000,000 shares, issued and outstanding 2,803,763 shares in 2000 and 1999 | 2,803,763 | 2,803,763 |
| Additional paid-in capital | 5,871,218 | 5,871,218 |
| Accumulated deficit | (10,042,590) | (8,810,540) |
| | ----- | ----- |
| Total stockholders' investment | (1,367,609) | (135,559) |
| | ----- | ----- |
| Total liabilities and stockholders' investment | \$ 5,206,166 | \$ 5,802,670 |
| | ===== | ===== |

The accompanying notes are an integral part of these consolidated statements. The 2000 and 1999 financial information is unaudited.

RESERVE INDUSTRIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED NOVEMBER 30, 2000 AND 1999

| | 2,000 | 1999 |
|--------------------------------|--------------|--------------|
| | ----- | ----- |
| REVENUES: | | |
| Sales | \$ 2,160,879 | \$ 1,190,808 |
| Interest income | 15,336 | 9,566 |
| Gain on sale of equipment | 110,232 | 3,465 |
| Income (loss) from affiliates: | | |
| Dividends and interest | 618 | 11,912 |
| Equity in earnings | (718,104) | (943,979) |
| Consulting fees | 7,500 | 60,000 |
| Other income | 183,289 | 114,315 |
| | ----- | ----- |
| Total revenues | 1,759,750 | 446,087 |
| COSTS AND EXPENSES: | | |
| Cost of sales | 1,932,538 | 1,223,901 |
| General and administration | 772,132 | 828,280 |
| Interest | 258,487 | 196,867 |
| Depreciation and amortization | 232,825 | 224,823 |
| (Gain) loss on investment | (244,653) | 101,000 |

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| | | |
|---|----------------|----------------|
| Loss on sale of property | - | 817,110 |
| | ----- | ----- |
| Total costs and expenses | 2,951,329 | 3,391,981 |
| Pretax income (loss) from continuing operations | (1,191,579) | (2,945,894) |
| Provision for income taxes | - | - |
| | ----- | ----- |
| Net income (loss) from continuing operations | \$ (1,191,579) | \$ (2,945,894) |
| DISCONTINUED OPERATIONS: | | |
| Gain on disposal of discontinued operations (net of income tax) | - | 2,973,245 |
| Net income (loss) | \$ (1,191,579) | \$ 27,351 |
| | ===== | ===== |
| EARNINGS PER SHARE: | | |
| Income (loss) from continuing operations | \$ (0.42) | \$ (1.01) |
| Income (loss) from discontinued operations | - | 1.02 |
| | ----- | ----- |
| Net income (loss) per share | \$ (0.42) | \$ 0.01 |
| | ===== | ===== |
| Weighted Average Number of Shares of Common Stock Outstanding | 2,803,763 | 2,918,831 |
| | ===== | ===== |

The accompanying notes are an integral part of these consolidated statements. The 2000 and 1999 financial information is unaudited.

RESERVE INDUSTRIES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2000 AND 1999

| | 2,000 | 1999 |
|--|----------------|----------------|
| | ----- | ----- |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net (loss) income from continuing Operations | \$ (1,191,579) | \$ (2,945,894) |
| Adjustments to reconcile net income from continuing operations to net cash provided by operating activities: | | |
| Depreciation and amortization | 232,825 | 224,823 |
| Equity loss of affiliates | 718,104 | 950,656 |
| Cash distribution from affiliates | - | 6,316 |
| (Gain) on disposition of fixed assets | (163,289) | (3,465) |
| Loss on sale of property | - | 817,110 |
| Changes in assets and liabilities: | | |
| (Increase) in receivables | (226,450) | (22,084) |
| Decrease (increase) in inventories | 212,655 | (178,203) |
| (Increase) decrease in other current assets | (55,548) | 17,566 |
| Increase in trade accounts payable | 114,440 | 56,010 |
| Increase in deferred obligations to related parties | 589,525 | 541,628 |
| (Decrease) increase in other | | |

