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CROWN ENERGY CORP
Form 10-K
April 15, 2003

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO
SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

Commission File Number 0-19365

CROWN ENERGY CORPORATION

(Exact name of registrant as specified in its charter)

Utah

87-0368981

(State or other jurisdiction of
incorporation or organization)

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

1710 West 2600 South
Woods Cross, Utah

84087

(Address of principal executive offices)

(Zip Code)

801-296-0166

(Registrant's telephone number, including area code)

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

Title of each class

Name of each exchange on which registered

None

None

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

Common Stock, Par Value \$0.02

(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (ss. 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

State the aggregate market value of the voting and nonvoting common equity held by nonaffiliates computed by reference to the price at which the common equity

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was last sold, or the average bid and asked prices of such common equity, as of last business day of the registrant's most recently completed second fiscal quarter. As of June 30, 2002, the aggregate market value of the voting and nonvoting common equity held by nonaffiliates of the issuer was \$589,716 using the average bid and asked prices for registrant's common stock.

Indicate the number of shares outstanding of each of the registrant's classes of common equity, as of the latest practicable date. As of March 17, 2003, registrant had outstanding 26,482,388 shares of its common stock, par value \$0.02.

DOCUMENTS INCORPORATED BY REFERENCE: None.

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PART I

ITEM 1. BUSINESS

General

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Crown Energy Corporation, headquartered in Woods Cross, Utah, manufactures and distributes asphalt paving and related products from facilities in Utah, Arizona, Nebraska and Wyoming.

For the years ended December 31, 2002, 2001 and 2000, we reported revenues, primarily from our asphalt manufacturing and distribution operations, of \$18.0 million, \$27.0 million and \$22.8 million respectfully.

During 2002, we continued the manufacturing and distribution of liquid asphalt and attained a total sales volume of roughly 92,300 tons. Our sales volume and revenue for 2002 were constrained by the lack of working capital that limited the purchase of base asphalt and blend components for sale. Cash flow and operational costs were carefully monitored to allow for the maximization of the limited working capital available. In an ongoing effort to further preserve working capital, the administrative offices were relocated to the Woods Cross facility and a reduction in staff size for nonessential personnel was made.

During 2002, we resolved disputes with MCNIC Pipeline and Processing Company that grew out of our joint formation of Crown Asphalt Ridge, L.L.C. in 1997 and Crown Asphalt Distribution, L.L.C. in 1998. These disputes led to an arbitration proceeding with MCNIC in which a ruling adverse to us was rendered in late 2001.

In an effort to settle the arbitration award, the parties entered into an agreement on March 8, 2002, in which we assigned all of our interest in Crown Asphalt Ridge to MCNIC and agreed not to compete in certain tar sands activities in the western United States in consideration of a conveyance to us of an overriding royalty in Crown Asphalt Ridge's lands, leases and oil sand processing facility, MCNIC's forgiveness of indebtedness due from us, and MCNIC's payment of certain third-party obligations.

On October 16, 2002, we and MCNIC, along with all other parties to the arbitration, executed a settlement agreement to settle fully all claims and liabilities among us. Under the settlement agreement, we conveyed to MCNIC all of our interests in overriding royalty assigned March 8, 2002, and in the lands, leases and oil sand processing facility at the Asphalt Ridge project in Vernal, Utah, and MCNIC agreed to assign its interest in Crown Asphalt Distribution, L.L.C., including approximately \$30.1 million in Company obligations. We no longer own an interest in Crown Asphalt Ridge, L.L.C. or any of the properties at the Asphalt Ridge project. As a result of this settlement, we realized a gain of approximately \$30.1 million, calculated as the amount by which the sum of our liabilities cancelled exceeded our cost for the assets conveyed, which was recorded as an extraordinary gain on extinguishment of debt. Notwithstanding this significant reduction in our liabilities, we continue to have very limited operating and working capital.

In order for us to meet our obligation for funding Crown Asphalt Ridge, L.L.C., in 1997 we sold to an unrelated third party for \$5.0 million in cash 500,000 shares of \$10 Series A Cumulative Convertible Preferred Stock and a warrant to purchase at \$0.002 per share an amount equal to 8% of the shares of common stock then outstanding and reserved for issuance, or approximately 925,771 shares. In February 2002, the Series A Preferred Stock, the warrant, and all associated rights were purchased from the original holder by Manhattan Goose, LLC, which was then owned 32.5% by Jay Mealey, our Chief Executive Officer, President and a director, and 67.5% by other directors and unrelated

parties. During 2002, we paid accrued dividends on the Series A Preferred Stock of \$400,000 in cash and \$200,000 in 13,793,103 shares of common stock, or at

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\$0.0145 per share, the approximate market price on the date of payment. In November 2002, Jay Mealey acquired the other 67.5% membership interests in Manhattan Goose and simultaneously conveyed all membership interests to the Mealey Family Limited Partnership, which is the current holder of the Series A Preferred Stock, the warrant, all associated rights, and accrued dividends. Mr. Mealey owns 48.5% of the Mealey Family Limited Partnership and is its general partner and his immediate family is its beneficiary.

As of December 31, 2002, there were dividends payable to the holder of the Series A Preferred Stock of \$1.0 million that may, at the election of the holder of the Series A Preferred Stock, be taken in cash or common stock. At the market price of \$0.018 per share as of March 28, 2003, approximately 55.6 million shares of common stock would have to be issued to satisfy the dividend payable. The Series A Preferred Stock is convertible to 4,285,000 shares of common stock, if so elected by the holder of the Series A Preferred Stock.

As of December 31, 2002, we had a working capital deficit of \$180,000, an accumulated deficit of \$3.5 million, and stockholders' equity attributable to the common stock of \$1.1 million. Our auditor's report on our financial statements for the year ended December 31, 2002, as for prior years, contained an explanatory paragraph about our ability to continue as a going concern. We continue to suffer from shortages of working capital needed to optimize operating economies. Further, our operating history and the prevailing current conditions in the investment markets generally have made it difficult to obtain outside equity capital. Given our financial condition, generally, outside working capital funding requires personal guarantees, and our officers and directors have been unwilling to provide such guarantees for our benefit as a publicly-held company. The market price for our common stock has ranged from a low of \$0.008 to a high of \$0.055 during 2002, closing on March 28, 2003, at \$0.018 per share. Finally, we have reviewed the costs required to meet regulatory and stockholder requirements associated with being a publicly-held company subject to the periodic reporting, proxy and other requirements under the Securities Exchange Act along with the increased cost of insurance and other burdens we believe result from the enactment of the Sarbanes-Oxley Act of 2002, particularly for a small company such as us.

In view the foregoing, in March 2003, our board of directors, which includes affiliates of our principal stockholders, authorized management to investigate available alternatives for a so-called "going private" transaction, with the effect that we would become privately held by our current principal stockholders, subject to satisfying various regulatory requirements. This investigation will include a review of available alternatives and their related legal, financial, regulatory and related considerations. In connection with that investigation, management may seek a third-party valuation of our Company and the interests of our minority stockholders from a financial point of view. We cannot give any assurance of when or if a going private transaction will take place or describe the terms on which such a transaction might occur.

When we use the terms "we" and the "Company" in this document, we include, unless otherwise noted, the entities through which we conduct our activities, consisting of our wholly-owned subsidiaries Crown Asphalt Products Company, or CAPCO, and Crown Asphalt Distribution, L.L.C., or Crown Asphalt Distribution, and a 67% interest in Cowboy Asphalt Terminal, L.L.C., or CAT, LLC. Another subsidiary, Crown Asphalt Corporation, or CAC, previously became inactive and terminated its existence December 31, 2002. Our consolidated financial statements and results of operation include the accounts and results of operations of CAPCO, CAC, Crown Asphalt Distribution and CAT, LLC.

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The Paving Asphalt Manufacturing and Distribution Industry

The liquid paving asphalt industry is a 30 million ton per year market. The industry is segmented into commodity asphalt, performance-grade (performance grade asphalt) and asphalt emulsions and maintenance products. The commodity asphalt segment is by far the largest comprised of private construction projects (parking lots, driveways, etc.) and much of the minor city and county road projects. The liquid asphalt used by this segment generally has few quality or performance specifications and is served by refined sand asphalt wholesalers. The performance-grade asphalt segment is comprised of interstate highways and larger state highways and city/county roads. The liquid asphalt used in this segment must meet very stringent performance standards and requires the blending of asphalt with other asphalts, additives and modifiers to meet the product specification. This segment is our primary focus. The asphalt emulsions/maintenance segment is also growing as states and other agencies implement pavement maintenance programs to rehabilitate and extend the life of existing roads. We manufacture a broad slate of products to serve this segment of the asphalt industry.

The paving asphalt business is seasonal and quite weather dependent. In areas served by us, paving is generally limited to the warmer months, typically extending from May through October. During the other colder months of the year, virtually no construction occurs and therefore demand for liquid asphalt is low.

Asphalt is the residual product left after heavy crude oils are refined to make gasoline, diesel and other petrochemical products. Even though demand for asphalt is seasonal, the supply is continuous as refiners process crude oil into gasoline and diesel all year. Most refineries have limited tank capacity to store product and must therefore sell the refined asphalt throughout the year. These dynamics generally lead to an oversupply of asphalt during the colder months, which typically leads to much lower asphalt prices during those colder months. In order to take advantage of the lower winter prices, the liquid asphalt must be purchased and stored until the paving season starts. Tank storage capacity at terminals such as those owned/operated by us is necessary to benefit from winter-fill asphalt pricing.

The large volume of inventory placed into storage tanks and the long period between purchase and sale consumes a significant amount of working capital. Manufacturing performance-grade asphalt and asphalt emulsions requires highly-trained and experienced operating personnel, which allows only some of the labor force to be employed on a seasonal basis. In addition, operations continue throughout the year to receive and transfer asphalt inventory. These ongoing operational expenses also demand large amounts of working capital during the off-season months.

Asphalt manufacturers such as us sell liquid asphalt to paving contractors that add liquid asphalt to aggregates such as rock, gravel or sand at a high temperature in hot-mix asphalt equipment to make the paving product generally referred to as "asphalt." Liquid asphalt suppliers distribute the product as either a direct sale (primarily non-highway projects) or as a subcontractor to the paving contractors that are awarded projects by federal, state and local agencies after a bid process.

The asphalt industry is very competitive, both within the industry with other manufacturing/distribution companies and as an industry competing for road projects with other paving products such as concrete. The industry is dependent on tax-based funding from the federal, state and local governments through road and highway budgets. As such, the industry is driven by the economy at both national and regional levels.

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Our Business

We focus primarily on the performance-grade asphalt and emulsion/maintenance segments of the liquid asphalt industry. We have approximately 75,000 tons of asphalt tank storage at our facilities. Given adequate working capital availability, we prefer to purchase enough asphalt inventory from November through April to fill the storage tanks and benefit from the approximate \$30 to \$50 per ton price advantage relative to purchasing inventory in the summer months. We purchase the base asphalt inventory from refineries and transport it to our facilities via rail and truck. The material is unloaded and stored until needed during the asphalt paving season.

We manufacture finished liquid asphalt products by blending the base asphalt inventory from the storage tanks with other additives, chemicals and modifiers to meet the various product specifications. Our products are sold to paving contractors that mix it with aggregate (rock and gravel) to make a hot mix asphalt pavement or directly to customers for pavement maintenance.

For the majority of our business, we submit sealed bids to contractors, who in turn bid for road and highway projects, for most of our business. We also have direct sales to contractors, states, counties and cities for some of our business. As of March 31, 2003 and 2002, we had pending and signed contracts to sell approximately 90,000 tons of liquid asphalt.

Crown Asphalt Ridge

In August 1997, we formed Crown Asphalt Ridge, L.L.C. with MCNIC to construct, own and operate an asphalt oil sand production facility at Asphalt Ridge near Vernal, Utah. In July 1998, we (through our CAPCO subsidiary) and MCNIC formed as a second joint venture, Crown Asphalt Distribution, to acquire the inventory and assets of Petro Source Asphalt Company, an unrelated Texas corporation. By completing this acquisition, we acquired ownership or leasehold interests in certain performance asphalt product manufacturing and distribution facilities located in Utah, Arizona, Colorado and Nevada. Our strategy was to produce asphalt from oil sands at the Asphalt Ridge facility and to manufacture and market performance-grade asphalt products with the facilities acquired from Petro Source.

During the start-up of the Asphalt Ridge facility, mechanical and process difficulties were experienced that affected asphalt recoverability and, in turn, production economics. Significant additional capital investment would have been required to modify the facility in order for it to achieve commercial production, but the full feasibility and cost of such modifications were unknown. We did not have and did not expect that we would have the financial resources to participate in additional capital contributions. Disputes arose between us and our affiliates on the one hand and MCNIC and its affiliates on the other, which led to the initiation of litigation and arbitration proceedings in which an arbitration ruling adverse to us was rendered in late 2001.

The Asphalt Ridge facility never achieved commercial asphalt production and all substantial activities to initiate production were terminated in approximately 2000.

During 2002, we settled all of our disputes with MCNIC under agreements in which we conveyed to MCNIC all of our interests in Crown Asphalt Ridge, L.L.C. and the Asphalt Ridge project, MCNIC agreed to forgive an aggregate of approximately \$30.1 million in obligations that we owed, and we retained all of Crown Asphalt Distribution. As a result of this settlement, we realized a gain of approximately \$30.1 million, calculated as the amount by which the total of our liabilities cancelled exceeded our cost for the assets conveyed, which was

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recorded as an extraordinary gain on extinguishment of debt. Notwithstanding this significant reduction in our liabilities, we continue to have very limited operating and working capital. See "Item 3. Legal Proceedings."

