
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: **March 31, 2019**

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission file number: **000-50053**



AMERITYRE CORPORATION

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

NEVADA

(State or other jurisdiction of
incorporation or organization)

87-0535207

(I.R.S. Employer
Identification No.)

1501 INDUSTRIAL ROAD, BOULDER CITY, NEVADA

(Address of principal executive offices)

89005

(Zip Code)

(702) 293-1930

(Issuer's telephone number)

Indicate by check mark whether the registrant (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 (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 ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer" "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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

Title of each class

N/A

Trading Symbol(s)

N/A

Name of each exchange on which registered

N/A

The number of shares outstanding of Registrant's Common Stock as of May 13, 2019: 46,532,867

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AMERITYRE CORPORATION Balance Sheets

	March 31, 2019 (Unaudited)	June 30, 2018
ASSETS		
CURRENT ASSETS		
Cash	\$ 288,391	\$ 213,854
Accounts receivable	466,842	410,425
Inventory - net	479,896	516,334
Prepaid and other current assets	124,426	84,892
Total Current Assets	1,359,555	1,225,505
Right to use lease assets, operating, net	286,546	39,754
PROPERTY AND EQUIPMENT		
Molds and models	583,611	583,611
Equipment	3,003,797	2,989,297
Furniture and fixtures	66,565	59,057
Construction in progress	-	1,000
Software	247,610	247,610
Less - accumulated depreciation	(3,751,962)	(3,708,835)
Total Property and Equipment	149,621	171,740
OTHER ASSETS		
Patents and trademarks - net	115,461	132,605
Non-current inventory	259,017	206,842
Deposits	11,000	11,000
Total Other Assets	385,478	350,447
TOTAL ASSETS	\$ 2,181,200	\$ 1,787,446
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 634,965	\$ 379,086
Current portion of long-term debt	21,161	20,377
Current portion of lease liability	138,000	726
Deferred revenue	61,030	20,712
Total Current Liabilities	855,156	420,901
Long-term debt	90,784	105,633
Long-term lease liability	34,500	-
TOTAL LIABILITIES	980,440	526,534
STOCKHOLDERS' EQUITY		
Preferred stock: 5,000,000 shares authorized of \$0.001 par value, 2,000,000 shares issued and outstanding, respectively	2,000	2,000
Common Stock: 75,000,000 shares authorized of \$0.001 par value, 46,532,867 and 44,476,346 shares issued and outstanding, respectively	46,533	44,476
Additional paid-in capital	62,675,993	62,638,754
Stock payable	10,702	14,601
Accumulated deficit	(61,534,468)	(61,438,919)
Total Stockholders' Equity	1,200,760	1,260,912
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,181,200	\$ 1,787,446

The accompanying notes are an integral part of these financial statements.

AMERITYRE CORPORATION
Statements of Operations
(Unaudited)

	For the Three Months Ended March 31,		For the Nine Months Ended March 31,	
	2019	2018	2019	2018
NET SALES	\$ 926,811	\$ 934,247	\$ 2,539,160	\$ 2,726,907
COST OF GOODS SOLD	637,804	655,777	1,836,081	1,899,930
GROSS PROFIT	289,007	278,470	703,079	826,977
EXPENSES				
Research and development	23,297	39,127	71,087	150,270
Sales and marketing	43,184	59,238	147,433	174,556
General and administrative	168,984	152,859	522,427	521,136
Total Expenses	235,465	251,224	740,947	845,962
(LOSS) INCOME FROM OPERATIONS	53,542	27,246	(37,868)	(18,985)
OTHER (EXPENSE)/INCOME				
Interest expense	(711)	(1,174)	(3,049)	(3,989)
Interest income	86	73	318	247
Other income	16,962	2,540	20,051	2,540
Loss on asset abandonment	-	-	-	(17,352)
Total Other (Expense)/Income	16,337	1,439	17,320	(18,554)
NET (LOSS) INCOME	69,879	28,685	(20,548)	(37,539)
Preferred Stock Dividend	(25,000)	(25,000)	(75,000)	(75,000)
NET (LOSS) INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ 44,879	\$ 3,685	\$ (95,548)	\$ (112,539)
BASIC AND DILUTED LOSS (INCOME) PER SHARE	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ (0.00)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	46,532,867	43,976,346	45,638,048	43,472,106

The accompanying notes are an integral part of these financial statements.

AMERITYRE CORPORATION
Statements of Stockholders' Equity
(Unaudited)

	Preferred Stock		Common Stock		Additional	Stock	Accumulated
	Shares	Amount	Shares	Amount	Paid in	Payable	Deficit
					Capital		
Balance, June 30, 2017	2,000,000	\$ 2,000	43,312,107	\$ 43,312	\$ 62,615,728	\$ -	\$ (61,300,483)
Preferred stock dividends	-	-	-	-	-	-	(25,000)
Stock option based compensation expense – options	-	-	-	-	437	-	-
Stock based compensation expense for employee and Board of Director service	-	-	-	-	-	6,731	-
Net loss for the quarter	-	-	-	-	-	-	(63,655)
Balance, September 30, 2017	2,000,000	2,000	43,312,107	43,312	62,616,165	6,731	(61,389,138)
Preferred stock dividends	-	-	-	-	-	-	(25,000)
Stock option based compensation expense – options	-	-	-	-	292	-	-
Stock based compensation expense for employee and Board of Director service	-	-	-	-	-	6,731	-
Net loss for the quarter	-	-	-	-	-	-	(2,569)
Balance, December 31, 2017	2,000,000	2,000	43,312,107	43,312	62,616,457	13,462	(61,416,707)
Preferred stock dividends	-	-	-	-	-	-	(25,000)
Stock based compensation expense for employee and Board of Director service	-	-	664,239	664	12,797	(5,746)	-
Net income for the quarter	-	-	-	-	-	-	28,685
Balance, March 31, 2018	2,000,000	2,000	43,976,346	43,976	62,629,254	7,716	(61,413,022)
Preferred stock dividends	-	-	-	-	-	-	(25,000)
Stock based compensation expense for employee and Board of Director service	-	-	500,000	500	9,500	6,885	-
Net loss for the quarter	-	-	-	-	-	-	(898)
Balance, June 30, 2018	2,000,000	2,000	44,476,346	44,476	62,638,754	14,601	(61,438,920)
Preferred stock dividends	-	-	-	-	-	-	(25,000)
Stock option based compensation expense – options	-	-	-	-	2,901	-	-
Stock based compensation expense for employee and Board of Director service	-	-	1,155,796	1,156	18,035	(4,806)	-
Net income for the quarter	-	-	-	-	-	-	4,317
Balance, September 30, 2018	2,000,000	2,000	45,632,142	45,632	62,659,690	9,795	(61,459,603)
Preferred stock dividends	-	-	-	-	-	-	(25,000)
Stock option based compensation expense – options	-	-	-	-	967	-	-
Stock based compensation expense for employee and Board of Director service	-	-	900,725	901	15,336	(9,212)	-
Net loss for the quarter	-	-	-	-	-	-	(94,744)
Balance, December 31, 2018	2,000,000	2,000	46,532,867	46,533	62,675,993	583	(61,579,347)
Preferred stock dividends	-	-	-	-	-	-	(25,000)
Stock based compensation expense for employee and Board of Director service	-	-	-	-	-	10,119	-
Net income for the quarter	-	-	-	-	-	-	69,879
Balance, March 31, 2019	<u>2,000,000</u>	<u>\$ 2,000</u>	<u>46,532,867</u>	<u>\$ 46,533</u>	<u>\$ 62,675,993</u>	<u>\$ 10,702</u>	<u>\$ (61,534,468)</u>

