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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-K

(Mark One)

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

For the fiscal year ended June 30, 2011

OR

☐ **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 registrant as specified in its charter)

Nevada	**87-0535207**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1501 Industrial Road
Boulder City, Nevada 89005
(702) 294-2689
(Address of principal executive office and telephone number)

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

Title of each class	**Name of each exchange on which registered**
N/A	N/A

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

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Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☐ NO ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. YES ☐ NO ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). YES ☐ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

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

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

On September 23, 2011, there were 32,589,297 shares of common stock of the Registrant outstanding, and the market value of common stock held by non-affiliates was $12,634,068 (based upon the closing price of $0.45 per share of common stock as quoted on the NASD: OTCBB).

Documents Incorporated by Reference

Portions of the Registrant's definitive proxy statement, which will be issued in connection with the 2011 Annual Meeting of Shareholders of Amerityre Corporation, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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This report contains "forward-looking statements" within the meaning of the federal securities laws. Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions and other information that is not historical information. In some cases, forward-looking statements can be identified by terminology such as "believes," "expects," "may," "will," "should," "anticipates," or "intends" or the negative of such terms or other comparable terminology, or by discussions of strategy. We may also make additional forward-looking statements from time to time. All such subsequent forward-looking statements, whether written or oral, by us or on our behalf, are also expressly qualified by these cautionary statements.

All forward-looking statements, including without limitation, management's examination of historical operating trends, are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them, but, there can be no assurance that management's expectations, beliefs and projections will result or be achieved. All forward-looking statements apply only as of the date made. We undertake no obligation to publicly update or revise forward-looking statements which may be made to reflect events or circumstances after the date made or to reflect the occurrence of unanticipated events.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in or contemplated by this report. Any forward-looking statements should be considered in light of the risks set forth in "Part I. Item 1A. Risk Factors" and elsewhere in this report.

This report may include information with respect to market share, industry conditions and forecasts that we obtained from internal industry research, publicly available information (including industry publications and surveys), and surveys and market research provided by consultants. The publicly available information and the reports, forecasts and other research provided by consultants generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy and completeness of such information. We have not independently verified any of the data from third-party sources, nor have we ascertained the underlying economic assumptions relied upon therein. Similarly, our internal research and forecasts are based upon our management's understanding of industry conditions, and such information has not been verified by any independent sources.

For convenience in this report, the terms “Amerityre,” “Company,” “our,” “us” or “we” may be used to refer to Amerityre Corporation.

PART I

ITEM 1. BUSINESS

Overview

Amerityre incorporated as a Nevada corporation on January 30, 1995 under the name American Tire Corporation and changed its name to Amerityre Corporation in December 1999.

Amerityre engages in the research and development, manufacturing and sale of polyurethane tires. We believe that we have developed unique polyurethane formulations that allow us to make products with superior performance characteristics, including abrasion resistance and load-bearing capabilities, than conventional rubber tires. We also believe that our manufacturing processes are more efficient than traditional 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. Using our polyurethane technologies, we believe tires can be produced which last longer, are less susceptible to failure and offer improved fuel economy.

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Products

Our polyurethane material technology is based on two proprietary formulations; closed-cell polyurethane foam, which is a lightweight material with high load-bearing capabilities for low duty cycle applications; and Elastothane®, a high performance polyurethane elastomer with high load-bearing capabilities for high duty cycle applications. We are concentrating on three segments of the tire market: low duty cycle foam tires, solid forklift tires and agricultural tires.

Closed-Cell Polyurethane Foam Tires

We currently manufacture several lines of closed-cell polyurethane foam tires for bicycles, hand trucks, lawn and garden, wheelbarrow, and medical mobility products. Our closed-cell polyurethane foam products are often referred to as flat-free because they have no inner tube, do not require inflation and will not go flat even if punctured. Our closed-cell polyurethane foam tires are mounted on the wheel rim in much the same way as a pneumatic tire. Our closed-cell polyurethane foam products are virtually maintenance free, eliminating the need to make tedious puncture repairs and offering superior wear compared to rubber based tires. Foam tires and components accounted for 91% of fiscal 2011 revenues.

Polyurethane Elastomer Forklift Tires

We have developed solid polyurethane forklift tires made of Elastothane®. We currently produce and sell over 20 sizes for Class 1, 4 and 5 forklifts. We believe our tires are superior to rubber tires as they are non-marking, more energy efficient, carry greater load weight, operate in lower temperature environments and have longer service lives. Fork tires accounted for 5% of fiscal 2011 revenues.

Agricultural Tires

Amerityre has developed two products for the agricultural tire market, one used in irrigation and one used in planting. Both products have successfully field tested and we are developing sales and marketing strategies and manufacturing plans for these products. Agricultural tires accounted for 4% of fiscal 2011 revenues.

Raw Materials and Supplies

The two principal chemical raw materials required to manufacture our products are known generically as polyols and isocyanates. We purchase our chemical raw materials from multiple suppliers. In addition, we purchase various quantities of additional chemical additives that are mixed with the polyols and isocyanates. These additional chemicals are also available from multiple suppliers. Critical raw materials are generally sourced from at least two vendors to assure adequate supply and price competition.

We believe that sufficient quantities of chemical raw materials can be obtained through normal sources to avoid interruption of production. However, with respect to both polyols and isocyanates, worldwide demand is increasing and may exceed current capacity. If we are successful in implementing our business strategy, the quantities of chemical raw materials required by us or by others that utilize our technology may increase significantly. Shortages, if any, may result in price increases that we may or may not be able to pass on to our customers by means of corresponding changes in product pricing. Therefore, raw material price increases or our inability to pass price increases through to customers could adversely affect our results of operations.

In addition to the chemical raw materials, we purchase steel and plastic wheel components for use in tire and wheel assemblies. We purchase these components from multiple third-party suppliers. In fiscal 2011 and 2010 we experienced price increases for steel wheel components but no supply delays or shortages. However, we anticipate that we may experience an increase in steel wheel components at such time as the Chinese government cancels any export rebates it may be currently providing Chinese wheel manufactures. We believe that we can continue to purchase wheel components from multiple sources without any difficulty.

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Operations/Manufacturing

Our closed-cell polyurethane foam products are primarily manufactured utilizing multiple stationed carousel centrifugal molding presses. We produce closed-cell foam products using these presses by pouring a proprietary polyurethane formula into a mold, which then spreads out in the mold through centrifugal force. The molding process occurs by reacting monomeric diphenylmethane diisocyanate (MDI) with polyol and other chemicals. The chemical reaction causes a cross linking of the chemicals, which thereafter become solid. The manufacturing process for a closed-cell polyurethane foam product takes less than two minutes. The closed-cell polyurethane foam product can then be removed from the mold and the process is repeated.

All of our closed-cell polyurethane foam products are inspected following the manufacturing process and prior to shipment to ensure quality. Any closed-cell foam products considered by our quality control personnel to be defective are disposed of through traditional refuse collection services or can be ground into pellets, which can be melted and reused to make other products and reduce waste of raw materials. During fiscal 2001 we implemented similar quality control procedures to the Elastothane™ products that we produce.

Information Systems

We use commercial computer aided design (CAD) software in connection with engineering and designing our products. This software allows us to integrate our proprietary manufacturing and production data with our design technology, enabling our engineering department to leverage our previous manufacturing and test results to predict the performance characteristics of new product designs. For general business purposes, we use commercially available software for financial, distribution, manufacturing, customer relationships and payroll management.

Sales, Marketing and Distribution

We have one full-time sales person and five independent representatives actively targeting customers that utilize tires in significant volume. Our sales representatives are also working to establish broader distribution for our products in the aftermarket by contacting major regional distributors, retail cooperatives and chains that distribute and otherwise sell our products. We currently distribute from one location in Boulder City, NV.

We continue looking for international marketing partners for overseas sales of our products.

Customers

We have two customers who accounted for 37% and 31% of our sales for the years ended June 30, 2011 and 2010, respectively. We believe that the loss of either of these customers would have a material adverse effect on our business. In general, our customers include OEMs of lawn and garden products, and outdoor power equipment, regional distributors, retail cooperatives and chains that sell lawn and garden products, bicycle tires and hand truck tires to the aftermarket.

Competition

There are several companies that produce not-for-highway-use or light-use tires from polyurethane foam such as Green Tire manufactures in the UK; Carefree Tire manufactures in China; Marathon Tire manufactures in China; Custom Engineered Wheels (Spartech) and Krypton manufactures in India. We believe our closed-cell polyurethane foam tires differ from the polyurethane foam tires offered by the above competitors because our products contain millions of closed-cell versus open-cell air bubbles. By closing the cells, our products have higher load bearing characteristics than tire products with open-cell polyurethane foam, while effectively producing a ride quality comparable to a pneumatic tire.

In addition to manufacturers of polyurethane foam tires, we compete directly with companies that manufacture and market traditional not-for-highway-use, low-duty pneumatic, semi-pneumatic, and solid tires made from rubber. The not-for-highway use tire industry has historically been highly competitive and several of our competitors have financial resources that substantially exceed ours. In addition, many of our competitors are very large companies, such as Kenda, Taiwan; Maxxis International, Taiwan; Cheng Shin, China; and Carlisle Tire, USA; that have established brand name recognition, have established distribution networks for their products, and have developed consumer loyalty to such products.

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Intellectual Property Rights

We seek to obtain patent protection for, or to maintain as trade secrets, those inventions that we consider important to the development of our business. We rely on a combination of patent, trademark, copyright and trade secret laws in the United States and other jurisdictions as well as confidentiality procedures and contractual provisions to protect our proprietary technology and branding. We control access to our proprietary technology and enter into confidentiality agreements with our employees and other third parties. We own twelve issued U.S. patents and have a number of additional pending U.S. and foreign patent applications. We use various trademarks in association with marketing our products, including the names Amerityre®, Elastothane®, Arcus®, Atmospheric®, Amerifill®, Tire Technology for the 21st Century®, Flexfill®, Kik® and Kryon®.

Trade Secrets

Our polyurethane material technology is based on two key proprietary formulations, a closed-cell polyurethane foam, which is a lightweight material with high load-bearing capabilities for low duty cycle applications, and a polyurethane elastomer, which is a high performing material with high load-bearing capabilities for high duty applications.

We restrict access to our key proprietary formulations to a limited number of our executive officers and managers. Documentation of our proprietary formulations is secured in a safe deposit box. We have not applied for patent protection of our proprietary formulations because such applications would require us to publicly disclose these formulations. Instead, we have chosen to maintain these formulations as trade secrets.

Patents

Set forth in the schedule below are patents that have been issued or for which a patent application is pending with respect to our technology.