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The asphalt product manufacturing and distribution facilities acquired from Petro Source in 1998, along with the facilities we already owned, formed the base for our ongoing performance-grade asphalt manufacturing and distribution activities.

Cowboy Asphalt Terminal

In June 1998, we and Foreland Refining Corporation, an unrelated entity engaged in the asphalt roofing products business, formed CAT, LLC to acquire an asphalt terminal and its underlying real property located in Woods Cross, Utah. Though the property and tanks are owned by CAT, LLC, the property was divided by specific assets and use by the Company and Foreland. Foreland retained three storage tanks and a certain portion of the land for exclusive use in its roofing asphalt business. The remaining tanks and a certain portion of the land are for our exclusive use in our paving asphalt business. The remaining land may be used jointly by the parties. All revenues generated from the exclusive use assets are the sole property of the respective party. Both Foreland and the Company have made capital equipment improvements to the respective exclusive use assets. Those capital improvements are the sole property of the party making the improvement. Each party retains all revenues and profits generated from its respective exclusive operations. CAT, LLC is owned 66.7% by us and 33.3% by Foreland, and we are the operator. The accounts and results of operations of CAT, LLC are included within our consolidated financial statements and results of operations as majority-owned subsidiary.

Foreland and we are obligated to make equal contributions to CAT, LLC for environmental clean-up costs, if any, up to \$650,000 and related legal expenses. Contributions for these costs will not affect our respective percentage interests in CAT, LLC.

Environmental Matters

We are subject to federal, state and local requirements regulating the discharge of materials into the environment, the handling and disposal of solid and hazardous wastes, and protection of health and the environment generally. Governmental authorities have the power to require compliance with these environmental laws, and violators may be subject to civil or criminal penalties, injunctions or both. Third parties may also have the right to sue for damages and/or enforce compliance and to require remediation for contamination.

We are also subject to environmental laws that impose liability for costs of cleaning up contamination resulting from past spills, disposal and other releases of substances. In particular, an entity may be subject to liability under the Federal Comprehensive Environmental Response, Compensation and Liability Act and similar state laws that impose liability, without a showing of fault, negligence or regulatory violations, for the generation, transportation or disposal of hazardous substances that have caused or may cause environmental contamination. In addition, an entity could be liable for cleanup of property it owns or operates even if it did not contribute to contamination of such property.

We expect that we may be required to expend funds to comply with federal, state and local provisions and orders that relate to the environment. Based upon information available to us at this time, we believe that compliance with such provisions will not have a material effect on our capital

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expenditures, earnings and competitive position.

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Employees

As of April 1, 2003, we had 26 full and part-time employees. None of our employees is represented by a union or other collective bargaining group. Management believes that its relations with its employees are good.

ITEM 2. PROPERTIES

Our principal executive offices are located in the office building we own at 1710 West 2600 South, Woods Cross, Utah 84087, adjacent to the Woods Cross asphalt terminal owned by CAT, LLC.

We conduct our activities from the following manufacturing and distribution facilities:

Location -----	Owner/Lessee -----	Company's Interest (1) -----
Woods Cross (Cowboy), Utah		
Office building.....	Company	Owned, subject to a note(2)
Terminal.....	CAT, LLC	Owned, subject to a note, of which Company 67%, of \$445,000(3)
Equipment.....	Crown Asphalt Distribution	Owned
Rawlins, Wyoming		
Terminal land.....	CAPCO	Lease expiring 2020
Equipment.....	CAPCO	Owned, subject to lie bank loan
Fredonia, Arizona.....		
	Crown Asphalt Distribution	Owned
Gadsby, Salt Lake City, Utah		
Terminal.....	Crown Asphalt Distribution	Lease expiring 2006(4)
Equipment.....	Crown Asphalt Distribution	Lease expiring 2004(4)
Grand Island, Nebraska.....		
Terminal.....	CAPCO	Lease expiring 2004
Equipment.....	CAPCO	Owned

(1) As of December 31, 2002.

(2) We also agreed to pay a former landlord \$80,000 as a termination fee for a lease, and to extinguish all of our obligations with a balance of \$80,000 as of December 31, 2002, due under our prior lease.

(3) We hold a 66.7% interest in CAT, LLC, a joint venture limited liability company with an unrelated party.

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(4) The lessor of the facility attempted to terminate the property lease in 2002. Since 1998, Crown Distribution has paid the lease payments for the equipment on site that is leased to another company while that equipment

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has been utilized. The termination of the property lease resulted in the cessation of use of the facility and Crown Distribution has discontinued making those lease payments since it no longer utilizes the equipment. We are in discussions with both the property owner and equipment lessor for new leases, however, no definitive agreement has been reached.

We believe that the foregoing facilities are adequate for our foreseeable business needs.

ITEM 3. LEGAL PROCEEDINGS

Road Runner Oil, Inc.

On May 21, 1998, Road Runner Oil, Inc. and Gavilan Petroleum, Inc. filed an action in the Third Judicial District Court, Salt Lake County, State of Utah, civil no. 98-0905064, against us and our President relating to Road Runner's purchase in 1997 of the stock of Gavilan. In January 2003, we reached a settlement with the plaintiffs in this action in which we paid Road Runner \$10,000 and exchanged mutual releases.

MCNIC

In February 2002, the Third Judicial District Court of Salt Lake County, Utah, confirmed a damage award against us that had been rendered in October 2001 in an arbitration proceeding between us and MCNIC to resolve litigation that had been pending since mid-2001 related to disputes arising out of our Asphalt Ridge project. MCNIC Pipeline & Processing Company v. Crown Asphalt Distribution, Third Judicial District Court of Salt Lake County, Utah, No. 00904867; U.S. District Court for the District of Utah, Central Division, Crown Energy Corporation, et al. v. MCN Energy Group, Inc. et al., No. 2CV-0583ST. The amount of the damage award, as of March 29, 2002, was \$20.3 million, plus post-judgment interest. The arbitrator also awarded \$2.6 million in fees and costs against us and our related entities on a joint and several basis.

On March 8, 2002, the parties entered into a settlement agreement pursuant to which we assigned our interest in Crown Asphalt Ridge, L.L.C. to MCNIC and agreed not to compete in certain tar sands activities in the western United States and Canada in return for: (i) the receipt of a non-cost-bearing overriding royalty interest; (ii) the elimination of all of our obligations to MCNIC; and (iii) MCNIC's payment of a third-party obligation. We were granted the option to acquire for \$5.5 million all of MCNIC's interest in Crown Asphalt Distribution. All litigation and related judgment enforcement actions were stayed. The settlement agreement provided that if we did not exercise the option to purchase Crown Asphalt Distribution, MCNIC could seek collection of the full damage award and that the parties could either move to confirm or appeal, as the case may be, the \$2.6 million fee award.

We did not have the financial resources to exercise the option to acquire MCNIC's interest in Crown Asphalt Distribution. Accordingly, we and MCNIC undertook further discussions to resolve the substantial monetary awards against us. On October 16, 2002, all parties to the above litigation and arbitration executed a settlement agreement to settle all claims and liabilities among them. Under the settlement agreement, we conveyed to MCNIC all of our interests in the overriding royalty assigned March 8, 2002, and in the lands, leases and oil sand processing facility at the Asphalt Ridge project, and MCNIC agreed to assign its interest in Crown Asphalt Distribution, L.L.C., including approximately \$30.1 million in obligations that we owed. We no longer own an interest in Crown Asphalt Ridge, L.L.C. or any of the properties at the Asphalt Ridge project. We now own all of Crown Asphalt Distribution. As a result of this settlement, we realized a gain of approximately \$30.1 million, calculated as the

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amount by which the total of our liabilities cancelled exceeded our cost for the assets conveyed, which was recorded as an extraordinary gain on extinguishment of debt.

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Other

On May 24, 2002, Geneva Rock Products, Inc. filed a complaint against us in the Third Judicial District Court, Salt Lake County, Utah. Geneva has alleged that we supplied it with defective asphalt binder for approximately four months in 1999. In this action, Geneva seeks to recover damages, which it has indicated may exceed \$1,600,000 plus interest, costs and attorneys' fees. We have denied liability on all of Geneva's claims. We believe that the asphalt binder sold to Geneva met all applicable industry standards and did not cause any of the problems on which Geneva has based its claims. The litigation is currently in the early discovery phase, and we are unaware of any additional information that suggests that our asphalt binder was deficient. Because discovery has not been completed and due to the serious nature of Geneva's claims, we have no way of predicting whether we will ultimately prevail.

On December 20, 2001, Oriental New Investments, Ltd. served a complaint against us, which was filed in the Third Judicial District Court, Salt Lake County, Utah. The action relates to a 1997 convertible debenture and replacement convertible debenture issued by us to Oriental. The action seeks to recover \$75,000 in liquidated damages, plus interest, or actual damages, and attorneys' fees and costs, for alleged breaches of the convertible debentures. We have denied any and all liability and believe that Oriental's claims are without merit. (Oriental filed a similar complaint against us in January 2000 related to the same debentures, but that complaint was dismissed for Oriental's failure to prosecute.) We will vigorously defend our position that Oriental's claims are without merit; however, there can be no assurance we will ultimately prevail.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to our stockholders for vote during the fourth quarter of fiscal year 2002.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock has been traded in the over-the-counter market since 1980. Our common stock is currently listed on the Nasdaq OTC Bulletin Board under the symbol "CROE." The following table sets forth the range of high and low bid quotations of our common stock as reported by the OTC Bulletin Board for each full quarter during the two most recent fiscal years. The table represents prices between dealers, and does not include retail markups, markdowns or commissions, and may not represent actual transactions:

	Low	High
	-----	-----
2003:		
Second Quarter (through April 2, 2003).....	\$0.018	\$0.025
First Quarter.....	0.01	0.025

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2002:		
Fourth Quarter.....	0.008	0.012
Third Quarter.....	0.011	0.02
Second Quarter.....	0.02	0.055
First Quarter.....	0.011	0.04
2001:		
Fourth Quarter.....	0.02	0.085
Third Quarter.....	0.06	0.075
Second Quarter.....	0.035	0.125
First Quarter.....	0.0375	0.0625

We have not paid any dividends or made any other distributions on our common stock, and we do not anticipate paying any cash dividends on our common stock in the foreseeable future. The terms of our Series A Preferred Stock prohibit the payment of dividends on common stock at any time that accrued dividends on the Series A Preferred Stock are unpaid. As of December 31, 2002, accrued but unpaid dividends equaled \$1.0 million. We estimate that, as of March 31, 2003, we had approximately 746 stockholders.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted average exercise prices of outstanding options (b)	Number available for issuance of common stock (excluding reflected)
Equity compensation plans approved by shareholders...	2,263,148	\$0.122	
Equity compensation plans not approved by security holders	--	--	
Total.....	2,263,148	\$0.122	

ITEM 6. SELECTED FINANCIAL DATA

The financial data included in the following table have been derived from the financial statements for the periods indicated. The financial statements as of and for the years ended December 31, 1998 and 1999, were audited by Deloitte & Touche, LLP, independent public accountants. The financial statements as of and for the years ended December 31, 2000, 2001 and 2002, were audited by Tanner + Co., independent public accountants. The following financial data should be read in conjunction with the financial statements and related notes and with management's discussion and analysis of financial conditions and results of operations included elsewhere herein:

	Year Ended December 31			
	2002	2001	2000	1999

(in thousands, except per share)

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Net revenues.....	\$17,965	\$27,033	\$22,787	\$35,
Income (loss) from continuing operations.....	(769)	(6,488)	(18,361)	(3,
Income (loss) per share				
from continuing operations.....	(0.05)	(0.51)	(1.39)	(0
Total assets.....	13,275	15,717	17,052	33,
Total long-term obligations.....	2,442	11,130	11,337	11,
Redeemable Series A Preferred Stock.....	5,000	4,953	4,896	4,
Cash dividends per common share	--	--	--	
Common stockholders' equity (deficit).....	1,134	(27,994)	(21,050)	(2,

The foregoing selected financial data are presented on a historical basis and may not be comparable from period to period due to significant changes in our operations.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Note about Forward-Looking Information

The following discussion and analysis of our financial condition, results of operations and related matters includes a number of forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include, by way of illustration and not limitation, statements containing the words "anticipates," "believes," "expects," "intends," "future" and words of similar import that express, either directly or by implication, management's beliefs, expectations or intentions regarding our future performance or future events or trends that may affect us or our results of operations.

Forward-looking statements are subject to known and unknown risks, uncertainties and other factors, including but not limited to changes in economic conditions generally or with respect to our asphalt products market in particular, new or increased governmental regulation, increased competition, shortages in labor or materials, delays or other difficulties in shipping or transporting the risk of loss of certain operating assets serving as collateral to secure such financing, and other similar risks inherent in our operations or in business operations generally. Any such risks or uncertainties, either alone or in combination with other factors, may cause our actual results, performance or achievements to differ materially from our anticipated future results, performance or achievements (which may be expressed or implied by such forward-looking statements). Consequently, the following management's discussion and analysis, including all forward-looking statements contained therein, are qualified and limited by the foregoing cautionary factors. Interested persons are advised to consider all forward-looking statements within the context of such cautionary factors.

