

Edgar Filing: NorMexSteel, Inc. - Form 10QSB/A

NorMexSteel, Inc.  
Form 10QSB/A  
November 22, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-QSB/A

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

For the quarterly period ended September 30, 2005

-----  
Commission File Number: 000-25947

NorMexSteel Inc.

-----  
(Name of Small Business issuer in its Charter)

Florida

65-0386286

-----  
(State or Other Jurisdiction of  
Incorporation or Organization)

(IRS Employer  
Identification No.)

478 East Altamont Dr., Ste. 108, Altamonte Springs, FL 32701

-----  
(Address of Principal Executive Offices)

(Zip  
Code)

705-739-9092

-----  
(Issuer's Telephone Number)

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

NONE

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

Common Stock, no par value

Check whether the issuer: (1) filed all reports required to be  
filed by Section 13 or 15(d) of the Exchange Act during the past  
12 months (or for such shorter period that the registrant was  
required to file such reports), and (2) has been subject to such  
filing requirements for the past 90 days.  YES  NO

Check if there is no disclosure of delinquent filers in response  
to Item 405 of Regulation S-B is contained in this form, and no  
disclosure will be contained, to the best of registrant's

Edgar Filing: NorMexSteel, Inc. - Form 10QSB/A

knowledge, in definitive proxy or information statements incorporated by reference or any amendment to this Form 10-QSB. [ ]

The issuer is a developmental stage company, and as such has yet to generate any substantial revenues.

The aggregate market value of the voting stock held by non-affiliates of the registrant based on the closing bid price November 21, 2005 was approximately \$724,000,000.

As of November 21, 2005 the issuer had approximately 280,941,000 shares of common stock outstanding.

Documents incorporated by reference: NONE

Transition Small Business Disclosure Format (check one):

YES [ ]

NO [X]

2

NorMexSteel, Inc.

Form 10-QSB Index

	Page
Part I: Financial Information	
Item 1. Financial Statements	
Condensed Balance Sheet - September 30, 2005	1
Condensed Statements of Operations - Three months ended September 30, 2005 and 2004	2
Condensed Statements of Operations - Nine months ended September 30, 2005 and 2004	3
Condensed Statements of Cash Flows - Nine months ended September 30, 2005 and 2004	4

## Edgar Filing: NorMexSteel, Inc. - Form 10QSB/A

	Notes to Financial Statements	6
Item 2.	Management's Discussion and Analysis or Plan of Operation	12
Item 3.	Control and Procedures	14
Part II:	Other Information	
Item 1.	Legal Proceedings	14
Item 2.	Change in Securities	15
Item 3.	Defaults Upon Senior Securities	15
Item 4.	Submission of Matters to a Vote of Security Holders	15
Item 5.	Other Information	15
Item 6.	Exhibits and Reports on Form 8-K	16
SIGNATURES		16

### PART I. - FINANCIAL INFORMATION

Item 1. Financial Statements

NorMexSteel, Inc.  
(A Development Stage Company)  
Condensed Balance Sheet  
(Unaudited)  
September 30, 2005

Assets  
-----

Current assets:

Cash		\$ 10,462	
			-----

Total current assets		\$ 10,462	
----------------------	--	-----------	--

Property and equipment, net		2,996	
			-----

Total assets		\$ 13,458	
			=====

Liabilities and Stockholders' Deficiency  
-----

Current liabilities:

Accounts payable		\$ 184,828	
Accrued liabilities (note 6)		1,116,522	
Due to related parties (note 5)		269,554	
Note payable - related party (note 8)		155,000	

Edgar Filing: NorMexSteel, Inc. - Form 10QSB/A

Notes payable (note 7)	226,466
	-----
Total current liabilities	1,952,370
Stockholders' deficiency:	
Preferred stock (note 4)	42,470
Common stock (note 4)	4,673,783
Deferred compensation	(433,333)
Accumulated deficit	(6,221,832)
	-----
Total stockholders' deficiency	(1,938,912)
Total liabilities and stockholders' deficiency	\$ 13,458
	=====

See accompanying notes to the condensed financial statements

1

NorMexSteel, Inc.  
(A Development Stage Company)  
Condensed Statements of Operations  
(Unaudited)