Description of Patent	U.S. Patent App/Serial No.	Issued Date or Date Filed	Brief Description/Purpose
Improved Method and Apparatus for Making Tires and the Like	6,165,397	12/26/2000	Applies to pouring the material at the inside diameter (where the tire starts) during the manufacturing process
Run-Flat Tire with Elastomeric Inner Support	6,679,306	1/20/2004	Applies to a polyurethane insert within a tire to create a "run-flat" system
Method and Apparatus for Vacuum Forming a Wheel from a Urethane Material	7,377,596	4/29/2005	Applies to the method we employ to coat a light gauge steel or aluminum wheel by evacuating air from the mold while moving material through the mold utilizing a vacuum process to eliminate pockets of air within the matrix of the material. The resulting product becomes a "Composite" wheel.
Elastomeric Tire with Arch Shaped Shoulders	6,971,426	12/06/2005	Applies the design of the Arcus® run-flat tire (the first polyurethane elastomer tire to run with or without air)
Method for Manufacturing a Tire with Belts, Plies and Beads Using a Pre-cured Elastomer and Cold Rolling Method	6,974,519	12/13/2005	Applies to how we put the plies, beads and belts on a mandrel or bladder to be placed inside a mold for manufacturing a tire
Plies Sleeve for Use in Forming an Elastomeric Tire	7,438,961	1/10/2006	Applies to the how the tire beads and tire plies are assembled prior to putting them on a mandrel or a core/bladder
Improved Vacuum Forming Apparatus for Vacuum Forming a Tire, Wheel or Other Item from an Elastomeric Material	7,527,489	5/22/2006	Applies to an improvement in the vacuum forming equipment used to manufacture a tire and other items
Method and Apparatus for Vacuum Forming a Wheel from a Urethane Material	7,377,596	5/27/2008	Applies to the method we employ to coat a light gauge steel or aluminum wheel by evacuating air from the mold while moving material through the mold utilizing a vacuum process to eliminate pockets of air within the matrix of the material. The resulting product becomes a "Composite" wheel.
			Applies to polyurethane tires and methods we employ to

Method for Vacuum Forming an Elastomeric Tire	Pending	5/30/2008	evacuate air from mold while moving material through the mold.
Run Flat Tire Insert System	7,398,809	7/15/2008	Applies to how to utilize an insert on a wheel within a corresponding pneumatic tire
Method and Apparatus for Vacuum Forming an Elastomeric Tire	7,399,172	7/15/2008	Applies to polyurethane tires and the method we employ to evacuate air from the mold while moving material through the mold utilizing a vacuum process to eliminate air pockets within the matrix of the material
Method for Filling a Tire and Wheel with a Closed Cell Foam	Pending	10/31/2008	Applies to how filling a tire and wheel assembly cavity with flexible closed cell polyurethane foam
System for Retreading a Transport Tire with Polyurethane Tread	Pending	8/20/2009	Applies to method we employ to retread transport tires with polyurethane tread.
Process for Forming an Airless Spare Tire	Pending	9/7/2011	Applies to the process we employ to manufacture an automobile spare tire from polyurethane.

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Trademarks

Set forth in the schedule below are the United States trademarks that have been registered.

Trademarks	Registration/Serial #	Issued/Filed
Amerityre®	2,401,989	8/14/2001
Elastothane®	3,139,489	9/9/2003
Arcus®	2,908,077	12/1/2003
Atmospheric®	3,089,313	5/9/2006
Logo®	3,118,909	7/25/2006
Amerifill®	3,440,176	3/18/2008
Tire Technology for the 21st Century®	3,190,582	1/2/2007
Flexfill™	3,499,944	9/9/2008
Kik™	3,608,633	4/21/2009
Kryon®	4,009,423	9/9/2011

We also own certain trademark applications and/or trademark registrations relating to the Arcus trademark in several foreign jurisdictions.

Employees

As of August 31, 2011, we had 16 full-time employees and 2 part-time employees, including 8 salaried and 10 hourly employees. We may hire temporary labor for manufacturing needs as required. We believe that we will be able to hire a sufficient quantity of qualified laborers in the local area to meet our employment needs. Our manufacturing process does not require special training, other than orientation to our production techniques and specific equipment. None of our employees is represented by a labor union or a collective bargaining agreement. We consider our relations with our employees to be good.

Research and Development

Our current research and development activities are focused primarily on product improvement (i.e., forklift tires and agriculture tires) and cost efficient manufacturing processes. Due to the Company's limited resources, tire projects which are contingent on additional development, such as composite and automotive tires, have been put on hold and will be revisited at a later date. Research and development expenses were $22,795 and $122,409, for fiscal 2011 and 2010, respectively.

ITEM 1A. RISK FACTORS

Due to our history of operating losses, our auditors are uncertain that we will be able to continue as a going concern.

Our financial statements have been prepared assuming that we will continue as a going concern. For the years ended June 30, 2011 and 2010, we had net losses of approximately $841,000 and $1,403,000, respectively. The independent auditors' report issued in conjunction with the financial statements for the year ended June 30, 2011 contains an explanatory paragraph indicating that the foregoing matters raise substantial doubt about our ability to continue as a going concern. We cannot guarantee that we can generate net income, increase revenues or successfully expand our operation in the future, and if we cannot do so, the company may not be able to survive and any investment in the company may be lost.

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Because our auditors have expressed a going concern opinion, our ability to obtain additional financing could be adversely affected.

We have incurred significant losses since inception, which have resulted in an accumulated deficit of $56,887,084 at June 30, 2011. Because of these continued losses and our accumulated deficit, we have included a going concern paragraph in Note 5 to our financial statements included in this report, addressing substantial doubt about our ability to continue as a going concern. This going concern paragraph could adversely affect our ability to obtain favorable financing terms in the future or to obtain any additional financing if needed.

Historically, we have lost money from operations and we have made no provision for any contingency, unexpected expenses or increases in costs that may arise.

Since inception, we have been able to cover our operating losses from the sale of our securities. We do not know if these sources of funds will be available to cover future operating losses. If we are not able to obtain adequate sources of funds to operate our business we may not be able to continue as a going concern.

Our business operations and plans could be adversely affected in the event we need additional financing and are unable to obtain such funding when needed. To the extent that our business strategy requires expanding our operations, such expansion could be costly to implement and may cause us to experience significant continuing losses. It is possible that our available short-term assets and anticipated revenues may not be sufficient to meet our operating expenses, business expansion plans, and capital expenditures for the next twelve months. Insufficient funds may prevent us from implementing our business strategy or may require us to delay, scale back or eliminate certain opportunities for the commercialization of our technology and products. If we cannot generate adequate sales of our products, or increase our revenues through licensing of our technology or other means, then we may be forced to cease operations.

In order to succeed as a company, we must continue to manufacture quality products and sell adequate quantities of products at prices sufficient to generate profits. We may not accomplish these objectives. Even if we are successful in increasing our revenue base, a number of factors may affect future sales of our products. These factors include whether competitors produce alternative or superior products and whether the cost of implementing our products is competitive in the marketplace.

In addition, we are attempting to increase revenues through licensing our technology and manufacturing rights, and selling polyurethane chemical systems to customers that produce their own products. If these proposals are not viable in the marketplace, we may not generate significant revenues from these efforts.

If holders of our secured convertible promissory notes do not choose to convert the notes to shares of our common stock, we may have difficulty obtaining the necessary funds to pay principal and interest in cash when due.

During the year ended June 30, 2011, we closed a private placement of secured convertible promissory notes (the "Notes"). We sold an aggregate of $755,800 in Notes. The Notes were for a term of one year with simple interest of 6%. The Notes are convertible at the holders' option to our common stock at a conversion rate of $0.35 per share. As an incentive to convert, if a holder elects such conversion, for each two shares in the conversion, the holder shall also receive one warrant to purchase an additional share, exercisable at $0.60 per share for an exercise period of 2 years from the date of conversion. However, if a holder does not elect such conversion, we are obliged to repay the principal and interest in cash. At this filing date, some holders have converted into shares, some have redeemed for cash and the remaining holders have extended their maturity until December 15, 2011. If several of the outstanding note holders demand cash repayment, it could severely impact our cash flow, limit our ability to make necessary capital improvements and prevent us from completing our business plans or expanding our production capability.

A continuing recession in the U.S. and general downturn in the global economy could have an adverse impact on our business, operating results or financial position.

The U.S. economy has been in recession and there has been a general downturn in the global economy. A continuation or worsening of these conditions, including credit and capital markets disruptions, could have an adverse impact on our business, operating results or financial position in a number of ways. We may experience declines in revenues and cash flows as a result of reduced orders, payment delays or other factors caused by the economic problems of our customers and prospective customers. We may experience supply chain delays, disruptions or other problems associated with financial constraints faced by our suppliers and customers. We may incur increased costs or experience difficulty with about ability to borrow in the future or otherwise with financing our operating, investing or financing activities. Any of these potential problems could hinder our efforts to increase our sales and might, if severe and extensive enough, cause our sales to decline,

jeopardizing our ability to operate.

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We may experience delays in resolving unexpected technical issues experienced in completing development of new technology that will increase development costs and postpone anticipated sales and revenues.

As we develop and improve our products, we frequently must solve chemical, manufacturing and/or equipment-related issues. Some of these issues are ones that we cannot anticipate because the products we are developing are new. If we must revise existing manufacturing processes or order specialized equipment to address a particular issue, we may not meet our projected timetable for bringing products to market. Such delays may interfere with existing manufacturing schedules, negatively affect revenues and increase our cost of operations.

Because we have limited experience, we may be unable to successfully manage planned growth

We have limited experience in the commercial manufacturing and marketing arena, limited product sales and marketing experience, and limited staff and support systems, especially compared to competitors in the tire industry. In order to become profitable through the commercialization of our technology and products, our products must be cost-effective and economical to produce and distribute on a commercial scale. Furthermore, if our technologies and products do not achieve, or if they are unable to maintain, market acceptance or regulatory approval, we may not be profitable.

Our success depends, in part, on our ability to license, market and distribute our technologies and products effectively. We have limited manufacturing, marketing and distribution capabilities. We may not properly ascertain or assess any and all risks inherent in the industry. We may not be successful in entering into new licensing or marketing arrangements, engaging independent distributors, or recruiting, training and retaining a larger internal marketing staff and sales force. If we are unable to meet the challenges posed by our planned licensing, manufacturing, distribution and sales growth, our business may fail.

We are subject to governmental regulations, including environmental and health and safety regulations.

Our business operations are subject to a variety of national, state and local laws and regulations, many of which deal with the environment and health and safety issues. We believe we are in material compliance with applicable environmental and worker health and safety requirements. However, material future expenditures may be necessary if compliance standards change or material unknown conditions that require remediation are discovered. If we fail to comply with present and future environmental and worker health and safety laws and regulations, we could be subject to future liabilities or interruptions in our operations, which could have a material adverse effect on our business.