The accompanying notes are an integral part of these financial statements.

AMERITYRE CORPORATION
Statements of Cash Flows
(Unaudited)

	For the Nine Months Ended March 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (20,548)	\$ (37,539)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation and amortization expense	65,282	66,164
Stock based compensation	27,897	21,908
Loss on asset abandonment	-	17,352
Changes in operating assets and liabilities:		
Accounts receivable	(56,417)	(59,297)
Inventory and inventory reserve	(40,260)	102,967
Prepaid and other current assets	(15,737)	(11,490)
Accounts payable and accrued expenses	187,805	(83,909)
Deferred revenue	40,318	34,526
Net Cash Provided (Used) by Operating Activities	188,340	50,682
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(21,436)	(18,841)
Cash paid for leasehold improvements of an operating lease asset	(78,302)	-
Net Cash Used by Investing Activities	(99,738)	(18,841)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on lease liability, financing lease	-	(5,601)
Payments on notes payable	(14,065)	(13,234)
Net Cash Used by Financing Activities	(14,065)	(18,835)
NET INCREASE IN CASH	74,537	13,006
CASH AT BEGINNING OF PERIOD	213,854	340,256
CASH AT END OF PERIOD	\$ 288,391	\$ 353,262

SUPPLEMENTAL SCHEDULE OF CASH FLOW ACTIVITIES

Interest paid	\$ 3,049	\$ 3,989
Income taxes paid	\$ -	\$ -

NON-CASH INVESTING AND FINANCING ACTIVITIES

Accrued preferred stock dividends	\$ 75,000	\$ 75,000
Write off fully depreciated fixed assets no longer in use	\$ -	\$ 107,678
Application of last payment of lease liability prepaid in previous period	\$ 726	\$ -
Reclassification of accrued expense to stock payable	\$ 7,500	\$ -
Issuance of common stock previously held as a stock payable	\$ 35,427	\$ 13,461
Recognition of operating lease right to use asset and related liability	\$ 172,500	\$ 351,408

The accompanying notes are an integral part of these financial statements.

AMERITYRE CORPORATION
Condensed Notes to the Unaudited Financial Statements
March 31, 2019

NOTE 1 - BASIS OF FINANCIAL STATEMENT PRESENTATION

The accompanying unaudited condensed financial statements have been prepared by us pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted in accordance with such rules and regulations. The information furnished in the interim condensed financial statements includes normal recurring adjustments and reflects all adjustments, which, in the opinion of management, are necessary for a fair presentation of such financial statements. We believe the disclosures and information presented are adequate to make the information not misleading. These interim condensed financial statements should be read in conjunction with our most recent audited financial statements and notes thereto included in our June 30, 2018 Annual Report on Form 10-K. Operating results for the nine months and quarter ended March 31, 2019 are not necessarily indicative of the results that may be expected for the current fiscal year ending June 30, 2019.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies disclosed therein have not changed since our audited financial statements and notes thereto included in our June 30, 2018 Annual Report on Form 10-K, except as noted below.

Reclassifications

Certain reclassifications, which have no effect on net loss, have been made in the prior period financial statements to conform to the current presentation, specifically leasehold improvements and the related accumulated amortization have been reclassified as part of right of use assets, operating, net at June 30, 2018. This reclassification was made in accordance with our adoption of our new lease accounting policy, see below.

Revenue Recognition

The majority of our revenue is derived from short-term sales contracts. We account for revenue in accordance with Accounting Standards Codification ("ASC") Topic 606, "Revenue from Contracts with Customers".

Revenue for our products is recognized at the time in which our performance obligation is satisfied which we have defined as "control" of the product by the customer. "Control" is defined as a customer having "rights/obligations of physical control over the product or has the rights and intention to control the product." Based on the terms of our contracts, a customer's "control" is based on analysis of the following; (i) when a customer arranges their own shipping, and once the product has left our dock, Amerityre recognizes revenue for the product. In effect by arranging their own shipping the customer is "taking control" of the product when it leaves our warehouse; or (ii) when a customer does not arrange their own shipping we cannot recognize revenue until it is delivered and the customer takes "control" of the product.

This establishes a "deferred revenue" event until such time as delivery of the product has been completed and we have proof from the shipper of the delivery (and change in control).

Deferred revenue was \$61,030, inclusive of \$4,879 of shipping and handling revenue (see below), as of March 31, 2019. Deferred revenue was \$34,526 inclusive of \$4,516 of shipping and handling revenue, as of March 31, 2018.

Shipping and Handling

Shipping and Handling Fees require that freight costs charged to customers be classified as revenues. Freight expenses are included in costs of sales and are recognized as incurred. Due to our adoption of ASC 606 as discussed above, we defer the revenues of shipping and handling until the related revenue is also recognized.

The result of this accounting is a deferral of \$4,879 as of March 31, 2019 and \$4,516 as of March 31, 2018.

AMERITYRE CORPORATION
Condensed Notes to the Unaudited Financial Statements
March 31, 2019

Right to Use Assets – Leases

We account for all company leases following a multi-step analysis process which includes:

- Analysis of all agreements to determine if a lease exists, inclusive of this analysis is the length of the agreement and amount of the resulting liability. Based on this we have determined the following:
 - o Assets with a length less than 1 year are not considered leases and,
 - o Assets with a value of less than our capitalization policy of \$2,500 are not considered a lease.