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Introduction

During 2002, we continued our performance-grade asphalt paving product manufacturing and distribution segment activities while we devoted substantial management resources to resolving the outstanding damage award against us, which totaled approximately \$30.0 million at March 31, 2002, with interest continuing to accrue. See "Item 3. Legal Proceedings." Our business is capital intensive and requires a working capital credit facility to operate efficiently. Due to the pending disputes with MCNIC and the adverse arbitration award in late 2001, we have not had such a credit facility since 1999 and have been unable to obtain required working capital from outside sources through the sale of equity

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securities. During 2001 we were able to structure favorable supply arrangements that allowed us to increase our sales revenues without obtaining a working capital loan or line of credit. We have not been able to continue these favorable arrangements because of changes in the supply markets. This has imposed substantial operating constraints on us and has adversely affected our results of operations. These negative effects continue.

Our inability to obtain a working capital line-of-credit substantially limited our ability to purchase inventory, which forced us to limit our sales volume and revenues and reduced the gross profit on sales because we were unable to purchase inventory at the more favorable prices prevailing during the colder months. We implemented a number of cost-cutting measures during 2002, but incurred legal and other costs associated with the resolution of our dispute with MCNIC. In 2003 we continue to be limited in our ability to purchase asphalt because of our lack of a working capital line of credit. We are continuing to try to structure favorable purchase agreements or find additional methods of purchasing base stock. We are also considering the consolidation of manufacturing facilities to maximize operating efficiencies. Forecasted sales during 2003 are expected to approximate those of 2002.

In October 2002, we fully settled the arbitration award against us. In this settlement, MCNIC agreed to assign its interest in Crown Asphalt Distribution, L.L.C., including approximately \$30.1 million in obligations that we owed in exchange for conveyance to MCNIC of all of our interests in the overriding royalty assigned March 8, 2002, and in the lands, leases and oil sand processing facility at the Asphalt Ridge project. We now own 100% of Crown Asphalt Distribution. As a result of this settlement, we realized a gain of approximately \$30.1 million, calculated as the amount by which the total of our liabilities cancelled exceeded our cost for the assets conveyed, which was recorded as an extraordinary gain on extinguishment of debt.

As of December 31, 2002, we had a working capital deficit of \$180,000, an accumulated deficit of \$3.5 million, and stockholders' equity attributable to the common stock of \$1.1 million. Our auditor's report on our financial statements for the year ended December 31, 2002, as for prior years, contained an explanatory paragraph about our ability to continue as a going concern. We continue to suffer from shortages of working capital needed to optimize operating economies. Further, our operating history and the prevailing current conditions in the investment markets generally have made it difficult to obtain outside equity capital. The market price for our common stock has ranged from a low of \$0.008 to a high of \$0.055 during 2002, closing on March 28, 2003, at \$0.018 per share. Finally, we have reviewed the costs required to meet regulatory and stockholder requirements associated with being a publicly-held company subject to the periodic reporting, proxy and other requirements under the Securities Exchange Act and the increased burdens we believe result from the enactment of the Sarbanes-Oxley Act of 2002, particularly for a small company such as us.

In view of the foregoing, in March 2003, our board of directors, which includes affiliates of our principal stockholders, authorized management to investigate available alternatives for a so-called "going private" transaction, with the effect that we would become privately held by our current principal stockholders, subject to satisfying various regulatory requirements. This investigation will include a review of available alternatives and their related legal, financial, regulatory and related considerations. In connection with that investigation, management may seek a third-party valuation of our Company and the interests of our minority stockholders from a financial point of view.

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At December 31, 2002, we had cash and other current assets of \$4.0 million, as compared to cash and other current assets of \$5.5 million at December 31, 2001. The decrease of \$1.5 million was generally due to a reduction in accounts receivable and in year-end asphalt inventory levels. Our business is capital intensive and requires a working capital credit facility to operate efficiently. We have not had such a credit facility since 1999, which has resulted in lowered profitability. We plan to diminish part of our working capital constraints by structuring supply arrangements in 2003; however, there can be no guarantee we will be able to accomplish such arrangements.

Our business requires a large amount of working capital to purchase and store inventory and for accounts receivable and general operations. We do not have adequate working capital to operate our business currently and must rely on outside third-party sources to finance that requirement. We have not had outside working capital financing since 1999. Although the settlement of our obligation to MCNIC in late 2002 releases much of the encumbrance on our assets, we believe it will continue to be very difficult to obtain the working capital needed to operate the business. We continue to explore avenues to obtain working capital financing, including supplier financing, through put arrangements and joint ventures with industry participants, facility leasing and conventional bank financing. Given our financial condition, generally, outside working capital funding requires personal guarantees, and our officers and directors have been unwilling to provide such guarantees for our benefit as a publicly-held company. However, to date, we have been unable to obtain financing on acceptable terms, and we cannot assure that we will be able to. Our failure to obtain the necessary working capital financing would have a significant negative impact on our future operations and may make it unable for us to continue.

We continue to consider other asphalt-related business opportunities to complement our existing asphalt distribution capabilities. However, we anticipate that many opportunities may require additional capital, and we cannot assure that we can obtain additional capital required to finance such opportunities on acceptable terms and conditions.

A portion of our accounts receivable is subject to the risks and uncertainties of litigation and related collection risks. See "Item 3. Legal Proceedings." In the event that we are unable to collect our current accounts receivables, we are unable to secure the necessary working capital line-of-credit for our operations, our operating losses and working capital deficits continue, or if we are unable to recoup our losses, we may not have sufficient capital to operate through 2003.

Results of Operations

Comparison of 2002 and 2001

Total revenue decreased from \$27.0 million for the year ended December 31, 2001, to \$18.0 million for the year ended December 31, 2002, a revenue decrease of approximately \$9.1 million, or 34%. This decrease was primarily due to a reduction in sales volume of 130,000 tons for the year ended December 31, 2001, to a volume of 92,000 tons for the year ended December 31, 2002. This reduction of 38,000 tons was a direct result of our limited working capital to purchase inventory, which required us to limit our sales volume and revenues. During 2001, we were able to structure favorable supply arrangements that allowed us to increase our sales revenues without obtaining a working capital loan or line of credit. We have not been able to continue these favorable arrangements because of changes in the supply markets.

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Our gross profit decreased from approximately \$2.9 million, or 10.75%, for 2001 to approximately \$467,000, or 2.6 %, for 2002. This decrease was primarily due to two factors: first, an overall decrease in the gross margin of approximately \$2.00 per ton, and second, a lower sales volume at the facilities, which negated the effects of certain synergies in the fixed costs of operating the plants. The decrease in the gross margin of \$2.00 per ton can be attributed to the inability to purchase enough asphalt in the winter, when prices are traditionally lower, to fill our tanks. We believe continued cost-cutting procedures will impact 2003, but the lack of an adequate working capital credit facility could offset the benefits of those cost-cutting procedures.

General, administrative and provision for bad debt expenses decreased from \$3.5 million for the year ended December 31, 2001, to \$1.0 million for the year ended December 31, 2002, a decrease of \$2.5 million, or approximately 13.9% of revenue. This decrease was primarily the result of the recovery of \$1.6 million of bad debt expenses that had been written off in the year ended December 31, 2000. Cost-cutting procedures in 2002 and a reduction in administrative staff also contributed to the decrease. These were partially offset by legal expenses associated with our disputes with MCNIC incurred in 2002.

The loss from operations increased from \$573,000 in 2001 to \$1.4 million in 2002, an increased loss of \$800,000, or approximately 4.0% of revenue. The increased loss was a result of limited working capital not allowing us to take full advantage of lower winter-fill pricing and limiting the volume of asphalt that could be purchased to sell. The inability to purchase enough winter-fill asphalt to fill our storage capacity contributed to a lower gross margin as higher priced asphalt was purchased during the warmer months at higher prices as working capital would allow. In addition, other items attributing to the increased loss in 2002 are the impairment of goodwill in the amount of \$265,000 and the impairment of property and equipment for \$545,000.

Total other income (expense) increased from net expenses of \$6.0 million for the year ended December 31, 2001, to net income of \$560,000 for the year ended December 31, 2002, an increase of \$6.5 million, or approximately 36.0% of revenue. The 2002 income is comprised of a \$3.0 million gain on the transfer of interest in an unconsolidated affiliate. This gain is the result of the agreement dated March 8, 2002, in which we assigned all of our interest in Crown Asphalt Ridge, L.L.C. to MCNIC in exchange for the relinquishment of approximately \$3.0 million debt owed to MCNIC. This amount is offset partially by interest expense of \$2.4 million due MCNIC, which is comprised of \$2.1 million attributable to interest at 15% accrued on a 1998 \$6.0 million capital contribution to fund the purchase of the Petro Source assets and interest at varying rates of 8% to 18% on 1998 and 1999 loans of working capital for the initial and continuing purchase of inventory. As of December 31, 2001, MCNIC had loaned Crown Asphalt Distribution approximately \$14.9 million for inventory purchases. Interest stopped accruing on these amounts due MCNIC when the October 16, 2002, settlement agreement was signed with MCNIC. The 2001 amount in interest and other expenses included a nonrecurring expense of \$2.6 million resulting from a final arbitration award of legal fees and costs incurred in the dispute between MCNIC and us.

Minority interest of \$44,000 represents Foreland's approximate 33% interest in the loss in CAT, LLC.

Extraordinary gain on the extinguishment of debt of \$30.1 million is the result of a settlement with MCNIC during October 2002. In this settlement, MCNIC agreed to forgive an aggregate of approximately \$30.1 million in obligations that we owed in exchange for conveyance to MCNIC of all of our

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interests in the overriding royalty assigned March 8, 2002, and in the lands, leases and oil sand processing facility at the Asphalt Ridge project. As a result of this settlement, we realized a gain of approximately \$30.1 million, calculated as the amount by which the total of our liabilities cancelled exceeded our cost for the assets conveyed.

Comparison of 2001 and 2000

Total revenue increased from \$22.8 million for the year ended December 31, 2000, to \$27.0 million for the year ended December 31, 2001, an increase of 18.6%. This increase was primarily due to an increase in sales volume, which was a direct result of our ability to purchase inventory from cash flow and as a result of supply arrangements reached with our suppliers.

Our gross profit increased from approximately (\$818,000), or -3.59%, for the year ended 2000, to approximately \$2.9 million, or 10.75%, for the year ended 2001. This increase was due to an overall reduction in the cost of base stock asphalt, because of the ability to bring in asphalt inventory during the winter months when cost is significantly lower which we were not able to do in 2000 due to financing difficulties resulting from working capital constraints. See "Item 3. Legal Proceedings." Another factor contributing to the increased profit was improved operating efficiencies at the facilities.

General, administrative and provision for bad debt expenses decreased from \$4.6 million for the year ended December 31, 2000, to \$3.5 million for the year ended December 31, 2001, a decrease of \$1.1 million. This decrease was primarily the result of having to increase the reserve for doubtful accounts in 2000 as a result of the decline in the creditworthiness of certain account balances. Cost-cutting procedures in 2001 and a reduction in administrative staff also contributed to the decrease. These were partially offset by the increase in legal expenses in 2001 associated with our arbitration proceeding and related disputes with MCNIC.

The loss from operations decreased from \$16.0 million in 2000 to \$573,000 in 2001, an improvement of \$15.5 million, or approximately 57% of revenue.

Interest and other income (expense) increased from net expenses of \$2.3 million for the year ended December 31, 2000, to net expenses of \$6.0 million for the year ended December 31, 2001, an increase of \$3.6 million, or approximately 13.5% of revenue. The 2001 total was comprised of \$3.3 million in interest costs accrued on a 1998 \$6.0 million capital contribution to fund the purchase of the Petro Source assets and on 1998 and 1999 loans of working capital for the initial and continuing purchase of inventory and the damage award in the arbitration with MCNIC. Other interest expense was \$692,000 on various other debts, and interest and other income was \$664,000. Other expenses in the amount of \$2.6 million resulted from a final decision of the arbitrator awarding legal fees and costs incurred in the dispute between MCNIC and us to MCNIC on February 5, 2002.

Minority interest of \$49,000 represents Foreland's approximate 33% interest in the loss in CAT, LLC.

Crown Asphalt Distribution had losses during 2001 of \$8.7 million. We, through our wholly-owned subsidiary CAPCO, owned 50.01% and MCNIC owned 49.99% of Crown Asphalt Distribution through October 16, 2002, when we acquired 100% of Crown Asphalt Distribution pursuant to our settlement agreement with MCNIC. CAPCO was the manager and operating agent of Crown Asphalt Distribution. Because there is no agreement requiring the minority stockholder, MCNIC, to guarantee the subsidiary's debt or such cumulative losses or a commitment to provide additional capital, other than working capital, all of the loss attributable to Crown Asphalt Distribution, including MCNIC's 49.99% interest in the losses

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totaling \$4.3 million for 2001, are included as a loss in our Financial Statements.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not believe we are subject to material market risks, such as interest rate risks, foreign currency exchange rate risks, or similar risks, and therefore, we do not engage in transactions, such as hedging or similar transactions in derivative financial instruments, intended to reduce our exposure to such risks. However, we are subject to general market fluctuations related to the purchase of base stock asphalt and may suffer reduced operating margins to the extent our increased costs are not passed through to our customers. Such prices generally fluctuate with the price of crude oil.

We are also subject to certain price escalation and de-escalation clauses in our asphalt distribution sales contracts. We supply asphalt to projects in certain states where regulations provide for escalation and de-escalation of the price for such asphalt relative to the price difference from the time the project is awarded to the successful bidding company and the time the project is completed. We include such de-escalation risk into our bid prices and do not believe we have material exposure to risk resulting from these regulations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our financial statements, including the accountant's report, are included beginning at page F-1 immediately following the signature pages and related officer certifications.