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| | | |
|--|--------------|--------------|
| current liabilities | (136,420) | 197,998 |
| Total adjustments | 1,285,842 | 2,608,355 |
| Net cash provided (used) by operating activities | \$ 94,263 | \$ (337,539) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from sale of property | \$ - | \$ 600,000 |
| Capital expenditures - Net | (173,225) | (786,740) |
| Net cash (used) by investing activities | \$ (173,225) | \$ (186,740) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Increase in short-term debt | \$ 3,256 | \$ 39,600 |
| Increase in long-term debt | 64,746 | 461,148 |
| Net cash provided by financing activities | \$ 68,002 | \$ 500,748 |
| Net (decrease) in cash and cash equivalents | \$ (10,960) | \$ (23,531) |
| Cash and cash equivalents at the beginning of the year | 17,689 | 41,220 |
| Cash and cash equivalents at the end of the year | \$ 6,729 | \$ 17,689 |

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for interest \$ 85,268 \$ 42,137

The accompanying notes are an integral part of these consolidated statements. The 2000 and 1999 financial information is unaudited.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' INVESTMENT
FOR THE YEARS ENDED NOVEMBER 30, 2000, 1999, AND 1998

| | Common Stock \$1 Par Value Shares | \$Amount | Additional Paid-In Capital | Accumulated Deficit | Total |
|-----------------------------|---|-------------|----------------------------------|------------------------|-------------|
| BALANCES: | | | | | |
| Nov 30, 1998 | 3,203,763 | \$3,203,763 | \$7,458,718 | \$(8,739,548) | \$1,922,933 |
| Prior period adjustments | | | | (98,343) | (98,343) |
| ADJUSTED BALANCE: | | | | | |
| Nov30, 1998 | 3,203,763 | \$3,203,763 | \$7,458,718 | \$(8,837,891) | \$1,824,590 |
| Common stock retired during | | | | | |
| 1999 (Note 5) | (500,000) | (500,000) | (1,500,000) | - | (2,000,000) |
| Common stock issued during | | | | | |
| 1999 | 100,000 | 100,000 | (87,500) | - | 12,500 |
| Net income (loss) | - | - | - | 27,351 | 27,351 |
| BALANCES: | | | | | |

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| | | | | | |
|--------------------------|-----------|-------------|-------------|----------------|----------------|
| Nov 30, 1999 | 2,803,763 | \$2,803,763 | \$5,871,218 | \$(8,810,540) | \$ (135,559) |
| | ===== | ===== | ===== | ===== | ===== |
| Prior period adjustments | | | | (40,471) | (40,471) |
| | ----- | ----- | ----- | ----- | ----- |
| ADJUSTED BALANCE: | | | | | |
| Nov 30, 1999 | 2,803,763 | \$2,803,763 | \$5,871,218 | \$(8,851,011) | \$ (176,030) |
| | ===== | ===== | ===== | ===== | ===== |
| Net income (loss) | | | | (1,191,579) | (1,191,579) |
| | ----- | ----- | ----- | ----- | ----- |
| BALANCES: | | | | | |
| Nov 30,2000 | 2,803,763 | \$2,803,763 | \$5,871,218 | \$(10,042,590) | \$ (1,367,609) |
| | ===== | ===== | ===== | ===== | ===== |

The accompanying notes are an integral part of these consolidated statements. The 2000, 1999 and 1998 financial information is unaudited.

RESERVE INDUSTRIES CORPORATION AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEARS ENDED NOVEMBER 30, 2000 AND 1999

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Reserve Industries Corporation, a New Mexico corporation, and its wholly owned subsidiaries, Reserve Silica Corporation, Reserve Abrasives Limited, Incorporated, Reserve Rossborough Corporation, Reserve Rossborough Ventures Corporation, and Reserve Minerals Corporation (collectively "the Company").

All significant intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements. Investments in unconsolidated affiliates are accounted for by the equity method (see Note 5) and are stated at cost plus equity in undistributed earnings (losses).

Marketable Securities

Marketable securities are stated at the lower of aggregate cost or market value. The cost of securities sold is determined using the specific identification method.

Inventories

Inventories, consisting principally of raw materials, finished products and supplies, are valued using the average cost method at the lower of cost or market value. Production costs included in inventories represent actual operating labor, raw materials and supply costs.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Betterments, renewals and extraordinary repairs that extend the life of the asset are capitalized; other repair and maintenance costs are

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expensed. The cost and accumulated depreciation applicable to assets sold or retired are removed from the accounts, and the related gain or loss on disposition is recognized in operations.