Items that do not qualify as leases are treated similar to service agreements and expensed as incurred.

Once an item qualifies for lease accounting we analyze the item for operating or finance lease treatment with the major difference that finance leases include interest as a term note would. In the case that a finance lease does not have a stated interest rate, we will impute the interest.

Both operating and finance leases result in a right to use asset and related lease liability on our balance sheet.

Items that enhance a lease asset, such as leasehold improvements, are capitalized with the related right to use asset. Amortization of that improvement is based on all known facts inclusive of the lease term.

Basic and Fully Diluted Net Loss Per Share

Basic and Fully Diluted net loss per share is computed using the weighted-average number of common shares outstanding during the period.

Our outstanding stock options and warrants and shares issuable upon conversion of outstanding convertible notes have been excluded from the basic and fully diluted net loss per share calculation. We excluded 6,360,000 and 3,730,000 common stock equivalents for the periods ended March 31, 2019 and 2018, respectively, because they are anti-dilutive.

Recent Accounting Pronouncements

Recently Adopted and Recently Issued Accounting Guidance

Adopted

In February 2016, the FASB issued ASU No. 2016-02, “Leases”, (“ASU 2016-02”) which amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. ASU 2016-02 will become effective for public companies during interim and annual reporting periods beginning after December 15, 2018 with early adoption permitted. The Company adopted this new accounting pronouncement for the interim period beginning January 1, 2019. This adoption did not result in a material change to our earnings.

On August 2018, the Securities and Exchange Commission adopted rule and form amendments to facilitate the disclosure of information to investors and simplify compliance without significantly altering the total mix of information provided to investors. The amendments are part of an initiative by the Division of Corporation Finance to review disclosure requirements applicable to issuers to consider ways to improve the requirements for the benefit of investors and issuers. The amendments are also part of our efforts to implement title LXXII, section 72002(2) of the Fixing America’s Surface Transportation Act. Inclusive in these amendments is an extension of the annual disclosure requirement to present changes in stockholders’ equity and the amount of dividends per share for each class of shares to interim periods. The changes in stockholders’ equity are provided for both the current and comparable year-to-date period and subtotals for the interim period, and may be presented either as a separate statement or in the notes to the financial statements. The Company has adopted this requirement and presented a separate statement.

AMERITYRE CORPORATION
Condensed Notes to the Unaudited Financial Statements
March 31, 2019

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the American Institute of Certified Public Accountants, and the SEC, did not, or are not believed by management to, have a material impact on the Company's present or future financial position, results of operations or cash flows.

NOTE 3 - INVENTORY

Inventory is stated at the lower of cost (computed on a first-in, first-out basis) or net realizable value. The inventory consists primarily of chemicals, finished goods produced in our plant and products purchased for resale.

	<u>March 31, 2019</u>	<u>June 30, 2018</u>
	<u>(Unaudited)</u>	
Raw Materials	\$ 268,294	\$ 214,787
Finished Goods	529,256	569,294
Inventory reserve	(58,637)	(60,905)
Inventory - net	<u>\$ 738,913</u>	<u>\$ 723,176</u>

Our inventory reserve reflects items that were deemed to be defective or obsolete based on an analysis of all inventories on hand.

In fiscal years 2019 and 2018, the Company critically reviewed all slow moving inventory to determine if defective or obsolete. If not defective or obsolete we presented these items as non-current inventory, although all inventory is ready and available for sale at any moment.

NOTE 4 – RIGHT TO USE LEASE ASSETS

Based on our lease accounting policy, we have identified the following operating leases. As of March 31, 2019 we have no financing leases:

	<u>March 31, 2019</u>	<u>June 30, 2018</u>
	<u>(Unaudited)</u>	
Facility lease	\$ 172,500	\$ -
Leasehold improvements related to our facility	280,376	201,074
Accumulated amortization – leasehold improvements	(166,330)	(161,320)
Inventory - net	<u>\$ 286,546</u>	<u>\$ 39,754</u>

In May 2015, we negotiated a five (5) year extension of the lease on our executive office and manufacturing facility located at 1501 Industrial Road, Boulder City, Nevada. The property consists of a 49,200 square foot building. We currently occupy all 49,200, inclusive of approximately 5,500 square feet of office space, situated on approximately 4.15 acres. Our remaining liability under this agreement is \$172,500 payable at \$11,500 a month until June 30, 2020.

In March 2019, we renegotiated our lease. All amended terms take effect July 1, 2019. At that time we will account for our existing lease as a lease extinguishment and entry into a new lease. This will affect our balance sheet accounts above based on the new lease terms, increasing both the value of our right to use asset and the related liabilities.

NOTE 5 - DEBT

A former board member, Silas O. Kines, was the principal owner of Forklift Tire of Florida and K-2 Industrial Tire, Inc. In accordance with the Commission Agreement with Forklift Tire of Florida, dated February 2, 2011, between Amerityre Corporation and K-2 Industrial Tire, Inc., K-2 is due a five percent (5%) commission on all forklift tire sales. In exchange for the forklift models transferred to Amerityre under that agreement, the first \$96,000 in commission payments will be used to extinguish the long term liability recorded on the transaction. As of March 31, 2019, \$2,000 and \$62,089 (June 30, 2018, \$2,000 and \$62,468) were recorded for the current and long-term portion, respectively, of the related liability.

AMERITYRE CORPORATION
Condensed Notes to the Unaudited Financial Statements
March 31, 2019

In June 2016, the Company executed a term note with U.S. Bank to finance critical manufacturing equipment and operating enhancements. Manufacturing equipment of approximately \$29,000 was placed in service in July 2016. Various operating enhancements, inclusive of a website redesign, were implemented in fiscal 2017. In the first quarter of fiscal 2018 the last operational enhancement related to a sales customer relation management (“CRM”) system was abandoned due to challenges with the selected implementation vendor. The amount financed for the CRM system (\$15,000) through this debt instrument remains the Company’s liability to pay. Total amount financed for the CRM system, website upgrade, and manufacturing equipment was \$55,068, at 5.59% interest, with payments of \$1,059 due for 60 months starting July 2016.

In July 2016, the Company executed a term note with U.S. Bank to finance critical plant facility equipment which was placed into service in July 2017. The total amount financed was \$37,666 at 5.59% interest, with payments of \$720 due for 60 months starting October 2016.