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

None.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OF THE REGISTRANT

Directors and Executive Officers

Our directors are elected annually by the stockholders. Our officers serve at the pleasure of the board of directors. Our officers and directors, their ages, and their positions are set forth below:

Name ----	Age ---	Position -----
Jay Mealey.....	46	Chairman of the Board of Directors Chief Executive Officer, President, Treasurer
Stephen J. Burton.....	57	Secretary
Andrew W. Buffmire.....	56	Vice President Business Development, Director
Alan L. Parker.....	51	Vice President, Director
Scott Beall.....	49	Vice President

Jay Mealey has served as President and Chief Operating Officer and as

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our director since 1991 and was appointed as Chief Executive Officer in April 1999 and treasurer in October 2000. Mr. Mealey has been actively involved in the oil and gas exploration and production business since 1978. Prior to becoming our employee, Mr. Mealey served as Vice President of Ambra Oil and Gas Company and prior to that position, worked for Belco Petroleum Corporation and Conoco, Inc. in their exploration divisions. Mr. Mealey is responsible for managing our day-to-day operations.

Stephen J. Burton was elected Secretary in October 2000. Mr. Burton has held various accounting positions with us since 1989. He is currently responsible for our Human Resources Department. Mr. Burton graduated from Utah State University in 1986.

Andrew W. Buffmire is the Vice President Business Development for publicly-traded Ubiquitel, Inc., a wireless telecommunications company headquartered in Conshohocken, Pennsylvania. Prior to joining Ubiquitel, Mr. Buffmire was a director in the business development group at Sprint PCS, a national wireless telecommunications service provider, from October 1997 until May 2001. Before joining Sprint PCS, Mr. Buffmire was an attorney in private legal practice in Salt Lake City, Utah, for 16 years, with the exception of two years (1985-1987), when he was the founder, general counsel and registered principal of an NASD-registered, investment-banking firm.

Alan L. Parker, Vice-President and Controller, has been employed by us since 1998 and our predecessor, Petro Source Asphalt Company, since 1987.

Scott Beall, Vice President, has been employed by us since 1998 and our predecessor, Petro Source Asphalt Company, since 1979.

Compliance with Section 16(a) of the Exchange Act.

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and officers, and persons who own more than 10% of our outstanding common stock, to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership in our common stock and other equity securities.

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Except as described below, to our knowledge, based solely on a review of the copies of the Section 16(a) reports furnished to us, or written representations that no reports were required, we believe that during fiscal year 2002 all Section 16(a) filing requirements applicable to our directors, executive officers and greater than 10% stockholders were complied with. Reports on Form 3 were not filed timely on behalf of Jeff Fishman and Alexander L. Searl, each a greater than 10% stockholder, due to their interest in Manhattan Goose, L.L.C. Reports on Form 4 were not timely filed with regard to the Manhattan Goose transactions. All required reports were filed, however, within the time allotted for filing of Form 5.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation

The following table sets forth, for the last three fiscal years, the annual and long-term compensation earned by, awarded to, or paid to the person who was our Chief Executive Officer and each of our other highest compensated executive officers as of the end of the last fiscal year (the "Named Executive Officers"):

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(a) Name and Principal Position	Annual Compensation				Long-Term Compensation	
	(b) Year Ended Dec. 31	(c) Salary (\$)	(d) Bonus (\$)	(e) Other Annual Compensation (\$)	Awards	
					(f) Restricted Stock Award(s) (\$)	(g) Securities Underlying Options/ SARs (no.)
Jay Mealey President (CEO)	2002	\$344,600	--	\$10,563 (1)	--	--
	2001	250,000	--	8,400 (1)	--	--
	2000	210,000	--	8,400 (1)	--	--
Scott Beall Vice-President	2002	\$128,462	--	--	--	--
	2001	107,225	--	--	--	--
	2000	102,572	--	--	--	--

(1) Car allowance.

(2) Term life insurance paid for Mr. Mealey.

Option/SAR Grants in Last Fiscal Year

During the fiscal year ended December 31, 2002, we did not grant any stock options or stock appreciation rights to any Named Executive Officers.

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Aggregate Option/SAR Exercises and Fiscal Year-End Option/SAR Values

The following table contains information regarding the fiscal year-end value of unexercised options held by the Named Officers. The aggregate value of the options was calculated using \$0.02 per share, the average bid and asked price for our common stock on December 31, 2002:

(a) Name	(b) Shares Acquired on Exercise (#)	(c) Value Realized (\$)	(d) Number of Securities Underlying Unexercised Options/ SARs at FY-End (#) Exercisable/ Unexercisable	(e) Value of Unexercised In-the-Money Options/SARs at FY-End Exercisable/ Unexercisable
Jay Mealey	--	--	750,000 / 150,000 (1)	-- / --
Scott Beall	--	--	125,000 / --	-- / --

(1) Represents six tranches of 150,000 options each granted in two separate grants to Mr. Mealey in November 1997 and November 1999 and exercisable as follows:

Number	Expiration Date	Exercise Price
-----	-----	-----

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150,000.....	November 1, 2007	\$0.125
150,000.....	November 1, 2007	0.125
150,000.....	November 1, 2007	0.125
150,000.....	November 1, 2009	0.38
150,000.....	November 1, 2009	0.38
150,000 (to vest on May 1, 2003).....	November 1, 2009	0.38

* Vested options cannot be exercised unless the market price for the common stock is at least equal to the market price stated.

Director Compensation

Members of the board of directors are not compensated for their time or service representing the Company. Direct expenses incurred by members of the board in connection with our business are reimbursed.

Employment Contracts

We employ Jay Mealey, our Chief Executive Officer, President and Treasurer, under a November 1997 employment agreement that has been extended to expire on December 31, 2003. The employment agreement provides for a base salary plus compensation bonuses in any year that our earnings per share are positive and constitute an increase over the preceding year or that the price of our common stock increases by at least 30%. No bonus has been payable to date to Mr. Mealey under these provisions. Mr. Mealey is also eligible to receive a discretionary bonus in amounts determined by our board of directors in its sole discretion. Mr. Mealey was also issued options to purchase an aggregate of 900,000 shares, subject to vesting and minimum trading price conditions as summarized above. Of these, options to purchase 450,000 shares at \$1.62 were repriced in 2000 to an exercise price of \$0.125 per share.

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Mr. Mealey's employment agreement is terminable upon his death or disability, terminable for cause, and terminable by Mr. Mealey for "good reason" (as defined in the employment agreement) following a "change of control" (as defined in the employment agreement). If terminated for "cause" (as defined in the employment agreement), Mr. Mealey is not entitled to receive compensation or benefits beyond that which have been earned or have vested on the date of termination. If terminated by Mr. Mealey's death or disability, Mr. Mealey's legal representatives or beneficiaries are entitled to receive continued payments in an amount equal to 70% of his base salary in effect at the time of his death or disability until the end of the term of the employment agreement or for a period of 12 months, whichever is longer, plus a prorated amount of any bonus payable under the employment agreement. In the event of the termination of Mr. Mealey's employment without cause or upon termination of employment by Mr. Mealey for "good reason" following a "change of control," Mr. Mealey is entitled to payment of his unpaid base salary, plus a lump sum payment equal to three times the sum of his base salary and bonuses. Further, all options granted to Mr. Mealey vest and become fully exercisable and, at Mr. Mealey's option, can be surrendered to us for cash in an amount equal to the fair market value of the share of the our common stock minus the exercise price of the option times the number of options surrendered. Mr. Mealey is also entitled to receive any and all fringe benefits offered to our employees for a certain period of time. In addition, if the benefit payments are subject to excise taxes, we are required to pay Mr. Mealey an amount sufficient to cover such taxes.

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information with respect to beneficial ownership of the our common stock as of April 11, 2003, to the extent known to us, of each of our executive officers and directors, each person known to us to be the beneficial owner of more than 5% of the outstanding shares of any class of our stock, and all directors and officers as a group:

Name and Address of Person or Group -----	Nature of Ownership -----	Amount -----	Pe -----
Principal Stockholders: -----			
Jay Mealey (2).....	Common stock (3) Options Shares issuable on conversion of Series A Preferred, payment of accrued dividends and exercise of warrant (4)	10,752,198 900,000 20,454,464 ----- 32,106,662	
Andrew W. Buffmire (2).....	Common stock Options	4,689,620 85,000 ----- 4,774,620	
Directors:			
Jay Mealey.....		-----See above-----	
Andrew W. Buffmire.....		-----See above-----	
Alan L. Parker.....	Common stock		--
All Executive Officers and Directors as a Group (3 persons):.....	Common Stock Options (5) Shares issuable on conversion of Series A Preferred, payment of accrued dividends and exercise of warrant (4)	15,441,818 1,052,500 20,454,464 ----- 36,948,782 =====	

-
- (1) Based on 26,482,388 shares of our common stock issued and outstanding on April 10, 2003. Under Rule 13d-3 of the Securities Exchange Act, shares are deemed to be beneficially owned by a person if the person has the right to acquire the shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of these acquisition rights. As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily reflect the person's actual ownership or voting power with respect to the number of shares of common stock actually outstanding. Unless otherwise indicated, all securities are owned beneficially and of record.
 - (2) The address for all principal stockholders is c/o Crown Energy Corporation, 1710 West 2600 South, Woods Cross, Utah 84087.
 - (3) Consists of 217,832 shares owned of record and beneficially by Mr. Mealey,

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9,524,366 shares owned by the Mealey Family Partnership, 110,000 shares owned by Mr. Mealey's brother, as custodian for Mr. Mealey's minor children, and 900,000 shares owned for the benefit of Mr. Mealey's minor children by a trust, of which Mr. Mealey is the trustee. Mr. Mealey is the general partner of the Mealey Family Partnership and owns 48.5% of the partnership, and members of his immediate family are the beneficiaries. Mr. Mealey expressly disclaims beneficial ownership of the shares held by his brother and mother. Furthermore, the options that are included within this calculation may not be exercised unless specified trading prices are realized for our common stock. As of the date hereof, such trading prices have not been met and there is no assurance that they will ever be met during the terms of the options.

- (4) The number reported constitutes the maximum issuable, based on our authorized capitalization of 50,000,000 shares, with 26,482,388 shares issued and outstanding and 3,063,148 shares reserved for issuance on the exercise of outstanding options and warrants. The Mealey Family Limited Partnership has the right to acquire common stock as follows: 4,285,000 shares issuable upon conversion of 500,000 shares of our Series A Preferred Stock; 55,555,556 shares issuable at the election of the holder at the market price of \$0.018 per share as of March 28, 2003, in payment of \$1.0 million of dividends accrued as of December 31, 2002 on the Series A Preferred Stock; and 925,771 shares issuable on the exercise of warrants to purchase shares at \$0.002. Mr. Mealey and the Mealey Family Limited Partnership, which he controls, own beneficially a sufficient number of shares to amend our articles of incorporation to increase our authorized capitalization, which would enable us to issue all 60,766,327 shares to which the Mealey Family Limited Partnership would be entitled on conversion of the Series A Preferred Stock, the payment of accrued dividends, and the exercise of the warrant.
- (5) Includes 67,500 shares underlying options held by an unnamed executive officer to acquire common stock.

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Change of Control Contracts

In November 1997, we entered into an employment agreement with Jay Mealey that contains "change of control" provisions providing for the payment of compensation and benefits upon our termination of Mr. Mealey's employment without cause or termination by Mr. Mealey for "good reason" (as defined in that agreement). The change of control terms of Mr. Mealey's contract are more fully discussed above in "Item 11. Executive Compensation - Employment Contracts." The employment agreement provides that upon a change of control as defined in the employment agreement, that all options issued pursuant to the employment agreement will automatically vest and all periods or conditions of restriction will be deemed to have been completed or fulfilled, as the case may be.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In September 1997, we sold to an unrelated third party for \$5.0 million in cash 500,000 shares of \$10 Series A Cumulative Convertible Preferred Stock and a warrant to purchase 925,771 shares at \$0.002 per share. In February 2002, the Series A Preferred Stock, the warrant, and all associated rights were purchased from the original holder by Manhattan Goose, LLC, which was then owned 32.5% by Jay Mealey, our Chief Executive Officer, President and a director, and 67.5% by other directors and unrelated parties. During 2002, we paid accrued dividends on the Series A Preferred Stock of \$400,000 in cash and \$200,000 in 13,793,103 shares of common stock, or at \$0.0145 per share, the approximate market price on the date of payment. In November 2002, Jay Mealey acquired the other 67.5% membership interests in Manhattan Goose and simultaneously conveyed

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all membership interests to the Mealey Family Limited Partnership, which is the current holder of the Series A Preferred Stock, the warrant, all associated rights, and accrued dividends. Mr. Mealey owns 48.5% of the Mealey Family Limited Partnership and is its general partner and his immediate family is its beneficiary. See Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

As of December 31, 2002, there were dividends payable to the holder of the Series A Preferred Stock of \$1.0 million that may, at the election of the holder be taken in cash or common stock. At the market price of \$0.018 per share as of April 8, 2003, 55,555,555 shares of common stock would have to be issued to satisfy the dividend payable. The Series A Preferred Stock is convertible to 4,285,000 shares of common stock, if so elected by the holder of the Series A Preferred Stock.