Mineral Properties

Mineral properties, acquisition costs and all subsequent direct costs incurred in retaining, exploring and developing the properties are capitalized in property, plant and equipment until production is attained. If management determines that development and production are not economically feasible, or that capitalized costs exceed net realizable values, such costs are charged to operations in the period such determination is made.

Depreciation, Depletion, and Amortization

The cost of machinery, equipment and buildings is depreciated over the estimated useful lives of the assets using the straight-line method. Organization costs and goodwill are amortized using the straight-line method over 60 months and 120 months, respectively.

Income Taxes

The Company and its domestic subsidiaries file a consolidated income tax return. Separate tax returns are filed for the Company's foreign subsidiaries and the corporate entities in which the Company has equity interests.

Deferred taxes, which result from the effect of temporary differences in reporting transactions for financial and tax reporting purposes, will be provided when the Company exhausts its net operating loss carryforwards.

Earnings (loss) per share

Earnings (loss) per share were computed using the weighted average number of shares outstanding during each fiscal year. Shares issuable upon the exercise of options have not been included in the computation because they would not have a material impact on earnings (loss) per share.

Business Segments

The Company operates in two different industry segments: the corporate operations segment and the industrial products segment, which contains silica sand operations. The silica sand industrial products operation produces various sand products for use by the glass, concrete and golf course industries. The corporate segment includes partnership and equity income.

Statement of Cash Flows

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

Reclassifications

Certain reclassifications have been made to prior year balances to conform to current year financial statement presentation.

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(2) INVENTORIES:

Inventories consist of the following at November 30:

| | 2,000 | 1999 |
|------------------------|------------|------------|
| | ----- | ----- |
| Raw materials | \$ 72,806 | \$ 260,204 |
| Finished products | 98,880 | 124,412 |
| Supplies and packaging | 9,812 | 10,537 |
| | ----- | ----- |
| | \$ 181,498 | \$ 395,153 |

(3) PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment consist of the following at November 30:

| | 2,000 | 1999 |
|-------------------------|--------------|--------------|
| | ----- | ----- |
| Machinery and equipment | \$ 1,411,083 | \$ 1,320,706 |
| Mineral properties | 487,094 | 503,193 |
| | ----- | ----- |
| | \$ 1,898,177 | \$ 1,823,899 |

(4) INVESTMENT IN UNCONSOLIDATED AFFILIATES:

Rosborough Manufacturing Company and Rosborough Manufacturing Co. L. P.

The Company owns a 40% stock interest in Rosborough Manufacturing Company (Rosborough Co.), through its wholly owned subsidiary, Reserve Rosborough Corporation and a 20% limited partnership interest in Rosborough Manufacturing Co. L.P. (Rosborough L.P.) , through its wholly owned subsidiary, Reserve Rosborough Ventures Corporation. Rosborough Co. is the general partner and owns 60% of Rosborough L.P. As a result the Company's net interest in Rosborough L.P. is 44%. Rosborough L.P. is in the business of providing products and services to the steel and foundry industries.

Investment in unconsolidated affiliates includes equity in undistributed earnings. Included in the Company's earnings are equity in earnings of affiliates and consulting income. The Company plans to reinvest its undistributed equity earnings in those affiliates. At November 30, 2000 and 1999, the Company had \$318,056 and \$1,033,307 of undistributed earnings of Rosborough Co. and Rosborough L.P. included in retained earnings, respectively. The equity in undistributed earnings of Rosborough Co. and Rosborough L.P. recorded by the Company are based on financial statements audited by independent public accountants.