The markets in which we sell our products are highly competitive.

The markets for our products are highly competitive on a global basis, with a number of companies having significantly greater resources and market share than us. Many of our competitors also maintain a significantly higher level of brand recognition than we do. Because of greater resources and more widely accepted brand names, many of our competitors may be able to adapt more quickly to changes in the markets we have targeted or devote greater resources to the development and sale of new products. Most of the products we have developed have not obtained broad market acceptance and rely on our emerging technology. To improve our competitive position, we will need to make significant ongoing investments in manufacturing, customer service and support, marketing, sales, research and development and intellectual property protection. We do not know if we will have sufficient resources to continue to make such investments or if we will maintain or improve our competitive position within the markets we serve.

We attempt to protect the critical elements of our proprietary technology as trade secrets. Because of our reliance on trade secrets, we are unable to prevent third parties from independently developing technologies that are similar or superior to our technology or from successfully reverse engineering or otherwise replicating our technology.

In certain cases, where the disclosure of information required to obtain a patent would divulge critical proprietary data, we may choose not to patent elements of our proprietary technology and processes which we have developed or may develop in the future and instead rely on trade secret laws to protect certain elements of our proprietary technology and processes. For example, we rely on trade secrets to protect our key polyurethane formulations. These formulations are critical elements of and central to our proprietary technology. Our trade secrets could be compromised by third parties, or intentionally or accidentally by our employees. It is also possible that others will independently develop technologies that are similar or superior to our technology. Third parties may also legally reverse engineer our products. Independent development, reverse engineering, or other legal copying of those elements of our proprietary technology that we attempt to protect as trade secrets could enable third parties to benefit from our technologies without compensating us. The protection of proprietary technology through claims of trade secret status has been the subject of increasing claims and litigation by various companies both in order to protect proprietary rights as well as for competitive reasons, even when proprietary claims are

unsubstantiated. The prosecution of litigation to protect our trade secrets or the defense of such claims is costly and unpredictable given the uncertainty and rapid development of the principles of law pertaining to this area. We may also be subject to claims by other parties with regard to the use of technology information and data that may be deemed proprietary to others. The independent development of technologies that are similar or superior to our technology or the reverse engineering of our products by third parties would have a material adverse effect on our business and results of operations. In addition, the loss of our ability to use any of our trade secrets or other proprietary technology would have a material adverse effect on our business and results of operations. Because trade secrets do not ensure exclusivity and pose such issues with respect to enforcement, third parties may decline to partner with us or may pay lesser compensation for use of our technology which is protected only by trade secrets.

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Our business depends on the protection of our patents and other intellectual property and may suffer if we are unable to adequately protect such intellectual property.

Our success and ability to compete are substantially dependent upon our intellectual property. We rely on patent, trademark and copyright laws, trade secret protection and confidentiality or license agreements with our employees, customers, strategic partners and others to protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate. There are events that are outside of our control that pose a threat to our intellectual property rights as well as to our products and services. For example, effective intellectual property protection may not be available in every country in which we license our technology or our products are distributed. Also, the efforts we have taken to protect our proprietary rights may not be sufficient or effective. Any impairment of our intellectual property rights could harm our business and our ability to compete. Also, protecting our intellectual property rights is costly and time consuming. Any increase in the unauthorized use of our intellectual property could make it more expensive to do business and harm our operating results. In addition, other parties may independently develop similar or competing technologies designed around any patents that may be issued to us.

We have been granted a number of U.S. patents and have several U.S. patent applications pending relating to certain aspects of our manufacturing technology and use of polyurethane to make tires and we may seek further patents on future innovations. Our ability to either manufacture products or license our technology is substantially dependent on the validity and enforcement of these patents and patents pending. We cannot guarantee that our patents will not be invalidated, circumvented or challenged, that patents will be issued for our patents pending, that the rights granted under the patents will provide us competitive advantages or that our current and future patent applications will be granted.

Third parties may invalidate our patents

Third parties may seek to challenge, invalidate, circumvent or render unenforceable any patents or proprietary rights owned by or licensed to us based on, among other things:

- subsequently discovered prior art;
- lack of entitlement to the priority of an earlier, related application; or
- failure to comply with the written description, best mode, enablement or other applicable requirements.

United States patent law requires that a patent must disclose the “best mode” of creating and using the invention covered by a patent. If the inventor of a patent knows of a better way, or “best mode,” to create the invention and fails to disclose it, that failure could result in the loss of patent rights. Our decision to protect certain elements of our proprietary technologies as trade secrets and to not disclose such technologies in patent applications, may serve as a basis for third parties to challenge and ultimately invalidate certain of our related patents based on a failure to disclose the best mode of creating and using the invention claimed in the applicable patent. If a third party is successful in challenging the validity of our patents, our inability to enforce our intellectual property rights could seriously harm our business.

We may be liable for infringing the intellectual property rights of others.

Our products and technologies may be the subject of claims of intellectual property infringement in the future. Our technologies may not be able to withstand any third-party claims or rights against their use. Any intellectual property claims, with or without merit, could be time-consuming, expensive to litigate or settle, could divert resources and attention and could require us to obtain a license to use the intellectual property of third parties. We may be unable to obtain licenses from these third parties on favorable terms, if at all. Even if a license is available, we may have to pay substantial royalties to obtain it. If we cannot defend such claims or obtain necessary licenses on reasonable terms, we may be precluded from offering most or all of our products or services and our business and results of operations will be adversely affected.

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Because our proposed tire products are derived from new technology, our product liability insurance costs will likely increase and we may be exposed to product liability risks that could adversely affect profitability.

Even if tests indicate that our tires meet performance standards and our new highway-use tire products are approved for use, these products may subject us to significant product liability claims because the technology is new and there is little history of on-road use. Moreover, because our products are and will be used in applications where their failure could result in substantial injury or death, we could also be subject to product liability claims. Introduction of such new products and increased use of our existing products will most likely increase our product liability premiums and defense of potential claims could increase insurance costs even further, which could substantially increase our expenses. Any insurance we obtain may not be sufficient to cover the losses incurred through such lawsuits.

Significant increases in the price of chemical raw materials, steel and other raw materials used in our products could increase our production costs and decrease our profit margins or make our products less competitive in the marketplace due to price increases.

The materials used to produce our products are susceptible to price fluctuations due to supply and demand trends, the economic climate and other unforeseen trends. We have recently experienced increases in the cost of wheel components for our tire/wheel assemblies due to the increased cost of steel and have also seen increases in our chemical raw materials pricing. Our raw materials pricing could increase further in the future. Because we are introducing products that will compete, in part, on the basis of price, we may be unable to pass cost increases on to our customers. If we are unable to pass on raw material cost increases to our customers, our future results of operations and cash flow will be materially adversely affected.

Our ability to execute our business plan would be harmed if we are unable to retain or attract key personnel.

Our polyurethane technology has been developed by a small number of the members of our management team and only a limited number of the members of our management team maintain the technical knowledge to produce our products. Our future success depends, to a significant extent, upon our ability to retain and attract the services of these and other key personnel. The loss of the services of one or more members of our management team could hinder our ability to effectively manage our business and implement our growth strategies. Finding suitable replacements could be difficult, and competition for such personnel of similar experience is intense. We do not carry key person insurance on any of our officers.

Shareholders and potential investors may experience some difficulty trading our stock since it is only quoted on NASDAQ's Over the Counter Bulletin Board.

Our common stock is quoted on NASDAQ's OTC Bulletin Board. As a result, secondary trading of our shares may be subject to certain state imposed restrictions and the ability of individual stockholders to trade their shares in a particular state may be subject to various rules and regulations of that state. A number of states require that an issuer's securities be registered in their state or appropriately exempted from registration before the securities are permitted to trade in that state. Further, our shares may be subject to the provisions of Section 15(g) and Rule 15g-9 of the Exchange Act, commonly referred to as the "penny stock" rule. Broker-dealers who sell penny stocks to persons other than established customers and accredited investors (generally persons with assets in excess of $1,000,000, excluding the value of a principal residence, or annual income exceeding $200,000 by an individual, or $300,000 together with his or her spouse), are subject to additional sales practice requirements.

For transactions covered by these rules, broker-dealers must make a special suitability determination for the purchase of such securities and must have received the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the rules require the delivery, prior to the first transaction, of a risk disclosure document relating to the penny stock market. A broker-dealer also must disclose the commissions payable to both the broker-dealer and the registered representative, and current quotations for the securities. Finally, monthly statements must be sent to clients disclosing recent price information for the penny stocks held in the account and information on the limited market in penny stocks. Consequently, these rules may restrict the ability of broker-dealers to trade and/or maintain a market in our common stock and may affect the ability of stockholders to sell their shares.

ITEM 1B. UNRESOLVED STAFF COMMENTS

As of June 30, 2011, we did not have any unresolved comments with the staff of the Securities and Exchange Commission.

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ITEM 2. PROPERTIES

In April 2011, we negotiated an extension to the lease for our executive and manufacturing facilities located at 1501 Industrial Road, Boulder City, Nevada. The property consists of a 49,200 square-foot building, which includes approximately 5,500 square-feet of office space, situated on approximately 4.15 acres. The one year lease extension commenced on June 15, 2011and the base rent will remain at $15,000 per month. All other terms and conditions of the building lease will remain in effect.

ITEM 3. LEGAL PROCEEDINGS

As of June 30, 2011, we were not involved in any legal proceedings.

ITEM 4. RESERVED

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock traded on the NASDAQ Capital Market under the symbol "AMTY" through February 3, 2010. Subsequent to that date, our common stock is quoted on the NASD's OTC Bulletin Board. The following table sets forth for the periods indicated the high and low sale prices of our common stock. Prices represent inter-dealer quotations without adjustment for retail markups, markdowns or commissions and may not represent actual transactions.

Fiscal year ended June 30,	High	Low
2011		
Fourth Quarter	$ 0.30	$ 0.12
Third Quarter	$ 0.32	$ 0.21
Second Quarter	$ 0.35	$ 0.20
First Quarter	$ 0.49	$ 0.26
2010		
Fourth Quarter	$ 0.51	$ 0.31
Third Quarter	$ 0.72	$ 0.30
Second Quarter	$ 0.58	$ 0.22
First Quarter	$ 0.88	$ 0.17

The closing price of our common stock on the NASDAQ's OTC Bulletin Board on September 30, 2011 was $0.45 per share. As of September 30, 2011 there were approximately 490 holders of record of our common stock and 32,589,297 shares of common stock outstanding based on information provided by our transfer agent, Interwest Transfer Company, 1981 E. Murray-Holladay Road, Holladay, Utah 84117.