We currently have an authorized capital of 50.0 million shares of common stock, of which approximately 26.5 million shares are issued and outstanding and approximately 3.1 million shares are reserved for issuance on the exercise of outstanding options and warrants, for a total of approximately 29.6 million shares, excluding the shares issuable on conversion of the Series A Preferred Stock, the payment of accrued dividends thereon, and exercise of the warrant. Therefore, there are only approximately 20.4 million shares available for issuance under the Series A Preferred Stock on conversion or the payment of

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dividends or on exercise of the warrant. We have not undertaken to renegotiate with the Mealey Family Limited Partnership any of the terms of the Series A Preferred Stock or the warrant, do not know whether we will attempt to do so, and have not analyzed our obligations or responsibilities if Mealey Family Limited Partnership would elect to convert the Series A Preferred Stock, demand payment of the dividends in common stock, or exercise the warrant.

In July 2002, Mr. Mealey surrendered all rights to 548,148 shares of common stock that he had pledged as security for a \$319,583 non-recourse promissory note due us for the purchase of such shares on the exercise of an option in 1998, and we cancelled the note.

ITEM 14. CONTROLS AND PROCEDURES

Disclosure controls are procedures that are designed with an objective of ensuring that information required to be disclosed in our periodic reports filed with the SEC, such as this Annual Report on Form 10-K, is recorded, processed, summarized and reported within the time periods specified by the SEC. Disclosure controls are also designed with an objective of ensuring that such information is accumulated and communicated to our management, including the Chief Executive Officer and Controller, who is our chief financial officer, in order to allow timely consideration regarding required disclosures.

The evaluation of our disclosure controls by the Chief Executive Officer and Controller included a review of the controls' objectives and design, the operation of the controls, and the effect of the controls on the information presented in this Annual Report. Our management, including the Chief Executive Officer and Controller, does not expect that disclosure controls can or will prevent or detect all errors and all fraud, if any. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Also, projections of any evaluation of the disclosure controls and procedures to future periods are subject to the risk that the disclosure controls and procedures may become inadequate because of changes in conditions, or that the degree of compliance

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with the policies or procedures may deteriorate.

Based on their review and evaluation as of a date within 90 days of the filing of this Form 10-K, and subject to the inherent limitations all as described above, our Chief Executive Officer and Controller have concluded that our disclosure controls and procedures (as defined in Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934) are effective. They are not aware of any significant changes in our disclosure controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

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ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report or incorporated herein by reference.

(1) Financial Statements. See the following beginning at page F-1:

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Report of Independent Auditors	F-2
Consolidated Balance Sheets as of December 31, 2002 and 2001	F-3
Consolidated Statements of Operations for each of the Three Years Ended December 31, 2002, 2001 and 2000, respectively	F-4
Consolidated Statements of Cash Flows for each of the Three Years Ended December 31, 2002, 2001 and 2000, respectively	F-5
Consolidated Statements of Stockholders' Equity (Deficit) for each of the Three Years Ended December 31, 2002, 2001 and 2000, respectively	F-6
Notes to the Consolidated Financial Statements	F-7

(2) Supplemental Schedules. The financial statement schedules have been omitted because they are not applicable or the required information is otherwise included in the accompanying financial statements and the notes thereto.

(3) Exhibits. The following exhibits are included as part of this report:

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Exhibit Number	SEC Reference Number	Title of Document
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Item 3		Articles of Incorporation and Bylaws	
3.01	3	Articles of Incorporation	Inco ref
3.02	3	Certificate of the Voting Powers, Designations, Preferences and Relative, Participating, Optional or other Special Rights, and Qualifications, Limitations and Restrictions Thereof, of Series A Cumulative Convertible Preferred Stock of Crown Energy Corporation	Inco ref
3.03	3	Amended Bylaws	Inco ref
Item 4		Instruments Defining the Rights of Security Holders, Including Indentures	
4.01	4	Convertible Debenture Agreement dated May 6, 1997, between Crown Energy Corporation and Oriental New Investments, Ltd.	Inco ref
4.02	4	Form of Stock Option Agreements between Crown Energy Corporation and (1) Jay Mealey, (2) Richard Rawdin, and (3) Thomas Bachtell	Inco ref
4.03	4	The Crown Energy Long Term Equity-Based Incentive Plan	Inco ref
4.04	4	Common Stock Purchase Warrant dated November 4, 1997, issued to Enron Capital & Trade Resources Corp.	Inco ref
4.05	4	May 1998 Warrant issued to Ladenburg Thalmann & Co., Inc.	Inco ref
Item 10		Material Contracts	
10.01	10	Employment Agreement with Jay Mealey	Inco ref
10.02	10	Revised Right of Co-Sale Agreement between Jay Mealey and Enron Capital & Trade Resources Corp.	Inco ref
10.03	10	Lease Agreement dated June 6, 1996, between Petro Source Refining Corporation and PacifiCorp (which was assigned to the Company on or about July 2, 1998)	Inco ref
10.04	10	Operating Agreement for Cowboy Asphalt Distribution L.L.C.	Inco ref
10.05	10	April 3, 1998, Agreement regarding Investment Banking Services with Ladenburg Thalmann & Co., Inc.	Inco ref

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Exhibit Number	SEC Reference Number	Title of Document	
10.06	10	Indemnification Agreement with Ladenburg Thalmann & Co., Inc.	Inco ref
10.07	10	\$1,800,000 Loan Agreement: Community First National Bank to Crown Asphalt Products Company	Inco ref
10.08	10	Letter Amendment to Loan Agreement with Community First National Bank dated June 2, 1999	Inco ref
10.09	10	Guaranty of Community First National Bank Loan by Crown Energy Corporation	Inco ref
10.10	10	Assignment & Assumption Agreement (Off Site Services Agreement)	Inco ref
10.11	10	First Amendment to Employment Agreement with Jay Mealey	Inco ref
10.12	10	Settlement Agreement among Crown Energy Corporation, MCNIC and related parties	Thi
10.13	10	Lease Agreement with Frontier Grand Island, L.L.C.	Thi

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10.14	10	Asset Sale Agreement with Fruita Marketing and Management, Inc.	Thi
10.15	10	Extension to Lease Agreement with Frontier Grand Island L.L.C.	Thi
Item 21		Subsidiaries of the Company	

21.01	21	List of subsidiaries	Thi
Item 99		Additional Exhibits	

99.01	99	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer)	Thi
99.02	99	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer)	Thi

-
- (1) Incorporated by reference from the Registration Statement on Form S-1 filed March 13, 1996.
 - (2) Incorporated by reference from Enron Capital & Trade Resources Corp. Form 13D filed October 10, 1997.
 - (3) Incorporated by reference from the Registration Statement on Form 10 filed July 1, 1991, amended August 30, 1991.
 - (4) Incorporated by reference from the Current Report on Form 8-K filed June 12, 1997.
 - (5) Incorporated by reference from the Annual Report on Form 10-K for the year ended December 31, 1997, filed March 31, 1998.
 - (6) Incorporated by reference from the Amended Annual Report on Form 10-K for the year ended December 31, 1997, filed April 30, 1998.
 - (7) Incorporated by reference from the Annual Report on Form 10-K for the year ended December 31, 1998, filed June 14, 1999.
 - (8) Incorporated by reference from Enron Capital & Trade Resources Corp. Form 13D/A filed November 12, 1997.
 - (9) Incorporated by reference from the Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, filed November 25, 1998.
 - (10) Incorporated by reference from the Annual Report on Form 10-K for the year ended December 31, 1999, filed April 4, 2000.

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We agree to furnish supplementally to the SEC a copy of any omitted schedule or exhibit to such agreement upon request by the SEC.

(b) Reports on Form 8-K: We filed the following report on Form 8-K for the quarter ended December 31, 2002:

Date of Event Reported	Item(s) Reported
-----	-----
October 16, 2002	Item 5. Other Events

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.

CROWN ENERGY CORPORATION

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Date: April 15, 2003

By /s/ Jay Mealey

Jay Mealey
Its Principal Executive Officer

Date: April 15, 2003

By /s/ Alan L. Parker,

Alan L. Parker,
Its Principal Financial 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 and on the dates indicated.

Dated: April 15, 2003

/s/ Jay Mealey

Jay Mealey, Director

/s/ Alan L. Parker

Alan L. Parker, Director

/s/ Andrew W. Buffmire

Andrew W. Buffmire, Director

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CERTIFICATION

I, Jay Mealey, certify that:

1. I have reviewed this annual report on Form 10-K of Crown Energy Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

- a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
- b) evaluated the effectiveness of the registrant's disclosure

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controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

- c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 15, 2003

/s/ Jay Mealey

Jay Mealey
Principal Executive Officer

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CERTIFICATION

I, Alan L. Parker, certify that:

1. I have reviewed this annual report on Form 10-K of Crown Energy Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

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- a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
- b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
- c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 15, 2003

/s/ Alan L. Parker

Alan L. Parker
Principal Financial Officer

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
of Crown Energy Corporation

We have audited the consolidated balance sheet of Crown Energy Corporation as of December 31, 2002 and 2001, and the consolidated statements of operations, stockholders' deficit and cash flows for the years ended December 31, 2002, 2001, and 2000. 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Crown Energy Corporation as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the years ended December 31, 2002, 2001, and 2000, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in note 2 to the consolidated financial statements, the Company has had substantial recurring losses from operations, has a working capital deficit, and has relied upon financing from debt to satisfy its obligations. These conditions raise substantial doubt about the ability of the Company to continue as a going concern. Management's plans in regard to that matter are also described in note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

TANNER + CO.

Salt Lake City, Utah
February 18, 2003

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CROWN ENERGY
Consolidated Balance Sheet
December 31, 2002

Assets	2002	

Current assets:		
Cash and cash equivalents	\$ 2,723,068	\$
Accounts receivable, net of allowance for doubtful accounts of \$175,927 and \$1,722,482, respectively	539,214	
Inventory	604,106	
Prepaid and other current assets	143,977	
Related party receivable	-	
	-----	-----
Total current assets	4,010,365	
Property, plant, and equipment, net	8,949,032	
Intangible assets, net	25,000	
Other assets	290,399	
	-----	-----
Total	\$ 13,274,796	\$
	=====	=====

Liabilities and Stockholders' Equity

Current liabilities:		
Accounts payable	\$ 2,349,242	\$
Preferred stock dividends payable	1,000,000	
Accrued expenses	192,878	
Accrued arbitration costs	-	
Accrued interest	224,508	
Current portion of long-term debt	423,585	
Working capital loan to related party	-	
	-----	-----
Total current liabilities	4,190,213	
Long-term debt	2,442,673	
	-----	-----
Total liabilities	6,632,886	
	-----	-----
Commitments and contingencies		
Redeemable preferred stock	5,000,000	
Minority interest in consolidated joint ventures	507,575	
Stockholders' equity:		
Common stock, \$.02 par value, 50,000,000 shares authorized 26,482,388 and 13,635,581 shares issued and outstanding, respectively	529,647	
Additional paid-in capital	3,919,417	
Stock subscriptions receivable from officers	-	

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Stock warrants	186,256	
Accumulated deficit	(3,500,985)	
	-----	-----
Total stockholders' equity	1,134,335	
	-----	-----
Total	\$ 13,274,796	\$
	=====	=====

See accompanying notes to consolidated financial statements.

	CROWN ENERGY Consolidated Statement of Years Ended D	
	2002	2001
	-----	-----
Sales, net	\$ 17,964,675	\$ 27,032,658
Cost of goods sold	17,497,665	24,126,190
	-----	-----
Gross profit (loss)	467,010	2,906,468
General and administrative expenses	(2,676,325)	(3,449,053)
Recovery of (provision for) bad debt expenses	1,646,531	(30,051)
Loss on impairment of investment in equity affiliate	-	-
Loss on impairment of property and equipment	(544,639)	
Loss on impairment of goodwill	(265,430)	-
Equity in losses from unconsolidated equity affiliate	-	-
	-----	-----
Loss from operations	(1,372,853)	(572,636)
	-----	-----
Other income (expense):		
Interest income	16,718	65,857
Interest expense	(2,404,563)	(4,018,738)
Gain on transfer of interest in unconsolidated affiliate	2,998,175	-
Other (expense) income	(50,612)	598,247
Arbitration expense	-	(2,609,519)
	-----	-----
Total other income (expense), net	559,718	(5,964,153)
	-----	-----
Loss before provision for income taxes minority interests and extraordinary gain	(813,135)	(6,536,789)
Income tax benefit	-	-
Minority Interest in losses of consolidated joint venture	44,094	48,808
	-----	-----

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Loss before extraordinary gain	(769,041)	(6,487,981)	
Extraordinary gain on extinguishment of debt	30,144,724	-	
	-----	-----	
Net Income (loss)	29,375,683	(6,487,981)	
Redeemable preferred stock dividends	(400,000)	(400,000)	
	-----	-----	
Net Income (loss) applicable to common shares	\$ 28,975,683	\$ (6,887,981)	\$
	=====	=====	
Loss per common share before extraordinary item - basic and diluted	\$ (0.05)	\$ (0.51)	\$
	=====	=====	
Extraordinary gain on extinguishment of debt - basic and diluted	\$ 1.19	\$ -	\$
	=====	=====	
Net income (loss) per common share - basic and diluted	\$ 1.14	\$ (0.51)	\$
	=====	=====	
Weighted average common shares - basic and diluted	25,436,000	13,635,000	
	=====	=====	

See accompanying notes to consolidated financial statements.