The financial information of Rosborough L.P. is summarized below for the periods ended November 30:

| | 2,000 | 1999 |
|-------------------------------|----------------|----------------|
| | ----- | ----- |
| Net sales | \$40,609,036 | \$35,574,040 |
| Gross profit | \$ 4,412,485 | \$ 2,194,967 |
| Net partnership Income (loss) | \$ (2,081,887) | \$ (3,540,684) |
| | ===== | ===== |

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| | | |
|---|--------------|--------------|
| Total current assets | \$10,151,792 | \$10,197,324 |
| Fixed and other assets | 8,067,640 | 6,982,178 |
| | ----- | ----- |
| Total assets | \$18,219,432 | \$17,179,502 |
| | ===== | ===== |
| Current liabilities | \$14,353,553 | \$10,376,820 |
| Total long-term liabilities | 3,428,571 | 4,285,714 |
| Total partnership capital | 437,308 | 2,516,968 |
| | ----- | ----- |
| Total liabilities and partnership capital | \$18,219,432 | \$17,179,502 |
| | ===== | ===== |

JPL Industries Pte. Ltd.

The Company owns a 10.9% stock interest in JPL Industries Pte. Ltd. (JPL), a Singapore company organized in 1991. The Company's investment is \$692,239 and is included in investment in unconsolidated affiliates.

(5) DISCONTINUED OPERATIONS:

On December 6, 1991, L-Bar Products suspended operations at its Chewelah, Washington facility because L-Bar lacked the necessary funds to continue operation. In November 1992, it was determined to discontinue the operations of L-Bar Products. In September 1998, the Registrant and the estate of L-Bar Products, Inc., reached an agreement to settle all litigation with Northwest Alloys, Inc. On March 12, 1999, the United States Bankruptcy Court for the Eastern District of Washington Court approved the settlement. On April 29, 1999, the litigation was dismissed with prejudice by the United States District Court for the Eastern District of Washington. Pursuant to the settlement agreement Northwest Alloys has paid the funds due under the agreement and has returned to the Company the 500,000 shares of common stock issued by the Company pursuant to the October 28, 1991 stock purchase agreement. During the year, the Trustee completed the liquidation of the estate in accordance with the terms of the agreement.

The 500,000 shares of common stock returned by Northwest Alloys were retired. This resulted in a \$500,000 reduction in par value and a \$1.5 million reduction in additional paid in capital.

The disposal of the discontinued operations resulted in a gain as shown below:

| | |
|---|--------------|
| Elimination of the reserve for discontinued Operations | \$ 973,246 |
| Deferred gain from reduction of debt related to the October 28, 1991 stock purchase agreement | 2,000,000 |
| | ----- |
| | \$ 2,973,246 |

1999

(6) STOCK OPTIONS:

The 1987 Incentive Stock Option Plan (1987 ISO Plan) expired in 1997, however options granted under the plan are still outstanding. The 1987 ISO Plan provided for the issuance of options to key employees to purchase up to 90,000 shares in aggregate of the Company's common stock. Under the 1987 ISO Plan

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options for 30,000 shares were outstanding at \$1.00 per share, all of which are exercisable. The option plan provides that the option price must be equal to or greater than the market price at the date of grant. No options were exercised under the plan during 2000 and 1999.

(7) INCOME TAXES:

At November 30, 2000 the Company had net operating loss carryforwards of approximately \$11.3 million, which will expire between 2001 and 2020. Certain differences exist between the net operating loss carryforwards available for financial statement purposes and for Federal income tax return purposes due to differing treatments of dividend income, depreciation, exploration and development costs, goodwill and deferred compensation.

Due to losses from continuing operations in 2000 and 1999, there is no tax expense computed for the year. Because of the Company's net operating loss carryforward, the Company did not present the net tax effect of the losses from discontinued operations. The table below shows the composition of the income tax expense (benefit) (000 omitted):

| | 2,000 | 1999 |
|--|------------|--------------|
| | ----- | ----- |
| Current federal income tax | \$ (417.0) | \$ (1,031.1) |
| Accrual for wages not yet paid | 177.6 | 133.6 |
| Accrual for State Income tax | - | - |
| (Reduction) addition to federal income tax loss carryforward | (239.4) | (897.5) |
| | ----- | ----- |
| | \$ - | \$ - |

(8) OTHER CURRENT LIABILITIES:

Other current liabilities consist of the following at November 30:

| | 2,000 | 1999 |
|---------------------------|-----------|-----------|
| | ----- | ----- |
| Accrued interest | \$ 3,990 | \$ 2,220 |
| Other current liabilities | 27,476 | 30,963 |
| | ----- | ----- |
| | \$ 31,466 | \$ 33,183 |
| | ===== | ===== |