	Three Months Ended September 30, 2005	Three Months Ended September 30, 2004
	-----	-----
Gross Revenues	\$ -	\$ -
Cost of Sales	-	-
	-----	-----
Net revenue	-	-
Operating Expenses	299,897	52,086
	-----	-----
Loss from Operations	(299,897)	(52,086)
Other Income (Expenses):		
Other income	85	2,122
Interest expense	(9,910)	(8,846)
	-----	-----
Total other income (expense)	(9,825)	(6,724)
	-----	-----

Edgar Filing: NorMexSteel, Inc. - Form 10QSB/A

Net loss	\$ (309,722)	\$ (58,810)
	=====	=====
Loss Per Common Share:		
Basic and diluted	\$ (0.00)	\$ (0.02)
	=====	=====
Weighted Average Common Shares Outstanding:		
Basic and diluted	280,951,811	2,723,806
	=====	=====

See accompanying notes to the condensed financial statements.

2

NorMexSteel, Inc.  
(A Development Stage Company)  
Condensed Statements of Operations  
(Unaudited)

	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004	Cumulative for the period from March 23,1999 (inception) to September 30, 2005
	-----	-----	-----
Gross Revenues	\$ -	\$ -	\$ 45,744
Cost of Sales	-	-	264
	-----	-----	-----
Net revenue	-	-	45,480
Operating Expenses	707,512	275,136	5,457,457
	-----	-----	-----
Loss from Operations	(707,512)	(275,136)	(5,411,977)
Other Income (Expenses):			
Other income	1,475	56,366	219,657
Interest expense	(29,359)	(123,074)	(489,485)
Impairment of assets	-	-	(315,027)
Provision for loss on non-cancelable lease	-	-	(225,000)
	-----	-----	-----
Total other income (expense)	(27,884)	(66,708)	(809,855)
	-----	-----	-----
Net loss	\$ (735,396)	\$ (341,844)	\$ (6,221,832)

Edgar Filing: NorMexSteel, Inc. - Form 10QSB/A

Loss Per Common Share:	=====	=====	=====
Basic and diluted	\$ (0.00)	\$ (0.09)	
	=====	=====	
Weighted Average Common Shares Outstanding:			
Basic and diluted	220,300,097	4,044,122	
	=====	=====	

See accompanying notes to the condensed financial statements

3

NorMexSteel, Inc.  
And Subsidiary (A Development Stage Company)  
Condensed Statements of Cash Flows  
(Unaudited)

	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004	Cumulative the period March 23, (inception September 2005
	-----	-----	-----
Cash flows from operating activities			
Net loss	\$ (735,396)	\$ (341,844)	\$ (6,221,
Adjustments to reconcile net loss to net cash used in operating activities			
Forgiveness of related party note payable	-	-	(59,
Depreciation and amortization	1,009	1,704	295,
Loss on impairment of assets	-	-	315,
Provision for loss on non-cancelable leases	-	-	225,
Bad debt expense	-	-	42,
Intrinsic value of stock options	-	-	500,
Common stock issued for services	150,000	-	2,222,
Amortization of deferred compensation	-	-	
Increase(decrease) in cash caused by changes in:			
Other current assets	171	(171)	
Other assets	-	80,000	
Accounts payable	(733)	(8,644)	184,
Accrued liabilities	351,904	150,980	1,119,
Due to related parties	84,378	(48,866)	528,
	-----	-----	-----
Net cash used in operating activities	(148,667)	(166,841)	(848,
	-----	-----	-----
Cash flows from investing activities:			

Edgar Filing: NorMexSteel, Inc. - Form 10QSB/A

Acquisition of property and equipment	(2,200)	(9,359)	(279,000)
	-----	-----	-----
Net cash used in investing activities	(2,200)	(9,359)	(279,000)
Cash flows from financing activities			
Repayment of note payable to related party	-	-	(200,000)
Proceeds from issuance of preferred stock	-	-	49,000
Proceeds from issuance of capital stock	-	160,174	1,056,000
Due to related parties	-	2,247	(399,000)
Issuance of note receivable	-	-	(42,000)
Payment for preferred stock	-	-	(32,000)
Repayment/proceeds of notes payable	155,000	-	706,000
	-----	-----	-----
Net cash provided by financing activities	155,000	162,421	1,138,000
	-----	-----	-----
Net increase (decrease) in cash	\$ 4,133	\$ (13,779)	\$ 10,000
Cash at beginning of period	6,329	27,648	
	-----	-----	-----
Cash at end of period	\$ 10,462	\$ 13,869	\$ 10,000
	=====	=====	=====

See accompanying notes to the condensed financial statements.