	Payments due by period				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	After 5 years
Bank debt (both US Bank facilities above)	\$ 51,254	\$ 21,349	\$ 29,905	\$ -	\$ -

NOTE 6 - STOCK OPTIONS AND WARRANTS

Prior Issuances of options

On December 1, 2016, 480,000 options were granted to the Company’s Chief Executive Officer as part of his employment offer. The options have a strike price of \$0.10, vest December 1, 2017 and expire December 1, 2020. As of March 31, 2019 all options have vested.

On January 1, 2018, 480,000 options were granted to the Company’s Chief Executive Officer as part of his employment offer. The options have a strike price of \$0.10, vest ratably January 1, 2018 to December 31, 2018 and expire December 31, 2021. Year to date expense related to these options is \$3,868 as of March 31, 2019. These options were inadvertently excluded from the option table in the Company’s Form 10-K filed on September 14, 2018. The financial consequence of this was deemed both qualitatively and quantitatively immaterial by management and all of the related expense has been recognized in fiscal year 2019.

As of March 31, 2019, all stock-based compensation expense of \$3,868 related to stock options was recognized.

We estimated the fair value of the stock options above at the grant date based on the following weighted average assumptions:

Risk-free interest rate	2.010%
Expected life	3.0 years
Expected volatility	114.38%
Dividend yield	0.00%

A summary of the status of our outstanding stock options as of March 31, 2019 and June 30, 2018 and changes during the periods then ended is presented below:

	March 31, 2019			June 30, 2018		
	Shares	Weight Average Exercise Price	Intrinsic Value	Shares	Weight Average Exercise Price	Intrinsic Value
Outstanding beginning of period	3,730,000	\$ 0.13		4,280,000	\$ 0.12	
Granted	480,000	\$ 0.10		-	\$ 0.00	
Expired/Cancelled	(240,000)	\$ 0.10		(550,000)	\$ 0.10	
Exercised	-	\$ 0.00		-	\$ 0.00	
Outstanding end of period	<u>3,970,000</u>	\$ 0.12	\$ -	<u>3,730,000</u>	\$ 0.13	\$ -
Exercisable	<u>3,970,000</u>	\$ 0.12	\$ -	<u>3,730,000</u>	\$ 0.13	\$ -

AMERITYRE CORPORATION
Condensed Notes to the Unaudited Financial Statements
March 31, 2019

The following table summarizes the range of outstanding and exercisable options as of March 31, 2019:

Range of Exercise Prices	Number Outstanding at March 31, 2019	Weighted Average Remaining Contractual Life
\$ 0.08	150,000	2.67
\$ 0.10	2,370,000	1.70
\$ 0.17	1,450,000	1.50
	<u>3,970,000</u>	

NOTE 7 – STOCK AWARDS AND ISSUANCES

On November 28, 2018, 265,000 shares were granted to the Company's Board of Directors as Board compensation for the term ending November 2019. Each non-executive Board member receives 75,000 shares, with the Audit Committee Chair receiving 125,000 shares. The shares vest ratably December 2018 – November 2019, valued at a fixed rate of \$0.02, the closing stock price on November 28, 2018.

On January 2, 2019, 60,000 shares were granted to the Company's Chief Financial Officer as part her employment renewal. The shares are valued as of January 2, 2019 and vest ratably through December 2019.

NOTE 8 - SUBSEQUENT EVENTS

In March 2019, we renegotiated our lease. All amended terms take effect July 1, 2019. At that time we will account for our existing lease as a lease extinguishment and entry into a new lease. Effective July 1, 2019 our lease terminates June 30, 2024 with the following payment schedule:

7/1/19 - 6/30/20	\$11,750 per mos.
7/1/20 - 6/30/21	\$12,150 per mos.
7/1/21 - 6/30/22	\$12,300 per mos.
7/1/22 - 6/30/23	\$12,450 per mos.
7/1/23 - 6/30/24	\$12,600 per mos.

All other terms of our lease inclusive of security deposit and right to match any legitimate purchase offer for the building remain the same.

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

This discussion and analysis contains statements of a forward-looking nature relating to future events or our future financial performance or financial condition. Such statements are only predictions and the actual events or results may differ materially from the results discussed in or implied by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in "Part I. Item 1A. Risk Factors" as well as those discussed elsewhere in this report. The historical results set forth in this discussion and analyses are not necessarily indicative of trends with respect to any actual or projected future financial performance. This discussion and analysis should be read in conjunction with the financial statements and the related notes thereto included elsewhere in this report.

Overview

Amerityre engages in the research and development, manufacturing, and sale of polyurethane tires. We have developed unique polyurethane formulations that allow us to make products with superior performance characteristics, including abrasion resistance, energy efficiency and load-bearing capabilities, when compared to conventional rubber tires. We also believe that our manufacturing processes are more energy efficient than the traditional, rubber tire, manufacturing processes, in part because our polyurethane compounds do not require the multiple processing steps, extreme heat, and high pressure that are necessary to cure rubber. We believe tires produced with our proprietary polyurethane formulations last longer, are less susceptible to failure and are friendlier to the environment when compared to competitor offerings.

We concentrate on three segments of the flat free tire market: light duty polyurethane foam tires, polyurethane elastomer industrial tires and agricultural tires. Our focus continues to be applications and markets where our advantages in product technology, tire performance, and customer service give us an opportunity to obtain premium pricing. Our most recent activities in these areas are set forth below:

Light Duty Polyurethane Foam Tires – The sale of polyurethane foam tires to original equipment manufacturers, distributors and dealers accounts for the majority of our revenue. We produce a broad range of products for the light duty tire market. Our product development and marketing efforts are focused on building customer relationships and expand sales with original equipment manufacturers and tire distributors. Our competitive advantage is creating unique product solutions for customers with challenging tire performance requirements that cannot be met by competitor offerings. During Q3 we received additional orders from a major tire customer which helped to offset less than expected lawn and garden tires.

Polyurethane Elastomer Industrial Tires – Overall sales volumes of our forklift tires continue to be insignificant, and we do not expect this to improve in the near future. We are at a price disadvantage versus the popular rubber forklift tires, and Amerityre forklift tires continue to be damaged by negative consumer perceptions in the marketplace due to quality issues experienced in 2014 that were resolved several years ago. The average forklift tire consumer is still very price sensitive, which reduces the size of the pool of likely potential customers for our premium forklift tires.