	Consolidated Stat				
	Years Ended Dec				
	Common Stock		Additional	Stock	Com
	Shares	Amount	Paid-in Capital	Subscription Receivable	Wa
	-----	-----	-----	-----	-----
Balance, January 1, 2000	13,285,581	265,711	5,791,828	(549,166)	6
Stock issued for legal services	350,000	7,000	36,750	-	
Preferred stock accretion	-	-	(56,604)	-	
Dividends on preferred stock	-	-	(400,000)	-	
Expiration of warrants	-	-	57,318	-	(2
Net loss	-	-	-	-	
	-----	-----	-----	-----	-----
Balance, December 31, 2000	13,635,581	272,711	5,429,292	(549,166)	4
Stock issued for legal services	-	-	-	-	
Preferred stock accretion	-	-	(56,604)	-	
Dividends on preferred stock	-	-	(400,000)	-	
Net loss	-	-	-	-	
	-----	-----	-----	-----	-----

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Balance, December 31, 2001	13,635,581	272,711	4,972,688	(549,166)	4
Shares issued as dividend payments	13,793,103	275,862	(75,862)	-	
Preferred stock accretion	-	-	(47,169)	-	
Dividends on preferred stock	-	-	(400,000)	-	
Write-off of stock subscription receivable	(946,296)	(18,926)	(530,240)	549,166	
Net income	-	-	-	-	
Balance, December 31, 2002	26,482,388	\$ 529,647	\$ 3,919,417	\$ -	\$ 4

See accompanying notes to consolidated financial statements.

	Consolidated	
	2002	2001
Cash flows from operating activities:		
Net income (loss)	\$ 29,375,683	\$ (6,000,000)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation, depletion, and amortization	783,666	(1,546,555)
(Recovery of) provision for doubtful accounts receivable	-	-
Stock issued for services	-	-
Extraordinary gain on extinguishment of debt	(30,144,724)	-
Gain on settlement of liabilities in connection with transfer of interest in unconsolidated subsidiary	(2,998,175)	-
Impairment on investment in equity affiliate	-	-
Impairment on property and equipment	544,639	265,430
Impairment of goodwill	265,430	-
Equity in losses of unconsolidated joint venture, net of distributions to minority interest shareholders	-	-
Minority interest in losses of consolidated joint venture, net of distributions to minority interest shareholders	30,782	50,612
Loss on disposal of equipment	50,612	-
Changes in operating assets and liabilities:		
Accounts receivable	2,239,170	1,753,916
Inventory	753,916	(56,325)
Prepaid and other current assets	(56,325)	25,700
Related party receivable	25,700	(7,193)
Other assets	(7,193)	1,938,678
Accounts payable	1,938,678	2,199,743
Accrued interest	2,199,743	-
Accrued arbitration expense	-	17,084
Accrued expenses	17,084	-
Net cash provided by (used in) operating activities	3,472,131	-

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	-----	-----
Cash flows from investing activities:		
Purchase of property, plant, and equipment	(640,385)	(
Investment in and advances to unconsolidated subsidiary	-	
	-----	-----
Net cash used in investing activities	(640,385)	(
	-----	-----
Cash flows from financing activities:		
Cash paid for purchase of interest in subsidiary	(2,000,000)	
Payments on long-term debt	(361,536)	(
Payment of dividends	(400,000)	
	-----	-----
Net cash used in financing activities	(2,761,536)	(
	-----	-----
Net change in cash and cash equivalents	70,210	(
Cash and cash equivalents at beginning of year	2,652,858	2,
	-----	-----
Cash and cash equivalents at end of year	\$ 2,723,068	\$ 2,
	=====	=====

See accompanying notes to consolidated financial statements.

Consolidat

Supplemental disclosure of cash flow information:

Cash paid for interest	\$ 411,038	\$
	=====	=====
Cash paid for income taxes	\$ -	\$
	=====	=====

Supplemental disclosure of non-cash investing and financing activities:

During the year ended December 31, 2002:

- o The Company issued 13,793,103 shares of common stock totaling a value of \$200,000 as a dividend distribution to preferred stockholders which effectively reduced additional paid in capital by \$75,862 because the estimated fair value was below par.
- o The Company incurred long-term debt of \$46,777 in connection with the acquisition of vehicles.

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- o The Company received 946,296 shares of common stock for a write-off of subscriptions receivable of \$549,166.
- o The Company entered into a settlement agreement with MCNIC Pipeline and Processing Company (MCNIC) in which Crown assumed MCNIC's interest in Crown Asphalt Distribution, L.L.C in exchange for \$2,000,000 and \$146,781 of receivables. In connection with the settlement, MCNIC effectively forgave debt of \$20,260,945, accrued interest due of \$9,421,041, and \$2,609,519 of accrued legal fees due (see note 3 and 16). This resulted in an extraordinary gain of \$30,144,724.
- o The Company increased preferred stock and decreased additional paid-in capital for \$47,169 related to preferred stock accretion.
- o The Company entered into a dispute settlement agreement with MCNIC, in which MCNIC assumed debt of \$2,970,469 and accrued interest of \$27,707 in exchange for Crown's 25% interest in Crown Asphalt Ridge L.L.C. (see note 3 and 16).

See accompanying notes to consolidated financial statements.

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CROWN ENERGY CORPORATION
Consolidated Statement of Cash Flows
Continued

During the year ended December 31, 2001:

- o The Company issued debt of \$187,038 in exchange for equipment.
- o The Company accrued dividends to preferred stockholders of \$400,000, and increased preferred stock and decreased additional paid-in capital for \$56,604 related to preferred stock accretion.

During the year ended December 31, 2000:

- o The Company issued debt of \$264,750, in exchange for property.
- o The Company accrued dividends to preferred stockholders of \$400,000, and increased preferred stock and decreased additional paid-in capital for \$56,604 related to preferred stock accretion.

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CROWN ENERGY CORPORATION
Notes to Consolidated Financial Statements
December 31, 2002 and 2001

1. Organization Crown Energy Corporation (CEC) and its wholly-owned subsidiaries, Crown Asphalt Corporation (CAC) and

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Crown Asphalt Products Company (CAPCO) (collectively referred to as the "Company"), are engaged in the production, distribution, and selling of asphalt products.

Majority-Owned Subsidiaries

CAPCO is the majority-owner of Crown Asphalt Distribution, LLC (Crown Distribution). Crown Distribution was a joint venture formed on July 2, 1998, between CAPCO and MCNIC Pipeline and Processing Company (MCNIC) for the purpose of asphalt production and distribution. On October 16, 2002, the Company entered into a settlement agreement with MCNIC (see note 15), to release itself from obligations to MCNIC. As a result of the settlement MCNIC transferred its 49.99% interest to CAPCO (48.99%) and CEC (1%), thus making Crown Distribution a wholly-owned subsidiary of the Company.

CAT LLC is a joint venture formed on June 16, 1998 between CAPCO and Foreland Asphalt Corporation (Foreland). CAT LLC owns an asphalt terminal and storage facility. On December 21, 1998, CAPCO assigned its interest in CAT LLC to Crown Distribution. Crown Distribution owns 66.67% and Foreland owns 33.33% of CAT LLC.

The CAT LLC Operating Agreement obligates both Crown Distribution and Foreland to make additional capital contributions equal to one-half of any additional requirements, not to exceed \$650,000, required for (i) CAT LLC to fulfill its obligations under any corrective action plan that may be accepted by CAT LLC and the Utah Department of Environmental Quality with respect to certain environmental conditions at the Cowboy Terminal and (ii) any additional amounts required to cover legal costs incurred in obtaining title to the Cowboy Terminal or otherwise relating to the environmental remediation work potentially needed.

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CROWN ENERGY CORPORATION
Notes to Consolidated Financial Statements
Continued

1. Organization
Continued

The CAT LLC Operating Agreement also obligates Crown Distribution and Foreland to make additional capital contributions in proportion to their ownership percentages in order to fund any additional amounts required for CAT LLC to fulfill its obligations under the purchase contract for the Cowboy Terminal Assets, for environmental management and containment costs, expenses for operations, or the construction of certain approved capital improvements to the Cowboy Terminal. None of the foregoing additional contributions will result in an increase in the number of units or percentage interests held by Crown

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Distribution or Foreland.

CAT LLC is managed by CAPCO. CAPCO has authority to conduct the day-to-day business and affairs of CAT LLC. However, certain matters considered to be protective rights must be approved by members holding 75% or more of the outstanding units of CAT LLC. CAPCO is not compensated for its services as manager.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. All significant inter-company transactions have been eliminated in consolidation.

2. Significant Accounting Policies

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As of December 31, 2002, the Company had a working capital deficit, an accumulated deficit and has had substantial recurring losses. The consolidated operations of the Company have not had sustained profitability and the Company has relied upon debt financing to satisfy its obligations. These conditions raise substantial doubt about the ability of the Company to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties.

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CROWN ENERGY CORPORATION
Notes to Consolidated Financial Statements
Continued

2. Significant Accounting Policies Continued

Going Concern - Continued

The Company's ability to continue as a going concern is subject to the attainment of profitable operations or obtaining necessary funding from outside sources to fund its cash flow requirements to purchase inventory. Management is attempting to secure financing for inventory purchases with inventory suppliers or other financing institutions. There can be no assurance that the Company will be successful in its attempts to obtain financing for its inventory purchases. In addition, management is continuing its plans to reduce overhead and other costs. Management is also considering consolidation of manufacturing facilities to maximize operating efficiency and margins on product sales. However, there can be no assurance that management will be successful in these efforts.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Company considers all highly liquid debt investments

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purchased with a maturity of three months or less to be cash equivalents.

Inventory

Inventory consists principally of refined products and chemical supplies which are valued at the lower of cost (computed on a first-in, first-out basis) or market.

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost and are depreciated over the estimated useful lives of the related assets. Depreciation is computed using the straight-line method for financial reporting purposes. The estimated useful lives of property, plant, and equipment are as follows:

Plant and improvements and tankage	10-30 years
Equipment	7 years
Vehicles	5 years
Computer equipment, furniture, and fixtures	3 years

Revenue Recognition

Revenue for sales of product is recognized when a valid purchase order has been received, product has been shipped, the selling price is fixed or determinable, and collectibility is reasonably assured.

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CROWN ENERGY CORPORATION
Notes to Consolidated Financial Statements
Continued

2. Significant
Accounting
Policies
Continued

Income Taxes

Income taxes are determined using the asset and liability method, which requires recognition of deferred income tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income tax liabilities and assets are determined based on the difference between financial statement and tax bases of assets and liabilities using estimated tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are recognized only if it is more likely than not that the asset will be realized in future years.

Concentration of Credit Risk

Financial instruments which potentially subject the Company to concentration of credit risk consist primarily of receivables. In the normal course of business, the Company provides credit terms to its customers. Accordingly, the Company performs ongoing credit evaluations of its customers and maintains allowances for possible losses which, when realized,

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have been within the range of management's expectations.

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Loss Per Common Share

The computation of basic earnings (loss) per common share is based on the weighted average number of shares outstanding during each year.

The computation of diluted earnings per common share is based on the weighted average number of shares outstanding during the year, plus the common stock equivalents that would arise from the exercise of stock options outstanding, using the treasury stock method and the average market price per share during the year. Options and warrants to purchase 3,988,919, 3,163,148, and 3,463,148, shares of common stock at prices ranging from \$.10 to \$2.50 per share were outstanding at December 31, 2002, 2001, and 2000, respectively, but were not included in the diluted loss per share calculation because the effect would have been antidilutive.

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CROWN ENERGY CORPORATION
Notes to Consolidated Financial Statements
Continued

2. Significant
Accounting
Policies
Continued

Use of Estimates in Preparing Financial Statements

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, the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting periods. Actual results could differ from those estimated.

Long-Lived Assets

The Company evaluates the carrying value of long-term assets including intangibles based on current and anticipated undiscounted cash flows or current appraisals of such assets and recognizes impairment when such cash flows or appraised values are less than the carrying values. Measurement of the amount of impairments, if any, is based upon the difference between carrying value and fair value.

Goodwill and Intangible Assets

The Company has recorded the amount paid in excess of the fair value of net tangible assets acquired at the

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date of acquisition as goodwill. For the years ended December 31, 2001 and 2000, goodwill was amortized using the straight-line method over 20 years. After December 31, 2001 goodwill was no longer amortized but has been evaluated, for impairment according to Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangibles". Other intangible assets consist of a non-competition agreement that is being amortized over its five-year term using the straight-line method.

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CROWN ENERGY CORPORATION
Notes to Consolidated Financial Statements
Continued

2. Significant Accounting Policies Continued

Goodwill and Intangible Assets - Continued

The following table reflects a comparison of net income and net income per share for each of the three years ended December 31, adjusted to give effect to the adoption of SFAS 142:

	2002	2001
	-----	-----
Reported net income (loss) applicable to common shareholders	\$ 28,975,683	\$ (6,887,981)
Add-back goodwill amortization, net of taxes	-	13,970
	-----	-----
Adjusted net Income (loss) applicable to common shareholders	\$ 28,975,683	\$ (6,874,011)
	=====	=====
Reported earnings per share - basic and diluted	\$ 1.14	\$ (.51)
Add-back goodwill amortization	-	.01
	-----	-----
Adjusted earnings per share - basic and diluted	\$ 1.14	\$ (.50)
	=====	=====

The changes in the carrying amount of goodwill during the year ended December 31, 2002 are as follows:

Balance as of December 31, 2001	\$ 304,800
Goodwill acquired during the year	-
Adjustments to goodwill	(304,800)

Balance as of December 31, 2002	\$ -
	=====

Asphalt Demerits

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Crown's subsidiary, CAPCO, blends asphalt for sale to contractors and state agencies. The asphalt sold must meet certain specifications for a particular application. If the asphalt sold does not meet these specifications, for whatever reason, the asphalt supplier may be held liable for possible damages (asphalt demerits). Management believes that the Company's product liability insurance would cover any significant damages.