(9) DEBT:

Long-term debt consists of the following at November 30:

| | 2,000 | 1999 |
|--|------------|------------|
| | ----- | ----- |
| Term loan, due December 31, 1997, with annual interest payments at 10% secured by the stock in JPL Industries, Reserve Minerals Corporation, Reserve Rossborough Corporation, and Reserve Rossborough Ventures Corporation see Notes 4 and 11. | \$ 695,000 | \$ 695,000 |

SBA term loan, due August 31, 2004, payable in monthly installments of \$9,672.26 including interest at 2.75% over

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the prime rate and secured by the assets of Reserve Silica Corporation and guaranteed by the officers of the Company.

| | | |
|----------------------|------------|------------|
| | 361,948 | 401,749 |
| Other notes | \$ 497,814 | \$ 390,708 |
| | ----- | ----- |
| | 1,555,457 | 1,487,457 |
| Less current portion | 997,196 | 993,940 |
| | ----- | ----- |
| | \$ 558,261 | \$ 493,517 |

The long-term debt payment schedule consists of the following at November 30, 2000

| | |
|---------------|--------------|
| 2001 | \$ 997,196 |
| 2002 | 186,234 |
| 2003 | 186,234 |
| 2004 | 141,155 |
| 2005 or later | 44,238 |
| | ----- |
| | \$ 1,555,457 |

(10) BUSINESS SEGMENTS:

The Company operates in the industrial products and corporate business segments. These business segments are described in Note 1 under Business Segments. In fiscal year 2000, the Company had three customers in the industrial products segment that accounted for net sales of 58.7% (\$1,253,424), 16.6% (\$353,938) and 12.9% (\$275,458), respectively. In fiscal year 1999, the Company had three customers in the industrial products segment that accounted for net sales of 33.7% (\$400,763), 31.8% (\$378,285) and 11.3% (\$135,057), respectively.

Identifiable assets by segment are those assets involved in the operation of the segment. Corporate assets are cash and cash equivalents, security investments, mineral properties, equity investments and other assets.

The following tables summarize the operations, identifiable assets and capital expenditures by industry segment as of November 30:

| | 2,000 | 1999 |
|---|--------------|--------------|
| | ----- | ----- |
| Net sales and revenues: | | |
| Industrial Products - Silica sand | \$ 2,160,879 | \$ 1,190,808 |
| Corporate | 309,475 | 139,258 |
| Equity in earnings from affiliates | (718,104) | (883,979) |
| | ----- | ----- |
| | \$ 1,759,750 | \$ 446,087 |
| | ===== | ===== |
| Segment operating income: | | |
| Industrial Products - Silica sand | \$ 228,340 | \$ (33,093) |
| Corporate | 316,975 | 139,258 |
| Equity in (loss) earnings from affiliates | (718,104) | (883,979) |
| | ----- | ----- |
| | (172,789) | (777,814) |
| | ===== | ===== |
| Corporate and other expenses: | | |
| General and administration | 772,132 | 828,280 |

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| | | |
|--|----------------|----------------|
| Depreciation and amortization | | |
| - Industrial products | 216,413 | 207,034 |
| Depreciation and amortization | | |
| - Corporate | 16,411 | 17,789 |
| Interest expense | 258,487 | 196,867 |
| Loss on sale of property, investment & foreign assets | (244,653) | 918,110 |
| | ----- | ----- |
| | 1,018,790 | 2,168,080 |
| | ----- | ----- |
| (Loss) income from continuing operations | \$ (1,191,579) | \$ (2,945,894) |
| | ===== | ===== |

| | | |
|---|--------------|--------------|
| Identifiable assets - Industrial Products | \$ 2,141,080 | \$ 1,980,188 |
| Identifiable assets - Corporate | 3,065,086 | 3,822,483 |
| | ----- | ----- |
| | \$ 5,802,671 | \$ 5,802,671 |
| | ===== | ===== |

| | | |
|----------------------------------|------------|------------|
| Capital expenditures | | |
| - Industrial Products | \$ 169,181 | \$ 785,106 |
| Capital expenditures - Corporate | 4,041 | 1,634 |
| | ----- | ----- |
| | \$ 173,225 | \$ 786,740 |
| | ===== | ===== |