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On September 3, 2010, we closed a private placement of secured convertible promissory notes (the "Notes"). We sold an aggregate of $755,800 in Notes. The Notes are for a term of one year with simple interest of 6%. The principal and interest are due at maturity if the note holders decide not to convert the note into common shares. The Notes are convertible at the holders' option to our common stock at a conversion rate of $0.35 per share. If the holder elects such conversion, for each two shares in the conversion, the holder shall also receive one warrant to purchase an additional share, exercisable at $0.60 per share for an exercise period of 2 years from the date of conversion. No officers, directors or affiliates of the Company participated in the private placement. The Notes were sold pursuant to subscription documents between the Company and each investor. We believe the offer and sale of the securities described above were exempt from the registration requirements of the Securities Act of 1933, as amended (the "Act"), for the private placement of these securities pursuant to Section 4(2) of the Act and/or Regulation D thereunder because the securities were sold to accredited investors in a transaction not involving a public offering. At this filing date, some holders have converted, some have been paid in cash and some have extended the payment deadline until December 15, 2011.

Dividends

We have not paid any dividends on our common stock since our inception and do not anticipate paying any dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of our Board of Directors and will be dependent upon then-existing conditions, including our financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors our Board of Directors deems relevant.

ITEM 6. SELECTED FINANCIAL DATA

We are "Smaller Reporting Company" as defined under §229.10(f)(1) of Regulation S-K and are not required to provide the information required by this Item.

ITEM 7. 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 analysis 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 believe that we have developed unique polyurethane formulations that allow us to make products with superior performance characteristics, including abrasion resistance and load-bearing capabilities, than conventional rubber tires. We also believe that our manufacturing processes are more efficient than traditional 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. Using our polyurethane technologies, we believe tires can be produced which last longer, are less susceptible to failure and offer improved fuel economy.

We are concentrating on three segments of the tire market: low duty cycle foam tires, solid forklift tires and agricultural tires. Our most recent activities in these areas are set forth below:

Low duty cycle foam tires – The sale of polyurethane foam tires to original equipment manufacturers, distributors and retail stores accounts for most of our revenue at this time. We have the ability to produce a broad range of products for the low duty cycle tire market. We are continuing our marketing efforts and expanding our product lines.

Solid forklift tires – Throughout our third fiscal quarter and April, we engaged numerous technical specialists to help us complete development of a marketable forklift tire. The Company recommenced commercial sales of forklift tires in the fourth fiscal quarter.

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Agricultural tires – The Company is currently pursuing two segments of the agricultural tire market. We believe both segments present a significant opportunity, but currently a small percentage of our sales come from this market.

Due to the Company's limited resources, tire projects which are contingent on additional development, such as composite and automotive tires, have been put on hold and will be revisited at a later date.

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 equipment and materials used in the development of 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
- Amortization of deferred compensation that results from the expense related to certain stock options to our employees.

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

Revenue for products is recognized when the sales amount is determined, shipment of goods to the customer has occurred and collection is reasonably assured. Generally, we ship all of our products FOB origination.

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Valuation of Intangible Assets and Goodwill

At June 30, 2011, the Company had capitalized patent and trademark costs, net of accumulated amortization, totaling $541,826. 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 until a patent has been issued. We evaluate the recoverability of intangibles and review the amortization period on a continual basis utilizing the guidance of Accounting Standards Codification 350, *Intangibles – Goodwill and Other* (ASC 350). We test our patents and trademarks for impairment at least annually and whenever events or changes in circumstances indicated that the carrying value may not be recoverable. 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 inventory consists of chemicals, finished goods produced in our plant and products purchased for resale.

Stock-Based Compensation

Equity securities issued for services rendered have been accounted for at the fair market value of the securities on the date of authorization. Per the provisions of Accounting Standards Codification 718, *Compensation – Stock Compensation* (ASC 718), stock-based compensation expense recognized for the fiscal years ended June 30, 2011 and 2010 was $43,932 and $74,263, respectively.

Seasonality

A substantial majority of our sales are to customers within the United States. We experience some seasonality in the sale of our closed-cell polyurethane foam tires for bicycles and lawn and garden products because sales of these products generally decline during the winter months in the United States. Sales of our closed-cell polyurethane form tire products generally peak during the spring and summer months; typically resulting in greater sales volumes during the third and fourth quarters of the fiscal year.

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Results of Operations

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

- Net revenues, which consists of product sales revenues and equipment sales revenues, if any;
- Sales revenue, net of returns and trade discounts, which 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 sales of our products;
- Growth in our customer base, which is an indicator of the success of our sales efforts; and
- Distribution of revenue across our products offered.

The following summary table presents a comparison of our results of operations for the fiscal years ended June 30, 2011 and 2010 with respect to certain key financial measures. The comparisons illustrated in the table are discussed in greater detail below.

	Fiscal Year Ended June 30,		Percent Change
	2011 (In 000's)	2010 (In 000's)	2011 vs. 2010
Net revenues	$ 3,679	$ 3,698	(0.5)
Cost of revenues	2,329	2,561	(9.0)
Gross profit	1,350	1,137	18.7
Selling, general, and administrative expenses (1)	1,876	2,154	(18.0)
Research and development expenses	23	122	(81.1)
Consulting expenses	127	-	127.0
Depreciation and amortization expenses	238	265	(10.2)
(Gain)/Loss on sales and impairment of assets	(6)	3	300.0
Gain on settlement	(110)	-	100.0
Other Income/(Expense)	(43)	4	(1175.0)
Net loss	$ (841)	$ (1,403)	(40.0)

(1) Includes deferred compensation for employee stock options of $43,932 and $74,263 for the fiscal years ended June 30, 2011 and 2010, respectively.

Year Ended June 30, 2011 Compared to the Year Ended June 30, 2010

Net revenues. Net revenues of $3,679,040 for the year ended June 30, 2011, represents a 0.5% decrease over net revenues of $3,698,829 for the year ended June 30, 2010. Net revenues decreased largely due to the absence of equipment sales in fiscal 2011 as compared with $224,838 of equipment sales for the same period in 2010. Product revenues of $3,679,040 for the year ended June 30, 2011 represents a 5.9% increase over product revenues of $3,473,991 for the same period last year. The shift in equipment revenues reflects management's emphasis to focus on profitable product sales. We anticipate revenues will increase notably due to our improved forklift and agricultural product lines.

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Cost of revenues. Cost of revenues for the year ended June 30, 2011 of $2,329,139 represents a 9.1% decrease compared to the same period in fiscal 2010. Cost of revenues for the year ended June 30, 2011 related to products was $2,329,139 or 63.3% of revenues compared to $2,373,777 or approximately 68.3% of product revenues for the same period last year. The improvement in our cost of revenues for Products is due to a sales mix of higher gross margin products versus the prior year. We believe there is sufficient low duty cycle foam tire manufacturing equipment and resources to increase production without incurring a proportionate increase in labor costs.

Gross profit. Gross profit for the year ended June 30, 2011 of $1,349,901 represents an 18.7 % increase over gross profit of $1,137,465 for the same period in 2010. The fiscal 2011 gross profit reflects a 36.7% gross margin for product sales compared to a gross margin on product sales of 31.7% for fiscal 2011. Gross margin for product sales in fiscal 2011 improved largely due to the change in sales mix mentioned above.

Selling, general and administrative expenses. Selling, general and administrative expenses (SG&A) of $1,839,459 for the year ended June 30, 2011 represents a 13.9% decrease from the SG&A expenses of $2,136,868 for the same period in 2010. We anticipate general and administrative costs to remain relatively constant, however selling expenses will increase with revenue growth primarily due to marketing efforts and sales commissions.

Research and development expenses. Research and development expenses for the year ended June 30, 2011 were $22,795, an 81.4 % decrease in the research and development expenses for fiscal 2010 of $122,409. The decrease in research and development expenses reflects management's efforts to transition the Company from research and development to manufacturing and sales. Ongoing research and development efforts are primarily focused on improvements in existing products and the manufacturing process.

Consulting expenses. Consulting expenses for the year ended June 30, 2011 were $127,188 compared to no consulting expenses for fiscal 2010. The Board of Directors has engaged a number of management, financial and manufacturing consultants to assist in the management of the Company. Consulting expenses are expected to fluctuate from time to time due to the need for qualified personnel to assist us with production and system needs.

Depreciation and amortization expenses. Depreciation and amortization for the year ended June 30, 2011 were $238,251 compared to $264,793 for fiscal 2010. The 10% decrease between years is primarily due to an increase in the number of fully depreciated assets.

Net loss. The net loss for the year ended June 30, 2011 of $841,133 represents a 40.0 % decrease from the net loss for the year ended June 30, 2010 of $1,402,731. The decrease in the net loss between periods is primarily due to a change in sales mix to higher gross margin products and the decrease in SG&A expenses as a result of our overall cost cutting efforts.

Liquidity and Capital Resources

Our principal sources of liquidity consist of cash and cash equivalents and payments received from our customers. We do not have any significant credit arrangements. Historically, our expenses have exceeded our revenues, 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. In assessing our liquidity, management reviews and analyzes our current cash, short-term investments, accounts receivable, accounts payable, capital expenditure commitments and other obligations.

Cash Flows

The following table sets forth our consolidated cash flows for the fiscal years ended June 30, 2011 and 2010.

	Years ended June 30,	
	2011	2010
	(In 000's)	
Net cash used by operating activities	$ (600)	$ (808)
Net cash used in investing activities	(107)	(89)
Net cash provided by financing activities	771	932
Net increase in cash and cash equivalents during period	$ 64	$ 35

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Net Cash Used By Operating Activities. Our primary sources of operating cash during fiscal 2011 came from collected accounts receivable. Our primary uses of operating cash are payments made to our vendors and employees. Net cash used by operating activities was $599,796 for the year ended June 30, 2011 compared to $807,748 for the same period in 2010. The decrease in cash used in operating activities is primarily due to extended payment terms obtained from vendors and SG&A cost cutting measures implemented in 2010.

Non-cash items include depreciation and amortization, and stock based compensation. Our net loss was $841,133 for the year ended June 30, 2011 compared to a net loss of $1,402,731 for the same period in 2010. The net loss for fiscal 2011 included non-cash expenses of $93,549 for stock-based compensation for services as compared to stock-based compensation for services of $192,263 in fiscal 2010.