During the 4th quarter of fiscal year 2018, the Company developed a new elastomer formulation for use in several of its larger tire applications. This new ElastothaneTM 500 formulation provides higher static load bearing capability as well as higher abrasion resistance compared to our closed cell foam formulation. Field testing of this formulation with select customers continues to be successful and sales of evaluation samples for this formulation have increased. We believe this new formulation is a significant development for our product portfolio. Initial target markets for this new formulation are personnel carrier tires (5.70 x 12), baggage cart tires (4.80 x 12), and various lawn mower tires.

Agricultural Tires – Agricultural tires sales continue to be negatively impacted by low commodity prices and resulting low farm income. Chinese tariffs on US grown soybeans has lowered demand for soybeans in China and hurt US farmers. The prospects for improved agricultural commodity pricing in our opinion are not promising although some market forecasters think the bottom may be in on crop pricing. We have initiated discussions with some OEMs and large distributors about using our tires for certain applications, but their belief that farmers will not pay extra for a premium product has limited our success to date. The introduction of our ElastothaneTM 500 formulation has enabled us to offer a better product alternative in some applications. We will continue to approach these large market players with our value proposition.

Due to the Company's limited resources, tire projects which are contingent on additional significant development, such as automotive tires, have been put on hold and will possibly be revisited at a later date. However, we believe investment in R&D for new and improved products is important to the continued turnaround of our overall business, and we will selectively invest in promising opportunities that fit in our current financial model. We have several product evaluation programs ongoing in different applications which have the potential to develop into significant business in the coming quarters. We expect our current R&D investments to eventually prove to be a prudent use of our capital resources.

As described above, our product line covers diverse market segments which are unrelated in terms of customer base, product distribution, market demands and competition. Our external sales team is comprised of independent manufacturer representatives, whose experience is complementary to our product portfolio. The Company's continued emphasis on proper product pricing and new marketing campaigns continue to drive more profitable sales. Our website has helped to educate the marketplace about our products as well as generate some online sales. As we expected, the increasingly challenging economic environment, worsened by the Chinese trade war, has negatively impacted our sales growth.

The price increases we saw earlier this financial year have abated, and raw material pricing has been fairly stable during the fiscal 3rd quarter. Our wheel rims, which we largely import from China, are still subject to larger pricing fluctuations and the threats of larger tariffs. We have offset these negative influences through renewed cost controls, resulting in higher Gross Profit for the first 9 months of the year versus the same period in fiscal year 2018. We are anticipating that raw material costs will remain stable through the rest of fiscal year 2019.

The bigger issue for our business is sales revenue growth, and whether we can break out of the current sales trough and achieve higher sales revenues. We continue to increase our customer base, but we have seen some long-term customers purchase less than their historical norms. Despite reports of a robust economy, we are seeing evidence of an economic slowdown in some market segments adversely affecting demand for our products. We are proceeding forward with a tempered outlook on market demand, and managing our business activities and resources accordingly. We believe our strategy of diversifying our customer base will help increase our overall sales and reduce demand variation by reducing our reliance on a single market segment for our sales growth.

Factors Affecting Results of Operations

Our operating expenses consisted primarily of the following:

- Cost of sales, which consists primarily of raw materials, components and production of our products, including applied labor costs and benefits expenses, maintenance, facilities and other operating costs associated with the production of our products;
- Selling, general and administrative expenses, which consist primarily of salaries, commissions and related benefits paid to our employees and related selling and administrative costs including professional fees;
- Research and development expenses, which consist primarily of direct labor conducting research and development, equipment and materials used in new product development and product improvement using our technologies;
- Consulting expenses, which consist primarily of amounts paid to third-parties for outside services;
- Depreciation and amortization expenses which result from the depreciation of our property and equipment, including amortization of our intangible assets; and
- Stock based compensation expense related to stock and stock option awards issued to employees and consultants for services performed for the Company.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with United States generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. On an ongoing basis, we evaluate our estimates, including those related to uncollectible receivables, inventory valuation, deferred compensation and contingencies. We base our estimates on historical performance and on various other assumptions that we believe to be reasonable under the circumstances. These estimates allow us to make judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

We believe the following accounting policies are our critical accounting policies because they are important to the portrayal of our financial condition and results of operations and they require critical management judgments and estimates about matters that may be uncertain. If actual results or events differ materially from those contemplated by us in making these estimates, our reported financial condition and results of operations for future periods could be materially affected.

Revenue Recognition

The majority of our revenue is derived from short-term sales contracts. We account for revenue in accordance with Accounting Standards Codification (“ASC”) Topic 606, “Revenue from Contracts with Customers”.

Revenue for our products is recognized at the time in which our performance obligation is satisfied which we have defined as “control” of the product by the customer. “Control” is defined as a customer having “rights/obligations of physical control over the product or has the rights and intention to control the product.” Based on the terms of our contracts, a customer’s “control” is based on analysis of the following: (i) when a customer arranges their own shipping, and once the product has left our dock, Amerityre recognizes revenue for the product. In effect by arranging their own shipping the customer is “taking control” of the product when it leaves our warehouse; or (ii) when a customer does not arrange their own shipping we cannot recognize revenue until it is delivered and the customer takes “control” of the product.

This establishes a “deferred revenue” event until such time as delivery of the product has been completed and we have proof from the shipper of the delivery (and change in control).

Deferred revenue was \$61,030, inclusive of \$4,879 of shipping and handling revenue (see below), as of March 31, 2019. Deferred revenue was \$34,526, inclusive of \$4,516 of shipping and handling revenue (see below), as of March 31, 2018.

Shipping and Handling

Shipping and Handling Fees require that freight costs charged to customers be classified as revenues. Freight expenses are included in costs of sales and are recognized as incurred. Due to our adoption of ASC 606 as discussed above, we defer the revenues of shipping and handling until the related revenue is also recognized.

The result of this accounting is a deferral of \$4,879 as of March 31, 2019 and \$4,516 as of March 31, 2018.

Valuation of Intangible Assets and Goodwill

Patent and trademark costs have been capitalized at March 31, 2019, totaling \$487,633 with accumulated amortization of \$372,172 for a net book value of \$115,461. Patent and trademark costs capitalized at March 31, 2018, totaled \$487,633 with accumulated amortization of \$349,313 for a net book value of \$138,320.

The patents which have been granted are being amortized over a period of 20 years. Patents which are pending or are being developed are not amortized. Amortization begins once the patents have been issued. As of March 31, 2019 and 2018, respectively, there were no pending patents. Annually, pending or expired patents are inventoried and analyzed, which resulted in the recognition of a loss on abandonment, expiration or retirement of patents and trademarks of \$-0- for each of the periods ended March 31, 2019 and 2018, respectively.