4

NorMexSteel, Inc.  
(A Development Stage Company)  
Condensed Statements of Cash Flows  
(Unaudited)

	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2004	Cumulative f the period f March 23, 1 (inception) September 2005
	-----	-----	-----
Supplemental Disclosure of Cash Flow Information:			
Cash paid for interest	\$ -	\$ -	\$ 33,490
	=====	=====	=====
Non-Cash Activity:			
Purchase of intangible assets from related party	\$ -	\$ -	\$ 399,350
Reduction of capital lease obligation upon abandonment of assets	\$ -	\$ -	\$ 65,000
	=====	=====	=====

Edgar Filing: NorMexSteel, Inc. - Form 10QSB/A

Satisfaction of notes payable and accrued interest by third party	\$ - =====	\$ - =====	\$ 487,500 =====
--	---------------	---------------	---------------------

See accompanying notes to the condensed financial statements.

5

NorMexSteel, Inc.  
(A Development Stage Company)  
Notes to Condensed Financial Statements  
(Unaudited)

(1) Basis of Financial Statement Presentation and Going Concern

Basis of Financial Presentation

The accompanying unaudited condensed financial statements of NorMexSteel, Inc. (the "Company") as of September 30, 2005 and for the cumulative period from March 23, 1999 (Inception) to September 30, 2005 have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission for Form 10-QSB. Accordingly, the condensed financial statements do not include all the information and notes to the financial statements required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, the accompanying unaudited condensed financial statements contain all adjustments (consisting of only normal recurring adjustments) considered necessary for a fair presentation of the financial position, results of operations, and cash flows for the periods presented. These results have been determined on the basis of accounting principles generally accepted in the United States of America and applied consistently with those used in the preparation of the Company's financial statements.

The results of operations for the interim period ended September 30, 2005 is not necessarily indicative of the results to be expected for the full year. These interim financial statements should be read in conjunction with the December 31, 2004 financial statements and related notes included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2004.



## Edgar Filing: NorMexSteel, Inc. - Form 10QSB/A

### Going Concern

The accompanying condensed financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Due to its past financial difficulties, the Company has accumulated debt, including judgments and accrued interest, of approximately \$ 1,950,000 relating to its current and former lines of business and maintains these on its balance sheet as current liabilities. Interest on these balances is accruing at a rate of approximately \$10,000 per quarter as of September 30, 2005. The Company is continuing in its efforts to resolve these obligations and others through settlements. However, there is no assurance that the Company will be able to settle in terms agreeable to the Company and if it does not do so, this will raise substantial doubt as to its ability to continue as a going concern. As shown in the condensed financial statements, the Company has incurred cumulative losses of approximately \$ 6,200,000 during its development stage.

The Company's continuation as a going concern is uncertain and dependent upon obtaining additional sources of financing and achieving future profitable operations, the outcome of which cannot be predicted at this time.

As a result of the recent acquisition of Grupo Industrial N.K.S., S.A, de CV ("NKS"), as described in note 3, the Company's primary focus is operating the steel foundry business in Mexico and looking for other complementary businesses in Mexico, in support of the steel foundry operations.

The condensed financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of the Company to continue as a going concern.

6

### Basis of Consolidation

The Company does not consolidate the financial position or the statement of operations of its NKS subsidiary per guidance provided by FAS 94. FAS 94, paragraph 4, precludes companies from consolidating any majority owned subsidiaries "where control is likely to be temporary, or where it does not rest with the majority owners (as, for instance, where the subsidiary is in legal reorganization or in bankruptcy)". NKS is in default of many financial obligations, including bank loans, governmental bodies, vendors, former employees and labor unions. Principals with the Company are working diligently with a potential partner to provide funding to satisfy these obligations and provide

## Edgar Filing: NorMexSteel, Inc. - Form 10QSB/A

working capital necessary to restart the foundry. Until such point as the funding is completed and the financial obligations are satisfied, management of the Company is unable to take possession of the assets. Given this position, the Company does not yet have control of the subsidiary and, therefore, does not consolidate the results of NKS into its financial statements.