Net Cash Used In Investing Activities. Net cash used by investing activities was $107,336 for the year ended June 30, 2011 and $89,288 for the same period in 2010. The primary sources and uses of cash flow from investing activities for the year ended June 30, 2011 were related to the sale and acquisition of property and equipment of $112,435, and the abandonment of impaired patents of $5,099. The primary uses of cash flow from investing activities for the year ended June 30, 2010 were related to investments in patents and trademarks of $7,710, and the acquisition of property and equipment of $81,578.

Net Cash Provided by Financing Activities. During the fiscal year ended June 30, 2011, we closed a private placement of secured convertible promissory notes (the "Notes"). We sold an aggregate of $755,800 in Notes. In connection with the private placement of secured convertible promissory notes, we issued 142,856 shares of restricted common stock as finders' fees. For the fiscal year ended June 30, 2010, we completed the private placement of our securities at a price of $0.21 per share. We sold an aggregate of 2,416,664 shares of our common stock and received net proceeds of $507,500 in a private placement. We also received an aggregate loan of $150,000 under a credit agreement with a partnership. The members of the partnership elected to immediately convert the funds loaned into stock per the credit agreement and, accordingly, we issued an aggregate of 714,285 shares of our common stock in full satisfaction of the loan. In addition, as of March 31, 2010, we received a total of $240,000 out of $250,000 total proceeds from a private placement that closed in April 2010. We sold an aggregate of 666,666 shares of our common stock and received net proceeds of $240,000.

Contractual Obligations and Commitments

The following table summarizes our contractual cash obligations and other commercial commitments at June 30, 2011.

	Payments due by period				
	Total	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**After 5 years**
Facility lease [1]	$ 180,000	$ 180,000	$ —	$ —	$ —
Total contractual cash obligations	$ 180,000	$ 180,000	$ —	$ —	$ —

(1) In April 2011, we negotiated an extension to the lease for our executive and manufacturing facilities located at 1501 Industrial Road, Boulder City, Nevada. The property consists of a 49,200 square-foot building, which includes approximately 5,500 square-feet of office space, situated on approximately 4.15 acres. The one year lease extension commenced on June 15, 2011and the base rent will remain at $15,000 per month. All other terms and conditions of the building lease will remain in effect.

Cash Position, Outstanding Indebtedness, and Future Capital Requirements

Our total indebtedness at June 30, 2011 was $1,583,088 and our total cash and cash equivalents were $127,990 none of which is restricted. Our total indebtedness at June 30, 2011 includes $459,820 in accounts payable, $153,203 in accrued expenses, $755,800 in convertible notes, $42,160 in current portion of long term debt, $37,472 in convertible note accrued interest and $80,793 in deferred directors compensation. We also have $53,840 in long-term liabilities.

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In an effort to increase revenues, we have recently expanded our product lines and begun the sale of solid polyurethane elastomer tires. In the past, we offered aggressive sales projections based on our assessment of our planned sales initiatives. Despite the overall downturn experienced in both the U.S. and international economies over the past several quarters, we believe the revenues reported for the fiscal year ended June 30, 2011 are only beginning to reflect our progress toward our sales projections, which we anticipate will become more apparent during the next fiscal year. In view of these conditions, our ability to continue as a going concern is dependent upon our ability to obtain additional financing or capital sources, to meet our financing requirements, and ultimately to achieve profitable operations.

Although we believe that we will successfully implement our business plan to provide for additional revenues to offset operating costs, management cannot give any assurances that it will be able to do so or that we will ever operate profitably. Our business plan assumes that, among other items, our revenues will increase from the sale of the new product lines, our raw materials expenses may increase, and our expenses from operations will decrease as a percentage of sales due to the cost reduction measures already implemented.

Our financial statements are prepared using generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. We have historically incurred significant losses which have resulted in a total retained deficit of $56,887,084 at June 30, 2011 which raises substantial doubt about our ability to continue as a going concern (See Note 5 to the attached financial statements). The accompanying financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result from the outcome of this uncertainty.

We have taken certain steps to reduce our operating and financial requirements while expanding our revenues in an effort to enable us to continue as a going concern until such time that revenues are sufficient to cover expenses, including: (1) we implemented numerous cost reduction measures, including reduced officer and board cash compensation, over the last seven months of the 2009 fiscal year that remained in effect through fiscal 2011. We intend to reduce selling, general and administrative expenses as a percentage of sales throughout fiscal 2012; (2) we continue to monitor and revise the selling prices for our products to adjust for raw material increases; (3) we have focused our primary sales and marketing efforts on three product areas with products already in production (low duty cycle foam tires, solid forklift tires and agricultural tires) and expect to continue to increase sales in all three segments during the 2012 fiscal year. We expect the increase in revenues from the expanded sales activity should reduce net loss in the near term and move us closer to profitability.

To supplement our cash needs during the 2011 fiscal year, on September 3, 2010, we closed a private placement of secured convertible promissory notes (the “Notes”). We sold an aggregate of $755,800 in Notes.

In connection with the preparation of our financial statements for the year ended June 30, 2011, we have analyzed our cash needs for fiscal 2012. Based on this analysis, we concluded that our available cash, including the cash raised in the September 2010 private placement of convertible promissory notes, should be sufficient to meet our current minimum working capital, capital expenditure and other cash requirements for fiscal 2012. We may also issue common stock in lieu of cash as compensation for certain employment, development, and other professional services. However we believe we may need additional capital if our sales revenues do not meet our expectations. In any case, we will most likely need additional capital to fully implement our business plans.

Our ability to obtain further financing through the offer and sale of our securities is subject to market conditions and other factors beyond our control. We cannot assure you that we will be able to obtain financing on favorable terms or at all. If our cash is insufficient to fund our business operations, our business operations could be adversely affected in the event we do not obtain additional financing and are unable to obtain such funding when needed. Insufficient funds may require us to delay, scale back or eliminate expenses and or employees. If we cannot generate adequate sales of our products, or increase our revenues through other means, then we may be forced to cease operations.

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.

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Recent Accounting Pronouncements

In the first quarter of 2010, the FASB issued ASU 2010-09, Subsequent Events: Amendments to Certain Recognition and Disclosure Requirements (ASU 2010-09). ASU 2010-09 amends ASC 855, Subsequent Events, so that SEC filers are no longer required to disclose the date through which subsequent events have been evaluated in financial statements. We adopted the provisions of ASU 2010-09 in the first quarter of 2010. This adoption did not affect our financial statements.

ITEM 7A. 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our financial statements required by this item are included on the pages immediately following the Index to Financial Statements appearing on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no changes in our independent accountants, HJ & Associates, LLC, or disagreements with them on matters of accounting or financial disclosure.

ITEM 9A. CONTROLS AND PROCEDURES

We maintain 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 Principal 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, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), an evaluation was performed under the supervision and with the participation of our management, including our principal executive officer and our principal 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 management, including our principal executive officer and our principal financial officer, concluded that the design and operation of these disclosure controls and procedures were effective at the reasonable assurance level.

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.

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

We are responsible for the preparation and integrity of our published financial statements. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and, accordingly, include amounts based on judgments and estimates made by our management. We also prepared the other information included in the annual report and are responsible for its accuracy and consistency with the financial statements.

We are responsible for establishing and maintaining a system of internal control over financial reporting, which is intended to provide reasonable assurance to our management and Board of Directors regarding the reliability of our financial statements. The system includes but is not limited to:

- a documented organizational structure and division of responsibility;
- established policies and procedures, including a code of conduct to foster a strong ethical climate which is communicated throughout the company;
- regular reviews of our financial statements by qualified individuals; and
- the careful selection, training and development of our people.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Also, the effectiveness of an internal control system may change over time. We have implemented a system of internal control that was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles.

We have assessed our internal control system in relation to criteria for effective internal control over financial reporting described in "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based upon these criteria, we have discovered two material weaknesses in our internal control system.

1) Internal Control Testing - We have determined that the internal control testing performed during the first three quarters of fiscal year 2011was inadequate. This results in a reasonable possibility that the Company's controls will fail to prevent or detect a misstatement. During the fourth quarter of fiscal year 2011 we improved our testing which we believe has remediated this weakness. We have also begun a process of updating our controls and the associated testing for assessment purposes to ensure compliance in the future.

2) Adequate Closing Procedures - The Company's controls failed to ensure the timely completion of year-end closing procedures which resulted in audit adjustments and delays in the completion of the financial statements. We evaluated this weakness and determined that it was an isolated event caused by the lack of sufficient cross-training. Subsequent to year end we now have sufficient personnel available and cross-trained to close the the books in a timely fashion ensuring that they are complete and accurate.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the company to provide only management's report in this annual report.

Amerityre Corporation

October 13, 2011

By:

/s/ Timothy L. Ryan
Timothy L. Ryan
Chief Executive Officer

/s/ Michael L. Ford
Michael L. Ford

Controller and Principal Financial Officer

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ITEM 9B. OTHER INFORMATION

None.

PART III

The information called for by Part III of Form 10-K (Item 10—Directors, Executive Officers and Corporate Governance of the Registrant, Item 11—Executive Compensation, Item 12—Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters, Item 13—Certain Relationships and Related Transactions, and Director Independence, and Item 14—Principal Accounting Fees and Services) is incorporated by reference from our proxy statement related to our 2011 annual meeting of shareholders, which will be filed with the Securities and Exchange Commission not later than October 28, 2011 (120 days after the end of the fiscal year covered by this Annual Report on Form 10-K).

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed with this report.

1. Financial Statements:
See Index to Financial Statements on page F-1

2. Financial Statement Schedules:
Financial statement schedules are omitted because they are not required or are not applicable or the required information is shown in the financial statements or notes thereto.

3. Exhibits:
The exhibits to this report are listed on the Exhibit Index below.

(b) Description of exhibits

Exhibit Number	Description
3.1	Articles of Incorporation of the Company (incorporated by reference to Exhibit 3.01 to our registration statement on Form 8-A12G (File No. 000-50053)).
3.2	Certificate of Amendment to the Articles of Incorporation of the Company (incorporated by reference to Exhibit 3 to our current report on Form 8-K dated November 17, 2004).
3.3	Bylaws of the Company (incorporated by reference to Exhibit 3.02 to our registration statement on Form 8-A12G (File No. 000-50053)).
4.1	Form of Stock Certificate (incorporated by reference to Exhibit 4.01 to our registration statement on Form 8-A12G (File No. 000-50053)).
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.

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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: October 13, 2011

AMERITYRE CORPORATION

By: /s/Timothy L. Ryan
Timothy L. Ryan
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the 13th day of October 2011.