Amortization expense for the years ended March 31, 2019 and 2018 was \$17,144 and \$17,632 respectively. The Company evaluates the recoverability of intangibles and reviews the amortization period on a continual basis utilizing the guidance of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 350, *Intangibles – Goodwill and Other*. We consider the following indicators, among others, when determining whether or not our patents are impaired:

- any changes in the market relating to the patents that would decrease the life of the asset;
- any adverse change in the extent or manner in which the patents are being used;
- any significant adverse change in legal factors relating to the use of the patents;
- current period operating or cash flow loss combined with our history of operating or cash flow losses;
- future cash flow values based on the expectation of commercialization through licensing; and
- current expectations that, more likely than not, the patents will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

Inventory

Inventory is stated at the lower of cost (computed on a first-in, first-out basis) or market. The cost of finished goods includes the cost of raw material, direct and indirect labor, and other indirect manufacturing costs. The inventory consists of chemicals, finished goods produced in the Company's plant and products purchased for resale.

Stock-Based Compensation

We account for stock-based compensation under the provisions of FASB ASC 718, *Compensation – Stock Compensation*. Our financial statements as of and for the nine month period ended March 31, 2019 and 2018 reflect the impact of FASB ASC 718. Stock-based compensation expense recognized under FASB ASC 718 for the nine months ended March 31, 2019 and 2018 was \$27,897 and \$21,908, respectively, related to employee stock options and employee stock grants.

FASB ASC 718 requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in our Statement of Operations. Stock-based compensation expense recognized in our Statements of Operations for nine months ended March 31, 2019 and 2018 assume all awards will vest; therefore no reduction has been made for estimated forfeitures.

Results of Operations

Our management reviews and analyzes several key performance indicators to manage our business and assess the quality and potential variability of our sales and cash flows. These key performance indicators include:

- Revenues, net of returns and trade discounts, which consists of product sales and services and is an indicator of our overall business growth and the success of our sales and marketing efforts;
- Gross profit, which is an indicator of both competitive pricing pressures and the cost of goods sold of our products and the mix of product and license fees, if any;
- Growth in our customer base, which is an indicator of the success of our sales efforts; and
- Distribution of sales across our products offered.

The following summary table presents a comparison of our results of operations for the fiscal quarters ended March 31, 2019 and 2018 with respect to certain key financial measures. The comparisons illustrated in the table are discussed in greater detail below.

	For the Three Months Ended March 31, (in 000's)			Change 2019 vs. 2018	For the Nine Months Ended March 31 (in 000's)			Change 2019 vs. 2018
	2019	2018			2019	2018		
Net revenues	\$ 927	\$ 934	(0.7%)		\$ 2,539	\$ 2,727	(6.9%)	
Cost of revenues	(638)	(656)	(2.7%)		(1,836)	(1,900)	(3.4%)	
Gross profit	289	278	4.0%		703	827	(15.0%)	
Research & development	(23)	(39)	(41.0%)		(71)	(150)	(52.7%)	
Sales and marketing	(43)	(59)	(27.1%)		(147)	(175)	(16.0%)	
General and administrative	(169)	(153)	10.5%		(522)	(521)	(0.2%)	
Loss on asset abandonment	-	-	0.0%		-	(17)	(100.0%)	
Other income (expense)	16	1	1500.0%		16	(3)	633.3%	
Net (loss) income	70	28	150.0%		(21)	(39)	(46.2%)	
Preferred stock dividend	(25)	(25)	0.0%		(75)	(75)	0.0%	
Net (loss) income attributable to common shareholders	<u>\$ 45</u>	<u>\$ 3</u>	2150.0%		<u>\$ (96)</u>	<u>\$ (114)</u>	(15.8%)	

Quarter Ended March 31, 2019 Compared to March 31, 2018

Net Sales. Net sales of \$926,811 for the quarter ended March 31, 2019, represents a 0.7% decrease over net sales of \$934,247 for the same period in 2018. These results were better than expectations as sales of polyurethane foam tires to a significant customer were higher than expected. We continue to forecast depressed agricultural tire sales for the remainder of Fiscal 2019 due to low prices for corn and soybeans. We expect polyurethane foam products to continue to constitute the majority of our sales going forward, although we have seen improving sales of polyurethane tires due to interest in our new Elastothane TM 500 formulation.

Cost of Revenues. Cost of revenues for the quarter ended March 31, 2019 was \$637,804 or 68.8% of sales compared to \$655,777 or 70.2% of sales for the same period in 2018. Stabilizing raw material costs and sales of a higher margin products relative to the year earlier period were the main drivers of the decreased cost of revenue percentage for the quarter compared to last year.

Gross Profit. Gross profit for the quarter ended March 31, 2019 was \$289,007 compared to \$278,470 for the same period in 2018. Gross profit for the quarter ended March 31, 2019 increased by \$10,537 or 3.8% over the same period in 2018 due to lower raw material costs as a percentage of sales. The March 31, 2019 gross profit reflects a 31.2% gross margin for product sales compared to a gross margin on product sales of 29.8% in 2018.

Research & Development Expenses (R&D). Research and development expenses for the quarter ended March 31, 2019 were \$23,297 compared to \$39,127 for the same period in 2018. The difference between periods is due to lower personnel costs. We continue to invest in product formulation research and new product development to take advantage of attractive opportunities as they present themselves in the market.

Sales & Marketing Expenses. Sales and marketing expenses for the quarter ended March 31, 2019 were \$43,184 compared to \$59,238 for the same period in 2018. The difference between periods relates to the impact of our revised sales commission program, which was changed to a more commission based program, as well as reductions in trade show expense during the quarter.

General & Administrative Expenses. General and administrative expenses for the quarter ended March 31, 2019 were \$168,984 compared to \$152,859 for the same period in 2018. We continue to examine our cost structure to identify more efficient ways to conduct our business activities.

Other Income (Expense). Other income, net, for the quarter ended March 31, 2019 was \$16,337 compared to \$1,439 for the same period in 2018. The receipt of a USDA federal grant for building lighting upgrades was the main driver of the positive variance during the current period.

Net Income. Net income for the quarter ended March 31, 2019 of \$69,879 compared to \$28,685 for the same period in 2018, an increase of \$41,194.

Nine Months Ended March 31, 2019 Compared to March 31, 2018

Net Sales. Net sales of \$2,539,160 for the nine month period ended March 31, 2019, represents a 6.9% decrease over net sales of \$2,726,907 for the same period in 2018. These results were generally in line with expectations. Our forecast for the remainder of Fiscal 2019 anticipates continued low farm income and depressed agricultural tire sales. We expect our polyurethane foam products to constitute the majority of our sales during the remainder of the fiscal year.