The following table summarizes financial data by geographic area as of November 30:

| | | |
|--------------------------|--------------|--------------|
| Sales: | | |
| United States | \$ 2,160,879 | \$ 1,190,808 |
| Far East | - | 11,912 |
| | ----- | ----- |
| | \$ 2,160,879 | \$ 1,202,720 |
| | ===== | ===== |
| Operating profit (loss): | | |
| United States | \$ (172,789) | \$ 789,726 |
| Far East | - | 11,912 |
| | ----- | ----- |
| | \$ (172,789) | \$ (777,814) |
| | ===== | ===== |
| Identifiable Assets: | | |
| United States | \$ 4,513,927 | \$ 5,110,432 |
| Far East | 692,239 | 692,239 |
| | ----- | ----- |
| | \$ 5,206,166 | \$ 5,802,671 |

(11) COMMITMENTS AND CONTINGENCIES:

Deferred Compensation

The Company had a deferred compensation plan for its deceased chairman's spouse who died on January 16, 1998, and the plan was terminated on that date. The payment of this benefit was pursuant to a management contract, which provided for monthly disbursements, adjusted annually for inflation. The obligation, originally recorded based on applicable mortality rates, was exhausted during the fiscal year ended November 30, 1991. Payments made in excess of the obligation recorded were expensed when either paid or accrued.

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Amounts due under the plan were accrued through January 1998, but no payments were made in 2000, 1999, 1998, 1997, 1996, 1995, 1993 and 1992, because the Company has been conserving its cash. In both 2000 and 1999, the accrued deferred compensation amounted to \$296,228.

Cash Flow Requirements

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company is generating revenues from its continuing operations, and the current level of cash flow is sufficient to sustain operations and a portion of its general and administrative expenses. The Company is conserving its cash and has not paid all of the compensation due to the officers and directors and, as described above, has accrued part of the deferred compensation. In 2000 and 1999, the accrued compensation due to the officers and directors amounted to \$2,999,324 and \$2,555,324, respectively.

During 1991, the Company borrowed \$695,000 from the Melfi Family Trust, in order to purchase the equity interest in JPL Industries Pte. Ltd. In order to conserve cash. the Company has not paid all of the interest due on this loan. In 2000 and 1999, the accrued interest on the loan amounted to \$820,390 and \$682,627, respectively.

The Melfi family members have loaned working capital to the Company. At November 30, 2000, the Company owes \$465,415 plus accrued interest on these working capital loans. In 2000 and 1999, the accrued interest on these working capital loans amounted to \$114,139 and \$106,022, respectively.

Pursuant to promissory notes to the Company, officers have loans amounting to \$518,198 and \$471,985 in 2000 and 1999, respectively.

Other

During the normal course of business, the Company has other commitments, lawsuits, claims and contingent liabilities. However, Company management does not expect that any sum it may have to pay in connection with any of these matters would have a materially adverse effect on the consolidated financial position.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RESERVE INDUSTRIES CORPORATION
(Registrant)

By /s/ William J. Melfi

William J. Melfi, Vice President
Finance and Administration

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(Principal Financial Officer)

Date February 15, 2001

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and the capacities and on the dates indicated.

Date February 15, 2001 By /s/ James J. Melfi, Jr.

James J. Melfi, Jr. Director,
Chairman of the Board

Date February 15, 2001 By /s/ Frank C. Melfi

Frank C. Melfi, Director
and President
(Principal Executive Officer)

Date February 15, 2001 By /s/ William J. Melfi

William J. Melfi, Director and
Vice President Finance and
Administration
(Principal Financial Officer)

Exhibit No. 21

Subsidiaries of Reserve Industries Corporation as of November 30, 2000

| Name | State of Incorporation |
|---|------------------------|
| ----- | ----- |
| Reserve Silica Corporation | Washington |
| Reserve Minerals Corporation | Delaware |
| Reserve Abrasives Ltd., Inc. | New Mexico |
| Reserve Rosborough Ventures Corporation | New Mexico |
| Reserve Rosborough Corporation | New Mexico |