7

NorMexSteel, Inc.  
(A Development Stage Company)  
Notes to Condensed Financial Statements  
(Unaudited)

### (2) Summary of Significant Accounting Policies

The accounting policies of the Company are in accordance with U.S. GAAP and their basis of application is consistent with that of the previous year.

#### Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standard Board ("FASB") issued Statement of Accounting Standards ("SFAS") No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123R"). SFAS No. 123R requires the Company to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The cost of the employee services is recognized as compensation cost over the period that an employee provides service in exchange for the award. SFAS No. 123R will be effective January 1, 2006 for the Company and may be adopted using a modified prospective method or a modified retrospective method. The Company has not yet completed an analysis to quantify the exact impact the new standard will have on its future financial performance. Depending upon the extent to which the Company implements share-based compensation plans, adoption of this statement could have a material impact on the Company's future financial position or results of operations.

## Edgar Filing: NorMexSteel, Inc. - Form 10QSB/A

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Non-Monetary Assets - an amendment of the Accounting Principles Board (APB) Opinion No. 29" (Statement 153). This statement amends Opinion 29 to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. A non-monetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The adoption of this standard is not expected to have a material impact on the Company's results of operations or financial position.

In March 2005, the FASB issued FASB Staff Position ("FSP") No. 46(R)-5, "Implicit Variable Interests under FASB Interpretation No. ("FIN") 46 (revised December 2003), Consolidation of Variable Interest Entities" ("FSP FIN 46R-5"). FSP FIN 46R-5 provides guidance for a reporting enterprise on whether it holds an implicit variable interest in Variable Interest Entities ("VIEs") or potential VIEs when specific conditions exist. This FSP is effective in the first period beginning after March 3, 2005 in accordance with the transition provisions of FIN 46 (Revised 2003), "Consolidation of Variable Interest Entities - an Interpretation of Accounting Research Bulletin No. 51" ("FIN 46R"). The adoption of this standard is not expected to have a material impact on the Company's results of operations and financial position.

8

NorMexSteel, Inc.  
(A Development Stage Company)  
Notes to Condensed Financial Statements  
(Unaudited)

### (2) Summary of Significant Accounting Policies (cont'd)

In March 2005, the FASB issued Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" ("FIN 47"), which will result in (a) more consistent recognition of liabilities relating to asset retirement obligations, (b) more information about expected future cash outflows associated with those obligations, and (c) more information about investments in long-lived assets because additional asset retirement costs will be recognized as part of the carrying amounts of the assets. FIN 47 clarifies that the term "conditional asset retirement obligation" as used in SFAS 143, "Accounting for Asset Retirement Obligations," refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. Uncertainty about the timing and/or method of settlement of a conditional asset retirement obligation

## Edgar Filing: NorMexSteel, Inc. - Form 10QSB/A

should be factored into the measurement of the liability when sufficient information exists. FIN 47 also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. Retrospective application of interim financial information is permitted but is not required. Early adoption of this interpretation is encouraged. The adoption of this standard is not expected to have a material impact on the Company's results of operations and financial position.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS 154"), which replaces Accounting Principles Board ("APB") Opinion No. 20, "Accounting Changes", and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements - An Amendment of APB Opinion No. 28". SFAS No. 154 provides guidance on the accounting for and reporting of changes in accounting principles and error corrections. SFAS No. 154 requires retrospective application to prior period financial statements of voluntary changes in accounting principles and changes required by new accounting standards when the standard does not include specific transition provisions, unless it is impracticable to do so. SFAS No. 154 also requires certain disclosures for restatements due to correction of an error. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005, and is required to be adopted by the Company as of January 1, 2006. The impact that the adoption of SFAS No. 154 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes adopted by the Company and the nature of transitional guidance provided in future accounting pronouncements.