Cost of Revenues. Cost of revenues for the nine month period ended March 31, 2019 was \$1,836,081 or 72.3% of sales compared to \$1,899,930 or 69.7% of sales for the same period in 2018. This decrease in Gross Margin was due to significant increases in chemical raw material costs as well as increases in steel wheel costs due to tariffs. The prospect for relief in these areas is unclear at this time as the likelihood of a successful conclusion to the current trade negotiations with China is uncertain at best.

Gross Profit. Gross profit for the nine month period ended March 31, 2019 was \$703,079 compared to \$826,977 for the same period in 2018. Gross profit for the nine month period ended March 31, 2019 decreased by \$123,898 or 15.0% over the same period in 2018 due to lower gross sales as outlined in the discussion above, with our cost control programs offsetting some of the negative effect of lower sales. The March 31, 2019 gross profit reflects a 27.7% gross margin for product sales compared to a gross margin on product sales of 30.3% in 2018.

Research & Development Expenses (R&D). Research and development expenses for the nine month period ended March 31, 2019 were \$71,087 compared to \$150,270 for the same period in 2018. The difference between periods is attributed to lower personnel costs we continue to invest in product formulation research and new product development where appropriate to support our business plan.

Sales & Marketing Expenses. Sales and marketing expenses for the nine month period ended March 31, 2019 were \$147,433 compared to \$174,556 for the same period in 2018. The difference between periods relates to lower sales commission expense due to lower sales levels, modifications to our sales commission program, and a reduction in trade show expense during the nine month period, when compared to the same nine month period in 2018.

General & Administrative Expenses. General and administrative expenses for the nine month period ended March 31, 2019 were \$522,427 compared to \$521,138 for the same period in 2018. We continue to control costs and find more efficient ways to conduct our business activities.

Other Income (Expense). Other income for the quarter ended March 31, 2019 was \$17,320 compared to other expense of \$18,554 for the same period in 2018. Other expense in the prior year consists of a one-time loss on the abandonment of fixed assets in relation to a failed CRM implementation. Other income in the current year is reflective of a federal grant from the USDA to upgrade our facility lighting.

Net Loss. Net loss for nine month period ended March 31, 2019 of \$20,548 compared to \$37,539 for the same period in 2018, an increase of \$16,991.

Liquidity and Capital Resources

Our principal sources of liquidity consist of cash and payments received from our customers. We do not have any significant revolving credit arrangements. Historically, our expenses have exceeded our sales, resulting in operating losses. From time to time, we have obtained additional liquidity to fund our operations through the sale of shares of our common stock and the placement of short-term debt instruments. At the end of 2016, we were able to obtain term bank debt financing to finance critical manufacturing equipment and operating enhancements, the majority of which was placed in service in fiscal year 2017. Management continues to evaluate financing options but is choosing to delay financing at terms that subject the Company to high costs of debt and we are reluctant to raise money through stock sales at what we believe are highly dilutive share prices. Additionally, management has notified our preferred shareholder that we are suspending future payments of preferred cash dividend payments, so the Company can increase its working capital levels.

We have historically not succeeded in establishing favorable revolving short term financing such as lines of credit. In the quarter ended March 31, 2015, we entered into a short term receivable factoring agreement with a third party to sell our receivable invoices. This agreement enables us to sell individual customer invoices for faster cash flow to the Company as we deem needed. As of March 31, 2019, we have not needed to activate this financing option due to increased focus on adherence to established collection policies and proactive communication with repeat customers, including adjusting credit limits to allow for increased sales volume where warranted.

Cash Flows

The following table sets forth our cash flows for the periods below.

	Nine Months ended Mar. 31,	
	(in 000's)	
	2019	2018
Net cash provided by operating activities	\$ 188	\$ 51
Net cash used in investing activities	(100)	(19)
Net cash used by financing activities	(14)	(19)
Net (decrease) increase in cash during the period	\$ 74	\$ 13

Net Cash Provided by Operating Activities. Our primary sources of operating cash during the period ended March 31, 2019 came from collections from customers and an increase in our accounts payable due to continuing to accrue but not pay any dividends associated with our preferred stock. Our primary use of operating cash was an increase in prepaid and other current assets, specifically related to renewal of insurance policies. Net cash provided by operating activities was \$188,340 for the period ended March 31, 2019 compared to net cash provided by operating activities of \$50,682 for the same period in 2018.

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Non-cash items include depreciation and amortization and stock based compensation. Our net loss was \$20,548 for the period ended March 31, 2019 compared to a net loss of \$37,539 for the same period in 2018. The net loss for the period ended March 31, 2019 included non-cash expenses for depreciation and amortization of \$65,282 and stock-based compensation of \$27,897. As of March 31, 2018, depreciation and amortization was \$66,164 and stock-based compensation totaled \$21,908.

Net Cash Used by Investing Activities. Net cash used by investing activities was \$99,738 for the period ended March 31, 2019 and \$18,841 for the same period in 2018. As of December 31, 2018 we completed a project to install new facility lighting with cash on hand, the cost partially offset by a grant from the USDA.

Net Cash Used by Financing Activities. Net cash used by financing activities was \$14,065 for the period ended March 31, 2019 and \$18,835 for the same period in 2018. The use of cash for the period ended March 31, 2019 was payment toward notes payable.

Contractual Obligations and Commitments

The following table summarizes our contractual cash obligations and other commercial commitments at March 31, 2019.

	Payments due by period				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	After 5 years
Facility lease (1)	\$ 769,500	\$ 140,250	\$ 291,750	\$ 299,700	\$ 37,800
Bank debt (2)	51,254	21,349	29,905	-	-
Total contractual cash obligations	<u>\$ 820,754</u>	<u>\$ 161,599</u>	<u>\$ 321,655</u>	<u>\$ 299,700</u>	<u>\$ 37,800</u>

- (1) In May 2015, we negotiated a five (5) year extension of the lease on our executive office and manufacturing facility located at 1501 Industrial Road, Boulder City, Nevada. The property consists of a 49,200 square foot building. We currently occupy all 49,200, inclusive of approximately 5,500 square feet of office space, situated on approximately 4.15 acres. All other terms and conditions of the building lease remain in effect.
 - a. In March 2019 we renegotiated this lease with new lease terms on rent taking effect July 1, 2019.
- (2) In June and July 2016, in two separate bank promissory notes, we financed critical manufacturing and facility equipment and operating enhancements, the majority of which was placed in service in fiscal year 2017.