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CROWN ENERGY CORPORATION
Notes to Consolidated Financial Statements
Continued

2. Significant
Accounting
Policies
Continued

Environmental Expenditures

Environmental related restoration and remediation costs are recorded as liabilities when site restoration and environmental remediation and clean-up obligations are either known or considered probable, and the related costs can be reasonably estimated. Other environmental expenditures, that are principally maintenance or preventative in nature, are recorded when expended and expensed or capitalized as appropriate.

Recent Accounting Pronouncements

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations". This Statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This Statement is effective for financial statements issued for fiscal years beginning after June 15, 2002. This Statement addresses financial accounting and reporting for the disposal of long-lived assets. The Company is currently assessing the impact of this statement.

In April 2002, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This statement requires the classification of gains or losses from the extinguishments of debt to meet the criteria of Accounting Principles Board Opinion No. 30 before they can be classified as extraordinary in the income statement. As a result, companies that use debt extinguishment as part of their risk management cannot classify the gain or loss from that extinguishment as extraordinary. The statement also requires sale-leaseback accounting for certain lease modifications that have economic effects similar to sale-leaseback transactions. The Company does not expect Adoption of SFAS No. 145 did have a material impact on financial position or future operations.

CROWN ENERGY CORPORATION
Notes to Consolidated Financial Statements
Continued

2. Significant
Accounting
Policies
Continued

Recent Accounting Pronouncements - Continued

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This standard, which is effective for exit or disposal activities initiated after December 31, 2002, provides new guidance on the recognition, measurement and reporting of costs associated with these activities. The standard requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date the company commits to an exit or disposal plan. The adoption of SFAS No. 146 by the Company is not expected to have a material impact on the Company's financial position or future operations.

In December 2002, the FASB issued SFAS No. 148 "Accounting for Stock-Based Compensation--Transition and Disclosure--an amendment of FASB Statement No. 123," which is effective for all fiscal years ending after December 15, 2002. SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation under SFAS No. 123 from the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion No. 25. SFAS 128 also changes the disclosure requirements of SFAS 123, requiring a more prominent disclosure of the pro-forma effect of the fair value based method of accounting for stock-based compensation. The adoption of SFAS No. 148 by the Company did not have a material impact on the Company's financial position or future operations.

CROWN ENERGY CORPORATION
Notes to Consolidated Financial Statements
Continued

2. Significant
Accounting
Policies
Continued

Recent Accounting Pronouncements - Continued

In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46, Consolidation of Variable Interest Entities (FIN No. 46), which addresses consolidation by business enterprises of variable interest entities. FIN No. 46 clarifies the application of Accounting Research Bulletin No. 51, Consolidated Financial Statements, to certain entities in which equity investors do not have the characteristics of a controlling financial

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interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN No. 46 applies immediately to variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003, to variable interest entities in which an enterprise holds a variable interest that it acquired before February 1, 2003. The Company does not expect to identify any variable interest entities that must be consolidated. In the event a variable interest entity is identified, the Company does not expect the requirements of FIN No. 46 to have a material impact on its financial condition or results of operations.

In November 2002, the FASB issued Interpretation No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others (FIN No. 45). FIN No. 45 requires certain guarantees to be recorded at fair value, which is different from current practice to record a liability only when a loss is probable and reasonably estimable, as those terms are defined in FASB Statement No. 5, Accounting for Contingencies. FIN No. 45 also requires the Company to make significant new disclosures about guarantees. The disclosure requirements of FIN No. 45 are effective for the Company in the first quarter of fiscal year 2003. FIN No. 45's initial recognition and initial measurement provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The Company's previous accounting for guarantees issued prior to the date of the initial application of FIN No. 45 will not be revised or restated to reflect the provisions of FIN No. 45. The Company does not expect the adoption of FIN No. 45 to have a material impact on its consolidated financial position, results of operations or cash flows.

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CROWN ENERGY CORPORATION
Notes to Consolidated Financial Statements
Continued

2. Significant
Accounting
Policies
Continued

Stock-Based Compensation
The Company accounts for stock options granted to employees under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations, and has adopted the disclosure-only provisions of Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation." Accordingly, no compensation cost has been recognized in the financial statements, as all

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options granted under those plans had an exercise price equal to or greater than the market value of the underlying common stock on the date of grant. Had the Company's options been determined based on the fair value method, the results of operations would have been reduced to the pro forma amounts indicated below:

	Years Ended December	
	2002	2001
Net income (loss) - as reported	\$ 28,975,683	\$ (6,487,981)
Deduct total stock based employee compensation expense determined under fair value based method for all awards, net of related taxes	(63,935)	(103,525)
Net loss - pro forma	\$ 28,911,748	\$ (6,591,506)
Diluted income (loss) per share - as reported	\$ 1.14	\$ (.48)
Diluted income (loss) per share - pro forma	\$ 1.14	\$ (.49)

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

Expected dividend yield	2000 \$ -
Expected stock price volatility	73%
Risk-free interest rate	5.75%
Expected life of options	4 years

No options were granted in 2002 or 2001. The weighted average fair value of options and warrants granted during 2000 were \$.10.

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CROWN ENERGY CORPORATION
Notes to Consolidated Financial Statements
Continued

2. Significant Accounting Policies

Reclassifications
Certain amounts in the 2001 and 2000 consolidated financial statements have been reclassified to

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Continued conform with classifications adopted in the current year.

3. Settlement of MCNIC Obligations

Crown Distribution

As of December 31, 2001, Crown Distribution owed amounts as follows to its 49.99% owner, MCNIC:

- o Working capital loan in the amount of \$14,935,222, classified as "Working capital loan to related party" in the balance sheet
- o Accrued interest on the working capital loan of \$4,884,401, included in "Accrued interest" in the balance sheet
- o Preferential loan in the amount of \$5,325,723, included in "Long-term debt" in the balance sheet
- o Accrued interest on such preferential debt of \$2,429,405, included in "Accrued interest" in the balance sheet

During 2001, pursuant to an arbitration judgment (see note 16), the debts owed to MCNIC were determined to be in default. The default on the working capital loan resulted in a default interest rate of 18% retroactively from December 31, 1999, compounded annually, on \$5,810,581 of the outstanding amount, and an interest rate of 8% on the remaining balance of \$9,124,641. The preferential debt continued to accrue interest at 15%. As part of the arbitration judgment, an additional \$2,609,519 in fees and costs was awarded to MCNIC.

In March 2002, the Company entered into a settlement agreement with MCNIC (see note 16), in which the Company obtained the option to purchase all of MCNIC's rights, title and interests in Crown Distribution (including its right to above-mentioned award rendered in the arbitration judgment), in exchange for \$5.5 million.

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CROWN ENERGY CORPORATION
Notes to Consolidated Financial Statements
Continued

3. Settlement of MCNIC Obligations Continued

Crown Distribution - Continued

The Company was unable to pay the purchase price of \$5.5 million and therefore entered into additional settlement discussions with MCNIC. In October 2002, the Company reached a final settlement agreement with MCNIC (see note 16) in which CAPCO purchased MCNIC's interest in CAD in exchange for \$2 million, receivables of \$146,781, and CAC's 1% overriding royalty in Crown Ridge. As part of the settlement,

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MCNIC released its rights to all debt due to MCNIC, including the working capital loan of \$14,935,222, related interest on the working capital loan of \$6,359,115, the preferential debt of \$5,325,723, accrued interest on the preferential debt of \$3,061,926, and legal fees and costs of \$2,609,519. Therefore, the balance at December 31, 2002 of the working capital loan, accrued interest on the working capital loan, the preferential debt, accrued interest on the preferential debt, and the accrued amounts for the above mentioned fees and costs were \$0. The gain associated with this settlement of \$30,144,724, calculated as the difference between the liabilities settled and the value paid was recorded as an extraordinary gain on extinguishment of debt.

Crown Ridge

As of December 31, 2001, CAC, a wholly-owned subsidiary, owed MCNIC, in the form of a note payable, \$2,970,469. As part of the above-mentioned March 2002 settlement, the Company, through its CAC subsidiary, transferred its ownership in Crown Ridge to MCNIC in exchange for MCNIC's assumption of certain liabilities, including \$2,998,175 of the debt and related interest owed by CAC to MCNIC, and a 1% overriding royalty interest in the sales proceeds received by Crown Ridge. In connection with this settlement, the Company recognized a gain on the transfer of its ownership in Crown Ridge, which had a book basis of \$0, of \$2,998,175.

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CROWN ENERGY CORPORATION
Notes to Consolidated Financial Statements
Continued

4. Property,
Plant and
Equipment

The following is a summary of property, plant, and equipment as of December 31:

	2002	2001
	-----	-----
Land	\$ 1,000,000	\$ 1,000,000
Plant and improvements and tankage	9,762,598	9,978,423
Computer equipment, furniture, and fixtures	391,386	441,013
Vehicles	29,148	29,148
	-----	-----
Total property, plant, and equipment	11,183,132	11,448,584
Less accumulated depreciation	(2,234,100)	(1,857,797)
	-----	-----
Total	\$ 8,949,032	\$ 9,590,787

=====

5. Investments
In and
Advances to
an Equity
Affiliate

In August 1997, the Company, through its wholly owned subsidiary, CAC, entered into a joint venture with MCNIC for the purpose of developing, mining, processing, and marketing asphalt, performance grade asphalt, diesel fuel, hydrocarbons, bitumen, asphaltum, minerals, mineral resources, and other oil sand products. The joint venture resulted in the formation of Crown Asphalt Ridge, L.L.C. ("Crown Ridge"). MCNIC and the Company initially owned interests of 75% and 25%, respectively, in the profits and losses of Crown Ridge.

During the year ended December 31, 2000, the Company evaluated the carrying value of its investments in and advances to Crown Ridge and determined that its investment in and advances to Crown Ridge were impaired. Accordingly, an aggregate non-cash expense for the impairment of \$6,904,085 was recorded.

In March 2002, in accordance with a settlement agreement entered into by CAC with MCNIC (see notes 3 and 16), CAC transferred its interest in Crown Ridge to MCNIC in exchange for MCNIC's assumption of certain liabilities of CAC. In connection with this transaction, the Company recorded a gain of \$2,998,175.

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CROWN ENERGY CORPORATION
Notes to Consolidated Financial Statements
Continued

6. Losses
From Equity
Affiliate

The Company's former 25% equity in the net loss of Crown Ridge plus amortization of excess of investment over the Company's equity in net assets is reported in the accompanying consolidated statement of operations as follows:

	2002	2001
	-----	-----
Equity in losses of unconsolidated equity affiliate	\$ -	\$ -
Amortization of excess investment included in general and administrative expense	-	-
	-----	-----
Total	\$ -	\$ -
	=====	=====

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As disclosed in note 5, during the year ended December 31, 2000, the Company's investment in and advances to Crown Ridge was reduced to \$0 through an impairment of \$6,904,085.

7. Intangibles

Intangible assets consist of the following:

	December 31,	
	2002	2001
Goodwill	\$ -	\$ 304,800
Non-compete agreement	250,000	250,000
Accumulated amortization	(225,000)	(150,400)
	\$ 25,000	\$ 404,400

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CROWN ENERGY CORPORATION
Notes to Consolidated Financial Statements
Continued

7. Intangibles
Continued

At December 31, 2000, the Company re-assessed the recoverability of goodwill associated with the Petro Source acquisition. Due to litigation with MCNIC, the Company had been unable to secure financing needed to build up inventory at favorable prices. This lack of funding and the ongoing dispute with MCNIC resulted in losses from operations. Because of these circumstances the Company recognized an impairment of \$3,625,848 in the statement of operations for the year ended December 31, 2000.

At December 31, 2002 the Company re-assessed the recoverability of goodwill associated with its Rawlins facility. Based on a current appraisal of the facility based on an income approach, the Company determined that the goodwill was not recoverable and recorded an impairment loss of \$265,430.