9

NorMexSteel, Inc.  
(A Development Stage Company)  
Notes to Condensed Financial Statements  
(Unaudited)

(3) Acquisition of Grupo Industrial N.K.S., S.A., de CV

As of March 15, 2005, the Company has completed a transaction resulting in the acquisition of 75% of all issued and outstanding shares of NKS. The Company and stockholders of NKS have mutually agreed that the Company will acquire 75% of all the shares of NKS in exchange for 250,000,000 of the Company's common restricted shares. NKS, a Mexican corporation, is the owner of a steel mill foundry and other assets in Lazaro Cardenas, Mexico. In addition, the Company issued 30 million shares of common stock to an unrelated

Edgar Filing: NorMexSteel, Inc. - Form 10QSB/A

party as a finder's fee. No value has been attributed to the finder fee.

The Company does not consolidate the financial position or the statement of operations of its NKS subsidiary, as discussed in note 1.

(4) Capital Stock

(a) Common Stock  
Authorized

1,000,000,000 shares	September 30, 2005
Issued and outstanding	-----
280,941,000 shares of common stock	\$ 4,673,783
	-----

During 2004, the Company entered into an agreement with the CFO whereby 200,000 common shares were granted for consulting services at the inception of the agreement. The CFO is entitled to a further 100,000 common shares at the end of the second year of the term of the agreement and a further 100,000 common shares at the end of the third year of the term of the agreement. For the three and nine months ended September 30, 2005, \$50,000 and \$150,000 has been charged as compensation expense included in Operating Expenses in the accompanying condensed statements of operations.

On September 29, 2005 the Company's Board approved a 1:500 forward split after completing a 500:1 reverse stock split on September 9, 2005 as approved by the majority of the shareholders.

10

NorMexSteel, Inc.  
And Subsidiary  
(A Development Stage Company)  
Notes to Condensed Financial Statements  
(Unaudited)

(4) Capital Stock (cont'd)

(b) Preferred Stock  
Authorized

150,000,000	September 30, 2005
Issued and outstanding	-----
Series 2001 - 22,100 shares of preferred stock	\$ 42,470
Series 2001A -27,488,000 shares of preferred stock	-
Series 2001B -30,000,000 shares of preferred stock	-
	-----
Total 57,510,100 shares of preferred stock	\$ 42,470
	-----

Edgar Filing: NorMexSteel, Inc. - Form 10QSB/A

(5) Related Party Transactions

The president, current and former principal stockholders, and certain employees from time to time made advances or loans to the Company. The advances and loans have been made for financing and working capital purposes. At September 30, 2005, the total of such advances and loans, including accrued interest, was \$269,554.

The Company entered into an unsecured funding agreement with Tropical Ventures/Cazador Enterprises, a shareholder of the Company, whereby Tropical will lend the Company funds under the following terms: interest on outstanding amounts of 10% per annum payable to Cazador Enterprises, a 10% funding fee paid to Tropical Ventures on any drawdown, and no fixed repayment terms. As of September 30, 2005, the Company had borrowed \$155,000 less fees of \$20,000 provided through this agreement.

(6) Accrued Liabilities

Accrued expenses at September 30, 2005 consisted of the following:

	2005
	----
Accrued lease obligations	\$ 395,996
Accrued interest	144,608
Accrued professional fees	235,918
Accrued salaries	340,000
	-----
	\$ 1,116,522
	=====

(7) Notes Payable

The notes payable bear interest at rates that range between 9 and 12 percent per annum and are due on demand.

NorMexSteel, Inc.  
(A Development Stage Company)  
Notes to Condensed Financial Statements  
(Unaudited)

(8) Notes Payable - Related Party

The related party notes payable bears an interest rate of 10 percent per annum and has no fixed terms of repayment.

(9) Stock Options

## Edgar Filing: NorMexSteel, Inc. - Form 10QSB/A

During 2004, the Company established a stock option plan under which options to purchase shares of common stock may be granted to employees, directors, officers, agents, consultants and independent contractors.

During November 2004, the Company granted 1,000,000 stock options to the Company's Chief Financial Officer. The options have an exercise price of \$1.00, vest immediately, and have a term of three years. At the grant date, these options had an intrinsic value of \$500,000. These options remain outstanding at September 30, 2005, are fully exercisable, and have a remaining term of 26 months.