/s/ Timothy L. Ryan
Timothy L. Ryan
Chairman of the Board of Directors
and Chief Executive Officer
(Principal Executive Officer)

/s/Michael L. Ford
Michael L. Ford
Controller and Principal Accounting Officer
(Principal Financial Officer)

/s/Louis M. Haynie
Louis M. Haynie
Director

/s/Henry D. Moyle
Henry D. Moyle
Director

/s/Frank Dosal
Frank Dosal
Director

/s/Silas O. Kines
Silas O. Kines
Director

/s/John J. Goldberg
John J. Goldberg
Director

/s/Gary Tucker
Gary Tucker
Director

/s/L. Wayne Arnett
L. Wayne Arnett
Director

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AMERITYRE CORPORATION

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Amerityre Corporation
Boulder City, Nevada

We have audited the accompanying balance sheets of Amerityre Corporation as of June 30, 2011 and 2010, and the related statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Amerityre Corporation as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 5 to the financial statements, the Company has suffered recurring losses from operations that have resulted in an accumulated deficit. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 5. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ HJ & Associates, LLC
Salt Lake City, Utah
October 13, 2011

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AMERITYRE CORPORATION
Balance Sheets

	June 30, 2011	June 30, 2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 127,990	$ 63,822
Accounts receivable – net	588,001	470,173
Inventory	696,220	583,228
Deferred debt issuance cost	8,522	-
Prepaid and other current assets	79,260	26,661
Total Current Assets	1,499,993	1,143,884
PROPERTY AND EQUIPMENT		
Leasehold improvements	162,683	162,683
Molds and models	707,020	577,630
Equipment	3,012,870	2,938,588
Leased Equipment	27,900	-
Furniture and fixtures	100,142	100,142
Software	286,046	286,046
Less – accumulated depreciation	(3,488,756)	(3,289,881)
Total Property and Equipment	807,905	775,208
OTHER ASSETS		
Patents and trademarks – net	541,826	576,301
Deposits	36,000	36,000
Total Other Assets	577,826	612,301
TOTAL ASSETS	$ 2,885,724	$ 2,531,393

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

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AMERITYRE CORPORATION
Balance Sheets (Continued)

	June 30, 2011	June 30, 2010
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 459,820	$ 298,393
Convertible notes	755,800	-
Accrued expenses	153,203	304,184
Current portion of long term debt	42,160	-
Interest accrued on convertible notes	37,472	-
Deferred directors compensation	80,793	-
Total Current Liabilities	1,529,248	602,577
Long term debt	53,840	-
Total Long Term Debt	53,840	-
TOTAL LIABILITIES	1,583,088	602,577
COMMITMENTS AND CONTINENCIES (NOTE 2)		
STOCKHOLDERS' EQUITY		
Preferred stock: 5,000,000 shares authorized of $0.001 par value, -0- shares issued and outstanding	-	-
Common stock: 40,000,000 shares authorized of $0.001 par value, 32,251,297 and 31,819,385 shares issued and outstanding, respectively	32,251	31,819
Additional paid-in capital	58,500,707	58,339,476
Accrued interest on notes receivable	-	(1,461)
Notes receivable	(343,238)	(395,067)
Retained deficit	(56,887,084)	(56,045,951)
Total Stockholders' Equity	1,302,636	1,928,816
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,885,724	$ 2,531,393

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

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AMERITYRE CORPORATION
Statement of Operations

	For the Years Ended June 30, 2011	2010
NET REVENUES		
Products	$ 3,679,040	$ 3,473,991
Equipment	-	224,838
Total Net Revenues	3,679,040	3,698,829
COST OF REVENUES		
Products	2,329,139	2,373,777
Equipment	-	187,587
Total Cost of Revenues	2,329,139	2,561,364
GROSS PROFIT	1,349,901	1,137,465
EXPENSES		
Consulting	127,188	-
Depreciation and amortization	238,251	264,793
Research and development	22,795	122,409
Bad debt expense	36,693	17,103
(Gain)/Loss on sale or impairment of assets	(6,000)	3,118
Selling, general and administrative	1,839,459	2,136,868
Total Expenses	2,258,386	2,544,291
LOSS FROM OPERATIONS	(908,485)	(1,406,826)
OTHER INCOME/(EXPENSE)		
Gain on settlement of accrued liability	110,000	-
Interest income	15,081	19,089
Miscellaneous income	21,220	-
Interest expense	(78,949)	(14,994)
Total Other Income	67,352	4,095
NET LOSS	$ (841,133)	$ (1,402,731)
BASIC AND DILUTED LOSS PER SHARE	$ (0.03)	$ (0.05)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	32,064,182	30,035,266

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

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AMERITYRE CORPORATION
Statements of Stockholders' Equity

	Common Stock					
	Shares	Amount	Additional Paid-in Capital	Notes Receivable	Accrued Interest	Accumulated Deficit
Balance, June 30, 2009	26,233,644	$ 26,233	$ 56,897,608	$ (438,206)	$ -	$ (54,643,220)
Common stock issued for services at $0.21 per share	300,000	300	62,700	-	-	-
Common stock issued for accrued board compensation	131,250	131	22,035	-	-	-
Common stock issued for legal services at$0.25 per share	28,000	28	6,972	-	-	-
Common stock for cash at $0.21 per share	2,416,664	2,417	505,083	-	-	-
Common stock issued for note payable at $0.21 per share	714,285	714	149,286	-	-	-
Common stock issued for services at $0.42 per share	30,952	31	12,969	-	-	-
Common stock issued in conversion of notes payable at $0.27 per share	1,151,094	1,151	309,645	-	-	-
Common stock issued for services at $0.31 per share	25,806	26	7,974	-	-	-
Common stock issued to a director for extraordinary services at $0.35 per share	40,000	40	13,960	-	-	-
Common stock issued for cash at $0.375 per share	666,666	667	249,333	-	-	-
Common stock issued for board comp. at $0.29 per share	131,024	131	37,869	-	-	-
Accrued interest on note receivable	-	-	-	-	(19,089)	-
Payment on note receivable and accrued interest	(50,000)	(50)	(26,050)	43,139	17,628	-
Stock based compensation-employee options	-	-	74,263	-	-	-
Accrued stock based compensation	-	-	15,833	-	-	-
Net loss for the year						

ended June 30, 2010	-	-	-	-	-	(1,402,731)
Balance, June 30, 2010	31,819,385	$ 31,819	$ 58,339,476	$ (395,067)	$ (1,461)	$ (56,045,951)

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

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AMERITYRE CORPORATION
Statements of Stockholders' Equity

	Common Stock					
	Shares	Amount	Additional Paid-in Capital	Notes Receivable	Accrued Interest	Accumulated Deficit
Balance, June 30, 2010	31,819,385	$ 31,819	$ 58,339,476	$ (395,067)	$ (1,461)	$ (56,045,951)
Common stock issued to director for extraordinary services at $0.36 per share	25,000	25	8,975	-	-	-
Common stock issued for services at$0.35 per share	142,856	143	49,857	-	-	-
Common stock issued for services at $0.38 per share	76,482	76	28,987	-	-	-
Common stock issued for board compensation at $0.29 per share	158,608	159	45,837	-	-	-
Common stock issued for services at $0.29 per share	5,000	5	1,445	-	-	-
Common stock issued for employment settlement at $0.29 per share	68,966	69	19,931	-	-	-
Common stock issued for employment settlement at $0.27 per share	75,000	75	20,175	-	-	-
Accrued interest on note receivable	-	-	-	-	(4,343)	-
Payment on note receivable and accrued interest	(120,000)	(120)	(42,080)	51,830	5,804	-
Reversal of previously recorded stock based compensation	-	-	(15,829)	-	-	-
Accrued stock based compensation	-	-	43,932	-	-	-
Net loss for the year ended June 30, 2011	-	-	-	-	-	(841,133)
Balance, June 30, 2011	32,251,297	$ 32,251	$ 58,500,707	$ (343,238)	$ -	$ (56,887,084)

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

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AMERITYRE CORPORATION
Statements of Cash Flows

	For the Years Ended June 30, 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$ (841,133)	$ (1,402,731)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation & amortization expense	238,251	264,793
Change in allowance for bad debt	(178,400)	(41,650)
Loss on sale or impairment of assets	(5,237)	3,118
Common stock issued/accrued for services	49,617	118,000
Accrued stock based compensation	49,314	63,000
Gain on settlement of accrued liability	(110,000)	-
Amortization of debt issuance cost	41,478	-
Stock-based compensation expense related to employee options	43,932	74,263
Changes in operating assets and liabilities:		
(Increase)/Decrease in accounts receivable	60,574	51,911
(Increase)/Decrease in prepaid and other current assets	(52,600)	1,825
(Increase)/Decrease in other assets	-	125,289
(Increase)/Decrease in accrued interest	(4,410)	(1,461)
(Increase)/Decrease in inventory and change in inventory reserve	(140,893)	58,859
(Decrease) Increase in accounts payable and accrued expenses	249,711	(122,964)
Net Cash Used by Operating Activities	(599,796)	(807,748)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for patents and trademarks	5,099	(7,710)
Proceeds from the sale of property and equipment	6,000	-
Purchase of property and equipment	(118,435)	(81,578)
Net Cash Used by Investing Activities	(107,336)	(89,288)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the sale of common stock and warrants	-	757,499
Proceeds from the sale of convertible note	755,800	-
Cash received on note receivable	15,500	24,725
Cash received on convertible notes payable	-	150,000
Net Cash Provided by Financing Activities	771,300	932,224
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	64,168	35,188
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	63,822	28,634
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 127,990	$ 63,822

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

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AMERITYRE CORPORATION
Statements of Cash Flows

	For the Years Ended June 30, 2011	2010
SUPPLEMENTAL SCHEDULE OF CASH FLOW ACTIVITIES		
CASH PAID FOR:		
Related party interest payment	$ -	$ 33,716
Income taxes	$ -	$ -

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

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AMERITYRE CORPORATION
Notes to the Financial Statements
June 30, 2011 and 2010

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization

Amerityre Corporation, (the "Company") was incorporated under the laws of the State of Nevada on January 30, 1995, under the name American Tire Corporation. The Company was organized to take advantage of existing proprietary and non-proprietary technology available for the manufacturing of specialty tires. The Company engages in the manufacturing, marketing, distribution and sales of "flatfree" specialty tires and tire-wheel assemblies and currently is manufacturing these tires at its manufacturing facility located in Boulder City, Nevada. During the year ended June 30, 2001, the name of the Company was changed to Amerityre Corporation.

b. Accounting Method

The Company's financial statements are prepared using the accrual method of accounting. The Company has elected a June 30 year-end.

c. *Reclassifications*

Prior period amounts have been adjusted to conform to the current year presentation.

d. Basic and Fully Diluted Net Loss Per Share

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

	2011	2010
Loss (numerator)	$ (841,133)	$ (1,402,731)
Shares (denominator)	32,064,182	30,035,266
Per share amount	$ (0.03)	$ (0.05)