Cash Position, Outstanding Indebtedness and Future Capital Requirements

At May 8, 2019, our total cash balance was \$372,620, none of which is restricted; accounts receivables was \$339,183; and inventory, net of reserves for slow moving or obsolete inventory, and other current assets was \$563,811. Our total indebtedness was \$770,716 and includes \$500,927 in accounts payable and accrued expenses; \$18,005 in current portion of long-term debt and \$90,784 in long-term debt; and, \$138,000 in current portion of right to use lease liability and \$23,000 in long term portion of right to use lease liability.

We continue to take actions to improve our liquidity and access to capital resources. In order to fully execute the annual strategic business plan discussed during our shareholder meeting in November 2018, we required more capital resources. However, management continues to maintain that an equity financing at the current market conditions would be too dilutive and not in the best interests of our shareholders. We will pursue potential opportunities to secure short-term loans, long-term bank financing, revolving lines of credit with banking institutions and equity based transactions with interested financial firms and strategic industry partners in our effort to improve the Company's financial position and enhance shareholder value.

The Company currently does not have an existing revolving credit facility. At the end of 2016 we were able to obtain term bank debt financing to finance critical manufacturing equipment and operating enhancements. The majority of these improvements were placed in service during fiscal year 2017. We continue to work with our vendors to obtain extended credit terms and increase credit lines where needed. Additionally, we continue to focus on adherence to established collection policies and proactive communication with repeat customers, including adjusting credit limits to allow for increased sales volume where warranted.

We are intent on focusing on the sale and distribution of profitable product lines. Management continues to search for additional financing facilities at affordable terms to provide the Company with the needed additional working capital to finance new sales growth opportunities. We are limiting our capital expenditures to that required to maintain current manufacturing capability or support key business initiatives identified in our strategic sales plan. We continue to work to reduce our overall costs wherever possible.

To help address our cash resources, which at times may be limited, we have held discussions with banks and other lenders regarding establishing a line of credit for short term cash needs. However at this time we have not succeeded in establishing such a line of credit. We have entered into a short term receivable factoring agreement with a third party to sell our receivable invoices. This agreement enables us to sell individual customer invoices for faster cash flow to the Company as we deem needed. During fiscal year 2019 we have not had the need to utilize any factoring of our invoices.

Management continues to execute its strategic plan focusing on “Profitability as a Mindset”. While we are experiencing adverse effects on our business due to an increase in raw material prices, we believe our continued emphasis on cost controls will enable the Company to be successful in this competitive market environment. Our strategic plan is based on identifying key partners who can provide better access and distribution in our target markets. These partnerships will help us achieve the potential of our current products as well as leverage our other intellectual property into adding value for Amerityre shareholders.

In assessing our liquidity, management reviews and analyzes our current cash, accounts receivable, accounts payable, capital expenditure commitments and other obligations. In connection with the preparation of our financial statements for the period ended March 31, 2019, we have analyzed our cash needs for the next twelve months. We have concluded that our available cash and accounts receivables are sufficient to meet our current minimum working capital, capital expenditure and other cash requirements for this period. This is based on the current business environment not becoming worse and our continued diligence in managing discretionary spending and expenses during the upcoming year.

The Company has, on occasion, instituted initiatives to incentivize sales of slower moving inventory through promotional pricing. These programs will continue to be selectively utilized in the upcoming quarters to monetize inventory, promote individual product lines, and improve our cash flow.

As of May 13, 2019, the Company has approximately 431,000 shares authorized and available for issuance. Although we are reluctant to raise money through stock sales at what we believe are dilutive share prices, these authorized but unissued and unreserved shares of our common stock can be utilized if necessary to fund the expansion of our manufacturing operations or to obtain additional working capital.

Off-Balance Sheet Arrangements

We do not currently have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. In addition, we do not engage in trading activities involving non-exchange traded contracts.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to changes in prevailing market interest rates affecting the return on our investments but do not consider this interest rate market risk exposure to be material to our financial condition or results of operations. We invest primarily in United States Treasury instruments with short-term (less than one year) maturities. The carrying amount of these investments approximates fair value due to the short-term maturities. Under our current policies, we do not use derivative financial instruments, derivative commodity instruments or other financial instruments to manage our exposure to changes in interest rates or commodity prices.

ITEM 4. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

As required by SEC Rule 13a-15(b), an evaluation was performed under the supervision and with the participation of our management, including our Chief Executive and Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective at the reasonable assurance level.

Due to our adoption of Accounting Standards Codification ("ASC") Topic 606, "Revenue from Contracts with Customers", we changed our accounting software to automatically defer revenue recognition and we daily review shipping notifications for which customers have received their product, and we can therefore recognize revenue. Other than the above, there has been no change in our internal controls over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

For information regarding risk factors, see “Part I. Item 1A. Risk Factors,” in our Annual Report on Form 10-K for the year ended June 30, 2018.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101 INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101 SCH	XBRL Taxonomy Extension Schema Document
101 CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101 DEF	XBRL Taxonomy Extension Definition Linkbase Document
101 LAB	XBRL Taxonomy Extension Label Linkbase Document
101 PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 13, 2019

AMERITYRE CORPORATION

By:

/s/ Michael F. Sullivan

Michael F. Sullivan

Chief Executive Officer

(Principal Executive Officer)

/s/ Lynda R. Keeton-Cardno

Lynda R. Keeton-Cardno

Chief Financial Officer

(Principal Financial and Accounting Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael F. Sullivan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Amerityre Corporation for the three and nine months ended March 31, 2019;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on our evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2019

/s/ Michael F. Sullivan
Michael F. Sullivan
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Lynda R. Keeton-Cardno, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Amerityre Corporation for the three and nine months ended March 31, 2019;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on our evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2019

/s/ Lynda R. Keeton-Cardno
Lynda R. Keeton-Cardno
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of Amerityre Corporation (the "Company") on Form 10-Q for the three and nine months ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael F. Sullivan, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Michael F. Sullivan
Michael F. Sullivan
Chief Executive Officer
(Principal Executive Officer)
May 13, 2019

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of Amerityre Corporation (the "Company") on Form 10-Q for the three and nine months ended March 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lynda R. Keeton-Cardno, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Lynda R. Keeton-Cardno
Lynda R. Keeton-Cardno
Chief Financial Officer
(Principal Financial Officer)
May 13, 2019