### (10) Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes". SFAS No. 109 prescribes the use of the liability method whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates. The effects of future changes in tax laws or rates are not anticipated.

Under SFAS No. 109 income taxes are recognized for the following: a) amount of tax payable for the current year, and b) deferred tax liabilities and assets for future tax consequences of events that have been recognized differently in the financial statements than for tax purposes.

For the nine month period ended September 30, 2005, the Company had approximately \$5,700,000 net operating loss carry forwards for income tax reporting purposes, which can be utilized to decrease the current year's income taxes. No tax benefit was reported in the current period because the Company believed that there was a 50% or greater chance the carryforwards would expire unused. Accordingly, the potential benefit of the loss carryforwards were offset by a valuation allowance.

### 11) Commitments and Contingencies

Several creditors have taken legal action against the Company due to defaulted debt and lease obligations. The judgments total approximately \$378,000. These amounts are included in accrued liabilities as at September 30, 2005.

### (12) Subsequent Transactions

## Edgar Filing: NorMexSteel, Inc. - Form 10QSB/A

The Company has signed a letter of intent with Global Steel Holdings Ltd. ("GSH"), an Indian company with globally diverse steel interests. The Company is still negotiating with GSH to finalize the letter of intent.

GSH intends to purchase 50% of NorMexSteel's shares in NKS and in turn provide a line of credit totaling \$30 million to settle debt and provide working capital for the facility.

On September 5, 2005, the Company signed a letter of intent with Jamieson Enterprises Inc. ("JEI"), a builder of arenas in North America to acquire 25% of each of ten facilities. The Company is concluding its due diligence in support of the acquisition and to consummate the transaction for which JEI is to provide all the financing and selling of up to 75% of the equity in each of the facilities for consideration of 100 million shares of the Company's common stock.

13

### Item 2. Management Discussion and Analysis and Plan of Operation

---

All statements contained herein that are not historical facts, including but not limited to, statements regarding the anticipated future capital requirements and future development plans are based on current expectations. These statements are forward looking in nature and involve a number of risks and uncertainties. Actual results may differ materially. Among the factors that could cause actual results to differ materially are the following: amount of revenues earned by the Company's operations; the availability of sufficient capital to finance the Company's business plan on terms satisfactory to the Company; general business and economic conditions; and other risk factors described in the Company's reports filed from time to time with the Commission. The Company wishes to caution readers not to place undue reliance on any such forward looking statements, which statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made.

#### Results of Operations

---

Three Months Ended September 30, 2005 versus Three Months Ended September 30, 2004.

We had no revenues for the three months ended September 30, 2005 and 2004. There is no assurance that we will any have revenues in fiscal 2005. As we had no sales in this quarter, we had no cost of sales for the quarters.

Operating expenses for the three months ended September 30, 2005 were \$ 299,897 compared to \$ 52,086 for the three months ended September 30, 2004. Other income for the three months ended September 30, 2005 was \$ 85 as compared to other income of \$



## Edgar Filing: NorMexSteel, Inc. - Form 10QSB/A

2,122 for three months ended September 30, 2004. Interest expense was \$ 9,910 for three months ended September 30, 2005 versus \$ 8,846 for the three months ended September 30, 2004.

The Company's net loss for the three months ended September 30, 2005 was \$ 309,722 as compared to a loss of \$ 58,810 for the three months ended September 30, 2004.

Nine Months Ended September 30, 2005 versus Nine Months Ended September 30, 2004.

We had no revenues for the six months ended September 30, 2005 and 2004. There is no assurance that we will any have revenues in fiscal 2005. As we had no sales in this period, we had no cost of sales for this period.

Operating expenses for the nine months ended September 30, 2005 were \$ 707,512 compared to \$ 275,136 for the nine months ended September 30, 2004. Other income for the nine months ended September 30, 2005 was \$ 1,475 as compared to other income of \$ 56,366 for the nine months ended September 30, 2004. Interest expense was \$ 29,359 for nine months ended September 30, 2005 versus \$123,074 for the six months ended September 30, 2004.

The Company's net loss for the nine months ended September 30, 2005 was \$ 735,396 as compared to a loss of \$ 341,844 for the nine months ended September 30, 2004.