The Company's outstanding stock options and warrants have been excluded from the basic net loss per share calculation. The Company excluded 225,000 and 844,780 common stock equivalents for the years ended June 30, 2011 and 2010, respectively because they are anti-dilutive.

e. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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AMERITYRE CORPORATION
Notes to the Financial Statements
June 30, 2011 and 2010

f. Income Taxes

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. Net deferred tax assets consist of the following components as of June 30, 2011 and 2010:

	2011	2010
Deferred tax assets:		
NOL Carryover	$ 17,459,069	$ 17,118,518
Contribution Carryover	-	68
Deferred Revenue	-	24,375
Allowance for Doubtful Accounts	22,998	92,574
Related Party Accruals	24,375	-
Accrued Compensation	46,508	58,500
Inventory Reserve	17,564	17,782
R & D Carryover	195,374	195,374
Accrued Vacation	(3,833)	-
Deferred tax liabilities		
Depreciation	(235,115)	(140,375)
Valuation allowance	(17,526,940)	(17,366,816)
Net deferred tax asset	$ -	$ -

The income tax provision differs from the amount of income tax determined by applying the U.S. federal income tax rate to pretax income from continuing operations for the years ended June 30, 2011 and 2010 due to the following:

	2011	2010
Book Income	$ (328,042)	$ (547,065)
Depreciation	(30,685)	21,292
Meals & Entertainment	2,176	1,920
Stock for Services	78,940	99,553
Accrued Vacation	3,833	-
Related party expenses	-	(6,146)
Deferred Revenue	-	21,728
Inventory Reserve	(218)	1,261
Receivable reserve	(69,576)	(16,244)
Loss on Asset Disposal	(38)	(71)
Accrued Compensation	(11,993)	-
Accrued Liability Settlement	42,900	-
Valuation allowance	312,703	423,772
	$ -	$ -

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AMERITYRE CORPORATION
Notes to the Financial Statements
June 30, 2011 and 2010

At June 30, 2011, the Company had net operating loss carry-forwards of approximately $44,876,800 that may be offset against future taxable income from the year 2011 through 2031. No tax benefit has been reported in the June 30, 2011 financial statements since the potential tax benefit is offset by a valuation allowance of the same amount. Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carry-forwards for Federal income tax reporting purposes are subject to annual limitations. Should a change in ownership occur, net operating loss carry-forwards may be limited as to use in future years.

ASC 740 requires a company to determine whether it is more likely than not that a tax position will be sustained upon examination based on the technical merits of the position. If the more-likely-than-not threshold is met, a company must measure the tax position to determine the amount to recognize in the financial statements. As a result of the implementation of ASC 740, the Company performed a review of its material tax positions in accordance with recognition and measurement standards established by ASC 740.

The Company files income tax returns in the U.S. federal jurisdiction, and in Utah. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2007.

We adopted the provisions of Accounting Standards Codification 740, *Income Taxes (ASC 740)*, on January 1, 2007. The Company's policy is to recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. As of June 30, 2011 the Company had no accrued interest or penalties related to uncertain tax positions.

g. 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.

	2011	2010
Raw Materials	$ 228,580	$ 119,658
Finished Goods	467,641	463,660
Total Inventory	$ 696,221	$ 583,228

We had an inventory reserve amount of $45,036 and $45,595 recorded as of June 30, 2011 and 2010, respectively, for items that were deemed to be slow moving based on an analysis of all inventories on hand.

h. Property and Equipment

Property and equipment are stated at cost. Expenditures for small tools, ordinary maintenance and repairs are charged to operations as incurred. Major additions and improvements are capitalized. When we retire or dispose of assets, the costs and accumulated depreciation or amortization are removed from the respective accounts and we recognize any related gain or loss. Repairs and maintenance are charged to expense when incurred. Major replacements that substantially extend the useful life of an asset are capitalized and depreciated. Depreciation is computed using the straight-line method over estimated useful lives as follows:

Leasehold improvements	5 years, or over lease term
Equipment	5 to 10 years
Furniture and fixtures	7 years
Automobiles	5 years
Software	3 years

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AMERITYRE CORPORATION
Notes to the Financial Statements
June 30, 2011 and 2010

Depreciation expense for the years ended June 30, 2011 and 2010 was $208,874 and $231,610, respectively.

i. Revenue Recognition

Revenue for products is recognized when the sales amount is determined, shipment of goods to the customer has occurred and collection is reasonably assured. Generally, we ship all of our products FOB origination. License fee revenue is recognized as earned, and no revenue is recognized until the inception of the license term.

j. Patents and Trademarks

Patent and trademark costs have been capitalized at June 30, 2011, totaling $741,676 with accumulated amortization of $199,850 for a net book value of $541,826. Patent and trademark costs capitalized at June 30, 2010 totaled $746,775 with accumulated amortization of $170,474 for a net book value of $576,301. 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 being amortized. Amortization will begin once the patents have been issued. Included in the total patent and trademark costs are $235,769 of patent and trademark costs pending that are not currently being amortized. Amortization expense for the years ended June 30, 2011 and 2010 was $29,377 and $33,183 respectively. The Company evaluates the recoverability of intangibles and reviews the amortization period on a continual basis utilizing the guidance of Accounting Standards Codification 350, *Intangibles – Goodwill and Other* (ASC 350). Several factors are used to evaluate intangibles, including, but not limited to, management's plans for future operations, recent operating results and projected, undiscounted cash flows.

The estimated amortization expense, based on current intangible balances, for the next five fiscal years beginning July 1, 2011 is as follows:

2012	$	29,278
2013	$	28,722
2014	$	28,610
2015	$	28,610
2016	$	28,610

k. Advertising

The Company follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the years ended June 30, 2011 and 2010 was $5,876 and $26,394, respectively.

l. Stock Based-Compensation Expense

Since July 2005, we account for stock-based compensation under the provisions of Accounting Standards Codification 718, *Compensation – Stock Compensation* (ASC 718), formerly SFAS 123(R). Our financial statements as of and for the fiscal years ended June 30, 2011 and 2010 reflect the impact of ASC 718. Stock-based compensation expense recognized under ASC 718 for the fiscal years ended June 30, 2011 and 2010 was $43,932 and $74,263, respectively, related to employee stock options.

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 fiscal years ended June 30, 2011 and 2010 assume all awards will vest, therefore no reduction has been made for estimated forfeitures.

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m. Recent Accounting Pronouncements

On July 1, 2009, the FASB issued the FASB Accounting Standards Codification (the "Codification"). The Codification became the single source of authoritative nongovernmental U.S. GAAP, superseding existing FASB, American Institute of Certified Public Accountants ("AICPA"), Emerging Issues Task Force ("EITF") and related literature. The Codification eliminates the previous US GAAP hierarchy and establishes one level of authoritative GAAP. All other literature is considered non-authoritative. However, rules and interpretive releases of the Securities Exchange Commission ("SEC") issued under the authority of federal securities laws will continue to be sources of authoritative GAAP for SEC registrants. The Codification was effective for interim and annual periods ending after September 15, 2009. The Company adopted the Codification for the quarter ending September 30, 2009. There was no impact to the financial results as this change is disclosure-only in nature.

In the first quarter of 2010, the FASB issued ASU 2010-09, Subsequent Events: Amendments to Certain Recognition and Disclosure Requirements (ASU 2010-09). ASU 2010-09 amends ASC 855, Subsequent Events, so that SEC filers are no longer required to disclose the date through which subsequent events have been evaluated in financial statements. We adopted the provisions of ASU 2010-09 in the first quarter of 2010. This adoption did not affect our financial statements.

n. 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.

o. Trade Receivables

We generally charge-off trade receivables that are more than 120 days outstanding as bad-debt expense, unless management believes the amount to be collectable. The charge-off amounts are included in selling, general and administrative expenses. For the fiscal year ended June 30 2011, our bad debt expense was $36,693. During the fiscal year ended June 30, 2010, we recovered a portion of a bad debt expense previously accounted as uncollectable producing a bad debt recovery for the period. For the fiscal year ended June 30, 2010, our bad debt recovery was $17,103.

p. Equity Securities

Equity securities issued for services rendered have been accounted for at the fair market value of the securities on the date of authorization.

q. Concentrations of Risk

The Company maintains several accounts with financial institutions. Currently, the accounts are insured by the Federal Deposit Insurance Corporation up to $250,000.

Credit losses, if any, have been provided for in the financial statements and are based on management's expectations. The Company's accounts receivable are subject to potential concentrations of credit risk. The Company does not believe that it is subject to any unusual risks or significant risks in the normal course of its business.

We have two customers who accounted for 37% and 31% of our sales for the years ended June 30, 2011 and 2010, respectively.

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r. Valuation of Options and Warrants

The valuation of options and warrants granted to unrelated parties for services are measured as of the earlier of (1) the date at which a commitment for performance by the counterparty to earn the equity instrument is reached, or (2) the date the counterparty's performance is complete. The options and warrants will continue to be revalued in situations where they are granted prior to the completion of the performance.

s. Sales Tax

In accordance with FASB ASC 605-45, formerly EITF Issue No. 06-3, *How Taxes Collected From Customers and Remitted to Government Authorities Should be Presented in the Income Statement*, the Company accounts for sales taxes and value added taxes imposed on its good and services on a net basis in the consolidated statement of operations.

t. Cash and Cash Equivalents

We consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTE 2 – COMMITMENTS AND CONTINGENCIES

In April 2011, we negotiated an extension to the lease for our executive and manufacturing facilities located at 1501 Industrial Road, Boulder City, Nevada. The property consists of a 49,200 square-foot building, which includes approximately 5,500 square-feet of office space, situated on approximately 4.15 acres. The one year lease extension commenced on June 15, 2011and the base rent will remain at $15,000 per month. All other terms and conditions of the building lease will remain in effect

Effective April 24, 2009, the Company's board of directors terminated the employment agreement between the Company and its President and Chief Executive Officer, Gary N. Benninger. Mr. Benninger's employment agreement had an expiration date of August 31, 2009. Mr. Benninger's employment agreement provided for termination payments and related accrued benefits. On December 1, 2010, the Company negotiated a settlement with Mr. Benninger which resulted in the issuance of 68,966 shares of restricted common stock and a cash payment of $20,000. The shares issued were valued at approximately $20,000 based on the closing price of $0.29 per share on December 1, 2010, the date of board approval.

Also in April 2009, the Company terminated the consulting agreements between the Company and Richard A. Steinke and Manuel Chacon, who had been providing the Company with technology development and chemical formulating services, respectively. Each consulting agreement had an expiration date of August 31, 2009. The consulting agreements did not have a provision for early termination. At June 30, 2009, the Company provided for the contingent liability.

NOTE 3 – STOCK TRANSACTIONS

During the year ended June 30, 2011, the Company had the following stock transactions:

In August 2010, the Company issued 25,000 shares of restricted common stock to a board member for extraordinary services on behalf of the Company. The value of the shares was $9,000 based on the closing price of $0.36 per share on the date of board approval.

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During September 2010, the Company issued 142,856 shares of common stock to outside consultants for services rendered in connection with the private placements of the convertible notes payable. The value of the shares was $50,000 based on the closing price of $0.35 per share on the date of board approval.

Also in September 2010, the Board of Directors approved a grant of 39,474 shares of the Company's restricted common stock to the Chief Financial Officer Anders Suarez, and 37,008 shares of the Company's restricted common stock to the Chief Operating Officer as payment of earned performance bonuses in connection with their respective employment agreements. The value of the shares was $29,063 based on the closing price of $0.38 per share on the date of board approval.

In December 2010, the Company issued an aggregate of 141,368 shares of its restricted common stock to our non-employee directors as compensation for their services as members of our board of directors for the period June through November 2010. The aggregate value of the shares was $40,997, based on the closing price of $0.29 per share on the date of board approval. The Company also issued 17,240 shares of its restricted common stock to the Chairman of our Audit Committee as compensation for his services as Chairman for the period June through November 2010. The aggregate value of the shares was $5,000, based on the closing price of $0.29 per share on the date of board approval.

During December 2010, the Company issued 5,000 shares of common stock to an outside consultant for services rendered in connection with a government grant. The value of the shares was $1,450 based on the closing price of $0.29 per share on the date of board approval.

Also in December 2010, the Company issued 68,966 shares of common stock to a former employee as part of an employment settlement. The value of the shares was $20,000 based on the closing price of $0.29 per share on the date of board approval.

In May 2011, the Board of Directors approved a grant of 75,000 shares of the Company's restricted common stock to a former employee as part of a severance agreement. The value of the shares was $20,250 based on the closing price of $0.27 per share on the date of board approval.

During the fiscal year ended June 30, 2011, the Company received 120,000 shares of our restricted common stock as part of the monthly installment payment related to the note receivable outstanding. The shares were returned to the Company for cancellation and included in the Company's authorized and unissued shares.

NOTE 4 – STOCK OPTIONS AND WARRANTS

General Option Information

In July 2010, the Compensation Committee and the Board of Directors approved the grant of stock option awards to our Chief Executive Office, Michael Kapral (200,000), our Chief Financial Officer, Anders Suarez (100,000), our Chief Operating Officer, James Moore (100,000), and our Chemical Technician, Stephen Harold (50,000). The options are subject to vesting provisions such that one-half of the options are to vest only upon realization of the first profitable fiscal quarter (without including the expense related to the issuance of the options), with the remaining one-half vesting upon realization of a minimum cumulative profit (4 consecutive profitable fiscal quarters) of $500,000. The vesting is also contingent on continuing employment. The options are exercisable for three years at an exercise price of $0.50 per share. The options granted to the aforementioned CEO and CFO were cancel upon their separation of employment.

In July 2010, the Board of Directors also approved a grant of 50,000 stock options to each of our seven non-employee directors. The options are subject to vesting provisions such that the options are to vest only upon realization of the first profitable fiscal quarter (without including the expense related to the issuance of the options).

The vesting is also contingent on service as a director for the period July 1, 2010 through June 30, 2011. The options are exercisable for three years at an exercise price of $0.50 per share.

During the fiscal year ended June 30, 2010, we did not issue any options.

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We use the Black-Scholes model to value stock options. The Black-Scholes model requires the use of employee exercise behavior data and the use of a number of assumptions including volatility of our stock price, the weighted average risk-free interest rate, and the weighted average expected life of the options. Because we do not pay dividends, the dividend rate variable in the Black-Scholes model is zero. We estimated the fair value of the stock options at the grant date based on the following weighted average assumptions:

	2011	2010
Risk free interest rate	1.01%	N/A
Expected life	3.0 Years	N/A
Expected volatility	84.23%	N/A
Dividend yield	0.00%	N/A

A summary of the status of our outstanding stock options as of June 30, 2011 and June 30, 2010 and changes during the periods then ended is presented below:

	June 30, 2011		June 30, 2010	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding beginning of period	325,000	$ 2.54	4,060,000	$ 6.48
Granted	800,000	$ 0.50	-	-
Expired/Cancelled	(450,000)	$ 0.83	(3,735,000)	$ 6.79
Exercised	-	-	-	-
Outstanding end of period	675,000	$ 1.26	325,000	$ 2.54
Exercisable	225,000	$ 2.79	250,000	$ 2.74

The following table summarizes the range of outstanding and exercisable options as of June 30, 2011:

	Outstanding			Exercisable	
Range of Exercise Prices	Number Outstanding at June 30, 2011	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at June 30, 2011	Weighted Average Remaining Contractual Life
$ 0.50	450,000	2.02	$ 0.50	0	2.02
$ 1.79	125,000	1.87	$ 1.79	125,000	1.87
$ 4.04	100,000	1.12	$ 4.04	100,000	1.12
	675,000			225,000	

As of June 30, 2010, the unrecognized stock-based compensation related to stock options was $67,501. At June 30, 2011, there was no unrecognized stock-based compensation related to stock options.

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NOTE 5 - GOING CONCERN

Our financial statements are prepared using generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. We have historically incurred significant losses which have resulted in a total retained deficit of $56,887,084 at June 30, 2011 which raises substantial doubt about our ability to continue as a going concern. The accompanying financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result from the outcome of this uncertainty.

We have taken certain steps to reduce our operating and financial requirements while expanding our revenues in an effort to enable us to continue as a going concern until such time that revenues are sufficient to cover expenses, including: (1) we implemented numerous cost reduction measures, including reduced officer and board compensation, beginning in 2009 fiscal year. We continue to reduce our overall selling, general and administrative expenses throughout the 2011 fiscal year; (2) we continue to revise the selling prices for our products to adjust for raw material increases to our customers; (3) we re-focused our sales and marketing efforts on two product areas with products already in production, low duty cycle foam tires and solid tires and expect to continue to expand sales in both product areas during the 2011 fiscal year. We expect the increase in revenues from the expanded commercialization activities should reduce net loss in the near term and move us closer to profitability.

To supplement our cash needs during fiscal 2011, in September 2010, we completed a private placement of convertible promissory notes for aggregate proceeds of $755,800. In connection with the preparation of our financial statements for the year ended June 30, 2011, we have analyzed our cash needs for fiscal 2012. Based on this analysis, we concluded that our available cash should be sufficient to meet our current minimum working capital, capital expenditure and other cash requirements for fiscal 2012. We may also issue common stock in lieu of cash as compensation for certain employment, development, and other professional services. However we believe we may need additional capital if our sales revenues do not meet our expectations. In any case, we will most likely need additional capital to fully implement our business plans. If necessary, we may seek to raise additional capital through the issuance of debt or equity securities. Our ability to obtain financing through the offer and sale of our securities is subject to market conditions and other factors beyond our control.

Our ability to continue as a going concern is dependent upon our ability to successfully accomplish the plan described above, and attain profitable operations.

The accompanying financial statements do not include any adjustments that might be necessary should we be unable to continue as a going concern.

NOTE 6 – NOTE RECEIVABLE

In June 2007, we issued 200,000 shares of common stock in connection with the exercise of 200,000 options at an exercise price of $4.00 per share for aggregate proceeds of $200,000 in cash and an additional two (2) notes in the amount of $300,000 each. The notes were payable in equal annual installments over a 3 year period and bear interest at 8.5% per annum. In December 2008, the original notes were replaced with a single note in the amount of $439,502. The note was payable in four (4) equal installments and bear interest of 4.5% per annum, together with accrued interest, commencing on November 30, 2009. A forbearance agreement, signed in December 2009, modified the November 30, 2009 payment to include the payment of unpaid interest plus monthly installments of $7,500 through October 2010 with a balance payment of $27,500 plus accrued interest due on November 1, 2010 which has been received. During October 2010 and November 2010 we received 20,000 shares each month of our restricted common stock as part of the monthly installment related to our note receivable. In November 2010 we also received 80,000 shares of our restricted common stock as final payment for the forbearance agreement dated December 2009.The shares were returned to the company for cancellation and included in the company authorized and unissued shares. Payment of the remaining balance of $343,238 has been renegotiated with interest-only monthly installment payments beginning January 1, 2011 and five annual principal payments of approximately $69,000 due beginning December 1, 2011. This note receivable has been included in the stockholders' equity section until the shares issued have been paid in full. The interest and principal payments are only to be made in cash.

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NOTE 7 – CONVERTIBLE NOTES PAYABLE

On September 3, 2010, we closed a private placement of secured convertible promissory notes (the "Notes"). We sold an aggregate of $755,800 in Notes. The Notes are for a term of one year with simple interest of 6%. The Notes are convertible at the holders' option to our common stock at a conversion rate of $0.35 per share. If the holder elects such conversion, for each two shares in the conversion, the holder shall also receive one warrant to purchase an additional share, exercisable at $0.60 per share for an exercise period of 2 years from the date of conversion. No officers, directors or affiliates of the Company participated in the private placement. The Notes were sold pursuant to subscription documents between the Company and each investor. In connection with the private placement of secured convertible promissory notes, on September 15, 2010, the Company issued 142,856 shares of restricted common stock as finders' fees.

NOTE 8 – SUBSEQUENT EVENTS

On July 6, 2011, the Board of Directors cancelled the "2004 Non-Employee Directors' Stock Incentive Plan" and approved the "Directors' 2011 Stock Option and Award Plan" (the "2011 Plan"). The Board of Directors also authorized a total of 3,300,000 shares for the 2011 Plan. Under the terms of the 2011 Plan, each director was granted options to purchase 300,000 shares at that day's closing price of $0.17 per share. These options will vest over three years as follows, 100,000 on June 30, 2012; 100,000 June 30, 2013; and 100,000 on June 30, 2014. These options expire two years after vesting. The Board member who serves as the Audit Committee Chairperson during the fiscal year will also receive an addition 50,000 options per year under the same terms and conditions.

During September 2011, the secured convertible promissory notes (the "Notes", see Note 7) matured and note holders elected to either redeem the note for cash, convert the note to common stock or to extend the terms of the note. Of the total $755,800 in notes, $87,500 were redeemed for cash; $180,800 were converted to common stock; and $487,500 were extended to December 15, 2011, under the same terms and conditions. In addition, at the maturity date, all note holders were paid the accrued interest due on each note, which in the aggregate amounted to $45,438.

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