14

### Liquidity and Capital Resources

-----

On September 30, 2005, the Company had a working capital deficit of approximately \$ 1,950,000. Since its inception, the Company has continued to sustain losses. The Company's operations since inception have been funded by the sale of common and preferred stock, and proceeds from both secured and unsecured loans. These funds have been used for working capital and capital expenditures and other corporate purchases. The Company has had losses of approximately \$ 6,200,000 since inception. The Company is seeking financing through equity financing. There can be no assurance that the Company will be able to obtain funding at terms acceptable to the Company. These factors indicate that the Company may not be able to continue as a going concern.

### Recent Accounting Pronouncements

-----

In December 2004, the Financial Accounting Standard Board ("FASB") issued Statement of Accounting Standards ("SFAS") No. 123 (revised 2004), "Share-Based Payment" ("SFAS No. 123R"). SFAS No. 123R requires the Company to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The cost of the employee services is recognized as compensation cost over the period that an employee provides

## Edgar Filing: NorMexSteel, Inc. - Form 10QSB/A

service in exchange for the award. SFAS No. 123R will be effective January 1, 2006 for the Company and may be adopted using a modified prospective method or a modified retrospective method. The Company has not yet completed an analysis to quantify the exact impact the new standard will have on its future financial performance. Depending upon the extent to which the Company implements share-based compensation plans, adoption of this statement could have a material impact on the Company's future financial position or results of operations.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Non-Monetary Assets - an amendment of the Accounting Principles Board (APB) Opinion No. 29" (Statement 153). This statement amends Opinion 29 to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. A non-monetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The adoption of this standard is not expected to have a material impact on the Company's results of operations or financial position.

In March 2005, the FASB issued FASB Staff Position ("FSP") No. 46(R)-5, "Implicit Variable Interests under FASB Interpretation No. ("FIN") 46 (revised December 2003), Consolidation of Variable Interest Entities" ("FSP FIN 46R-5"). FSP FIN 46R-5 provides guidance for a reporting enterprise on whether it holds an implicit variable interest in Variable Interest Entities ("VIEs") or potential VIEs when specific conditions exist. This FSP is effective in the first period beginning after March 3, 2005 in accordance with the transition provisions of FIN 46 (Revised 2003), "Consolidation of Variable Interest Entities - an Interpretation of Accounting Research Bulletin No. 51" ("FIN 46R"). The adoption of this standard is not expected to have a material impact on the Company's results of operations and financial position.

In March 2005, the FASB issued Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" ("FIN 47"), which will result in (a) more consistent recognition of liabilities relating to asset retirement obligations, (b) more information about expected future cash outflows associated with those obligations, and (c) more information about investments in long-lived assets because additional asset retirement costs will be recognized as part of the carrying amounts of the assets. FIN 47 clarifies that the term "conditional asset retirement obligation" as used in SFAS 143, "Accounting for Asset Retirement Obligations," refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. Uncertainty about the timing and/or method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. FIN 47 also clarifies when an entity would have sufficient information to reasonably

estimate the fair value of an asset retirement obligation. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. Retrospective application of interim financial information is permitted but is not required. Early adoption of this interpretation is encouraged. The adoption of this standard is not expected to have a material impact on the Company's results of operations and financial position.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS 154"), which replaces Accounting Principles Board ("APB") Opinion No. 20, "Accounting Changes", and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements - An Amendment of APB Opinion No. 28". SFAS No. 154 provides guidance on the accounting for and reporting of changes in accounting principles and error corrections. SFAS No. 154 requires retrospective application to prior period financial statements of voluntary changes in accounting principles and changes required by new accounting standards when the standard does not include specific transition provisions, unless it is impracticable to do so. SFAS No. 154 also requires certain disclosures for restatements due to correction of an error. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005, and is required to be adopted by the Company as of January 1, 2006. The impact that the adoption of SFAS No. 154 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes adopted by the Company and the nature of transitional guidance provided in future accounting pronouncements.

#### Off-Balance Sheet Arrangements

-----

The Company does not maintain off-balance sheet arrangements nor does it participate in non-exchange traded contracts requiring fair value accounting treatment.

15

#### Item 3. Controls and Procedures

-----

In accordance with Exchange Act Rules 13a-15 and 15d-15, the Company's management carried out an evaluation with the participation of the Company's Chief Executive Officer and Chief Financial Officer, its principal executive officer and principal financial officer, respectively, of the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded as of the end of the period covered by this Form 10-QSB that the Company's disclosure controls and procedures are effective in timely alerting them to material information relating to the

## Edgar Filing: NorMexSteel, Inc. - Form 10QSB/A

Company required to be included in periodic reports filed under the Securities Exchange Act of 1934, as amended. There were no changes in the Company's internal controls over financial reporting identified in connection with the evaluation by the Chief Executive Officer and Chief Financial Officer that occurred during the Company's fourth quarter that have materially affected or are reasonably likely to materially affect the Company's internal controls over financial reporting.

### PART II - OTHER INFORMATION

-----

#### Item 1. Legal Proceedings

-----

Due to our financial difficulties, we defaulted on a number of debt and lease obligations. We have several judgments totaling approximately \$378,000 that were entered against us. We are currently trying to resolve these obligations through settlements. However, there is no assurance that we will be able to settle on terms favorable to us and if we are unable to do so, this will have a material adverse affect on our ability to operate properly in the future.

On May 3, 2004, we received a letter from Pedro Fenando Arizpe Carreon, a shareholder of Grupo Industrial NKS, S.A. DE C.V. ("NKS"), addressed to Montague Securities International, Ltd., the escrow agent for the transaction by which we acquired 75% of the outstanding shares of capital stock of NKS. Mr. Carreon alleged that we had breached the Purchase Agreement. We have denied any breach of the purchase agreement and have advised Mr. Carreon in writing of this fact. On August 8, 2005, Normexsteel filed a civil complaint, in Broward County, Florida, against Mr. Carreon and Grupo Industrial NKS alleging breach of contract and tortuous interference with a business relationship and requested the court to order temporary and permanent injunctive relief, declaratory judgment and monetary damages for the alleged interferences.

16

#### Item 2. Change in Securities

-----

On September 10, 2004, the holders of a majority of the Company's outstanding voting shares executed a written consent amending the Company's Articles of incorporation to increase the total number of authorized shares of the Company's Common Stock from 500,000,000 to 1,000,000,000.

As of March 15, 2005, the Company completed a transaction resulting in the acquisition of 75% of all issued and outstanding shares of Grupo Industrial N.K.S., S.A., de CV ("NKS") in exchange for 250,000,000 of the Company's common restricted shares. NKS, a Mexican corporation, is the owner of a steel mill foundry and other assets in Lazaro Cardenas, Mexico.

## Edgar Filing: NorMexSteel, Inc. - Form 10QSB/A

On September 29, 2005 the Company's Board approved a 1:500 forward split after completing a 500:1 reverse stock split on September 9, 2005 as approved by the majority of the shareholders.

### Item 3. Defaults Upon Senior Securities

-----

Not applicable

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

-----

Not applicable

### Item 5. Subsequent Events

-----

The Company has signed a letter of intent with Global Steel Holdings ("GSH"), an Indian company with globally diverse steel interests. The letter of intent has been extended to August 31, 2005, as noted in the most recent press release. As of November 17, 2005, the parties are still negotiating the agreement. GSH intends to purchase 50% of NorMexSteel's shares in Grupo NKS and in turn provide a line of credit totaling \$60 million to settle debt and provide working capital for the facility.

The Company executed an agreement with a principal shareholder to change the payment terms of a consulting agreement from a monthly fee to 10,000,000 shares of common stock. The effect of this transaction will be to eliminate a liability of \$340,000 as of September 30, 2005 and to receive the services in the future with no cash obligations on the Company's part.

17

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

#### (a) Exhibits and Index of Exhibits

31. Rule 13a-14(a)/15d-14(a) Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
  32. Section 1350 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- (b) Reports on Form 8-K.

On September 28, 2005, the Company filed a current report on Form 8-K in connection with the resignation of Tedder, James, Worder & Associates, P.A. as the Registrant's Certifying Accountants, effective August 31, 2005.

SIGNATURES

NorMexSteel Inc.

Edgar Filing: NorMexSteel, Inc. - Form 10QSB/A

By /s/James Wolff

-----  
James Wolff, President

Date: November 22, 2005