8. Long-term
Debt

Long-term debt consists of the following at December 31:

2002

Note payable with interest at prime plus 1% (5.25% at December 31, 2002) to a bank, in monthly principal and interest payments until the debt matures in May 2014, secured by assets at Rawlins

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Terminal. \$ 1,644,37

Note payable to a company with interest at 9%, payable in 84 equal monthly principal and interest installments of \$20,627, maturing January 1, 2006, secured by assets at the Cowboy Terminal Facility. 664,30

Deferred purchase price on Rawlins Terminal acquisition with interest at the LIBOR rate (1.38% at December 31, 2002), due in monthly installments through February 2010. Due to a dispute over certain environmental remediation associated with the Rawlins Terminal this amount has been included in the thereafter portion of the debt maturities schedule below due to the uncertainty of payments 225,00

Note payable with interest at 8% per year over a 10-year term, with the principal and interest payments made to a company in monthly installments of \$3,212, maturing in November 2010, secured by property and equipment 224,40

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CROWN ENERGY CORPORATION
Notes to Consolidated Financial Statements
Continued

8. Long-term Debt Continued	Note payable with interest at 9.59% to a bank, due in monthly principal and interest payments until the debt matures in June 2007, secured by assets at the Cowboy Terminal	21,60
	Preferential debt to MCNIC with interest at 15%, annual principal and interest installments equal to 50% of the net cash flows (as defined) of Crown Distribution, secured by all of the assets of Crown Distribution. This debt was forgiven in connection with a settlement agreement (see notes 3 and 16)	
	Note payable to MCNIC with interest at prime plus 1%, in monthly principal and interest payments until the debt matures July 2014, secured by an interest in Crown Ridge resulting from the loan proceeds. This debt was forgiven in connection with a settlement agreement (see note 4)	
	Capital leases (see note 9)	86,56
	Total	(2,866,25
	Less estimated current portion	(423,58
	Long-term portion	\$ (2,442,67

The schedule maturities of long-term debt at December

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31, 2002 are as follows:

Year Ending December 31:	

2003	\$ 423,585
2004	368,167
2005	385,193
2006	177,071
2007	141,026
Thereafter	1,371,216

Total	\$ 2,866,258
	=====

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CROWN ENERGY CORPORATION
Notes to Consolidated Financial Statements
Continued

9. Capital Lease Obligations

The Company leases equipment under capital lease agreements. The leases provide the Company the option to purchase the equipment at the end of the initial lease terms. The equipment under capital lease is included in property and equipment at a cost of approximately \$211,000 and \$187,000 and accumulated amortization of approximately \$57,000 and \$27,000 at December 31, 2002 and 2001, respectively.

Amortization expense for the equipment under capital lease for the years ended December 31, 2002, 2001, and 2000 was approximately \$30,000, \$27,000, and \$0, respectively. Future minimum payments on the capital lease obligations are as follows:

Year Ending December 31:	

2003	\$ 69,152
2004	16,676
2005	4,266

	90,094
Less amount representing interest	(3,529)

Present value of future minimum capital lease payments	\$ 86,565
	=====

10. Operating Leases

The Company leases certain premises and equipment under operating leases. Approximate future minimum lease payments under non-cancelable operating leases as of December 31, 2002 are as follows:

Year Ending December 31:	
2003	\$ 410,206
2004	283,341
2005	60,000

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2006	9,000
Thereafter	-

Total	\$ 762,547
	=====

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CROWN ENERGY CORPORATION
Notes to Consolidated Financial Statements
Continued

10. Operating Leases Continued Lease expense for the years ended December 31, 2002, 2001, and 2000 totaled \$782,332, \$1,046,000, and \$1,129,000 respectively.

11. Redeemable Preferred Stock Redeemable preferred stock consists of 500,000 issued and outstanding Series A cumulative convertible shares with a par value of \$.005 and a stated value of \$10.00. The Company has authorized 1,000,000 shares of preferred stock. The original estimated fair value of the outstanding shares is \$4,716,981 with annual accretion of \$47,169, \$56,604 and \$56,604 for the years ended December 31, 2002, 2001, and 2000, respectively, toward the stated and liquidation value of \$5,000,000. At December 31, 2002, and 2001 the redeemable preferred stock had a balance of \$5,000,000 and \$4,952,831, respectively.

The Company is authorized to issue 1,000,000 preferred shares, par value \$.005 per share. On November 4, 1997, the Company completed the sale of 500,000 shares of its Series A Cumulative Convertible Preferred Stock ("Series A Preferred") pursuant to a stock purchase agreement dated September 25, 1997 for an aggregate sales price of \$5,000,000. The Series A Preferred shares were sold to an entity majority - owned and controlled by the Company's CEO. Each share of Series A Preferred is convertible at the option of its holder, at any time, into 8.57 shares of common stock of the Company. At the date of the issuance of the preferred stock, the embedded conversion price was \$1.17 and the estimated fair value of the common stock was \$1.03. Dividends accrue on the outstanding Series A Preferred at the rate of 8% per annum and may be declared by the Company and paid through cash or common shares of the Company at the option of the holder. During 2002, the Company paid dividends of \$400,000 in cash and \$200,000 in common stock to an entity controlled by the Company's CEO. At December 31, 2002 and 2001 the Company owed \$1,000,000 and \$1,200,000, respectively, in dividends. Dividends accrued interest at 8% per annum for any unpaid balance. Subject to the holder's right to convert the Series A Preferred, the Company may redeem the Series A Preferred at any time from the date on which it is issued at a percentage of the Series A Preferred's stated value of \$10 per share; 130% of stated value

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if redemption occurs within thirty-six months of the date of issuance, 115% of stated value if redemption occurs between thirty-six and forty-eight months after the date of issuance, 110% of stated value if redemption occurs between forty-eight and sixty months after the date of issuance, and 100% if redemption occurs thereafter.

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CROWN ENERGY CORPORATION
Notes to Consolidated Financial Statements
Continued

11. Redeemable
Preferred
Stock
Continued

The holder of the Series A Preferred may also require the Company to redeem the Series A Preferred after the eighth anniversary of the Series A Preferred's issuance. The holders of the Series A Preferred shall have the right, but shall not be obligated, to appoint 20% of the Company's Board of Directors. The Company may not alter the rights and preferences of the Series A Preferred, authorize any security having liquidation preference, redemption, voting or dividend rights senior to the Series A Preferred, increase the number of Series A Preferred, reclassify its securities or enter into specified extraordinary events without obtaining written consent or an affirmative vote of at least 75% of the holders of the outstanding shares of the Series A Preferred stock. All voting rights of the Series A Preferred expire upon the issuance by the Company of its notice to redeem such shares. The shares of common stock issuable upon conversion of the Series A Preferred are subject to adjustment upon the issuance of additional shares of the Company's common stock resulting from stock splits, share dividends, and other similar events as well as upon the issuance of additional shares or options or as compensation to any employee, director, consultant, or other service provider of the Company or any subsidiary, other than options to acquire up to 5% of the Company's common stock at or less than fair market value.

12. Stock
Options and
Warrants

Stock Options
The Company has a stock option plan for directors and salaried employees. Options are granted at a price not less than the fair market value on the date of grant, become exercisable between one to four years following the date of grant, and generally expire in ten years. Fair market value is determined based on quoted market prices.

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CROWN ENERGY CORPORATION

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Notes to Consolidated Financial Statements
Continued

12. Stock
Options
Warrants
Continued

A summary of the stock option and warrant activity for fiscal years 2002, 2001, and 2000 is as follows:

	Options	
	Number of Shares	Weighted Average Exercise Price
Outstanding at January 1, 2000	2,228,148	\$.88
Granted	1,040,000	.13
Forfeited	(205,000)	1.13
Outstanding at December 31, 2000	3,063,148	.88
Granted	-	-
Forfeited	(300,000)	1.05
Outstanding at December 31, 2001	2,763,148	.33
Granted	-	-
Forfeited	(100,000)	1.00
Outstanding at December 31, 2002	2,663,148	\$.30

The following table summarizes information about stock options and warrants outstanding at December 31, 2002:

Range of Exercisable Prices	Outstanding			Weighted Average Exercise Price	Number Exercisable	Exercisable
	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price			
\$.002	925,771	4.87	\$.002	925,771	\$	
.10 - .13	1,540,000	6.86	0.12	1,540,000		
.38 - 1.13	1,048,148	4.00	0.54	898,148		
1.50 - 2.50	475,000	.33	1.87	475,000		
\$.10 to 2.50	3,988,919	4.87	\$ 0.41	3,838,919	\$	

CROWN ENERGY CORPORATION
Notes to Consolidated Financial Statements
Continued

12. Stock
Options and
Warrants
Continued

Common Stock Warrant

In conjunction with the issuance of the preferred stock described in note 11, the Company issued a warrant to the holders of the preferred stock. The fair value of the warrant at the date of issuance was estimated to be \$283,019 and was recorded to additional paid-in capital and as a reduction to the stated value of the preferred stock. The reduction in preferred stock has been accreted over the five-year period from the date of issuance to the earliest exercise date of the warrant.

Upon the fifth anniversary of the issuance of the preferred stock, the warrant became exercisable into 925,771 shares of common stock, the maximum number of shares of common allowed under the agreement, in accordance with the preferred stock agreement, at \$.002 per share. The warrants expire in 2007.

CROWN ENERGY CORPORATION
Notes to Consolidated Financial Statements
Continued

13. Impairment on
Long-Lived
Assets

As of December 31, 2002, the Company revaluated the carrying value of its Gadsby terminal facility located in Salt Lake City, Utah operated under its CAD subsidiary. In 2002 the Company, entered into a plea and abeyance agreement with the City of Salt Lake to cease its manufacturing operations at that location for at least one year because of an odor violation of the City's ordinance. The Company determined that it would no longer manufacture asphalt from that facility but use it as a shipping and receiving location for its products. The Company determined that the equipment at the facility solely related to the manufacturing process would not have significant value apart from the facility based on estimated net present value of future cash flows to be derived from the operation of those manufacturing assets. Accordingly, an aggregate non-cash expense for the impairment of plant and equipment in the amount of \$544,639 was recognized.

14. Income Taxes

The components of income tax benefit for the years ended December 31 are summarized as follows:

	2002	2001
	-----	-----

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Current	\$	-	\$	-	\$
Deferred:					
Federal		-		-	
State		-		-	
		-----		-----	
		-		-	
		-----		-----	
Total	\$	-	\$	-	\$
		=====		=====	

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CROWN ENERGY CORPORATION
Notes to Consolidated Financial Statements
Continued

14. Income Taxes
Continued

Income tax expense (benefit) differed from amounts computed by applying the federal statutory rate to pretax loss as follows:

	Years Ended December 31,		
	2002	2001	2000
Income (loss) before income taxes and minority interest - computed tax at the expected federal statutory rate, 34%	\$ 9,988,000	\$ (2,205,000)	\$ (6,300,000)
State income taxes, net of federal income tax benefits	881,000	(194,000)	(4,000)
Goodwill impairment not deductible for tax purposes due to settlement with MCNIC	321,000	-	-
Joint venture affiliate share of gain for tax purposes	(5,577,000)	-	-
Permanent difference on disposal of assets	(1,352,000)	-	-
Minority interest	259,000	1,605,000	2,000,000
Expiration of net operating losses	20,000	22,000	-
Other	170,000	36,000	-
Change in valuation reserve	(4,710,000)	736,000	4,600,000
Total income tax benefit	\$ -	\$ -	\$ -

Deferred tax assets (liabilities) are comprised of the following:

December 31,

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	2002	2001
Net operating loss carryforwards	\$ 3,616,000	\$ 3,616,000
Impairment of investment in equity affiliate	-	2,000,000
Allowance for doubtful accounts	65,000	65,000
Accrued interest	-	1,000,000
Start-up costs	-	-
Capital loss carryforwards	203,000	203,000
Differences between tax basis and financial reporting basis of investment in equity affiliate	-	-
Amortization and impairment of goodwill	85,000	85,000
Depreciation	(618,000)	(618,000)
Other	47,000	47,000
Valuation allowance	(3,398,000)	(3,398,000)
	\$ -	\$ -

The Company has available at December 31, 2002, unused tax operating loss carryforwards of approximately \$11 million which may be applied against future taxable income and expire in varying amounts through 2012.

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CROWN ENERGY CORPORATION
Notes to Consolidated Financial Statements
Continued

15. Related Party Transactions Not Otherwise Disclosed

The Company has an employment agreement (amended November 1, 1999) with a director who is also an officer of the Company. The employment agreement expires December 31, 2003. The agreement includes a base salary of \$150,000 subject to various increases as of November 1 of each year provided that the Company achieves positive cash flows from operations before interest, debt service, taxes, depreciation, amortization, extraordinary, and non-recurring items and dividends. In addition to the base salary, the officer/director is entitled to receive a bonus for each fiscal year of the agreement provided certain earnings levels are obtained or the underlying price of the Company's stock increases to determined levels subject to certain limitations. In addition to the bonuses, the officer/director was granted an option to purchase 450,000 shares of the Company's common stock at an exercise price of \$.125 per share in 1997. With the amended agreement, the officer/director was granted an option to purchase an additional 450,000 shares of the Company's common stock at an exercise price based on the average fair market price of the Company's common stock for the three months immediately preceding and following the options grant date. The option exercise price

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approximated the average fair market value of the Company's common stock at the date of grant. The options vest over a three year period commencing on May 1, 2001, subject to accelerated vesting should the Company's common stock market price exceed certain defined levels.

During 1998, 946,296 options were exercised by officers of the Company through an 8% common stock subscription receivable in the amount of \$549,166. The respective receivable was reflected as a reduction in common stockholders' equity (deficit). During the year ended December 31, 2002, the subscription receivable was extinguished, by the Company, in exchange for the 946,296 common shares issued in connection with the original subscription receivable.

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CROWN ENERGY CORPORATION
Notes to Consolidated Financial Statements
Continued

16. Commitments
and
Contingencies

Litigation

On May 21, 1998, Road Runner Oil, Inc. ("Road Runner") and Gavilan Petroleum, Inc. ("Gavilan") filed an action in the Third Judicial District Court, Salt Lake County, State of Utah, as Civil # 98-0905064 against the Company and its President. The action relates to the purchase by Road Runner of 100% of the stock of Gavilan in 1997. On January 6, 2003 the Company entered in to a settlement agreement and mutual release wherein the Company paid Road Runner \$10,000.

In late July and August, 2001, the Company participated in a binding arbitration proceeding (the "Arbitration") in Salt Lake City, Utah against MCNIC, its related entities and certain of their officers. The Arbitration addressed all claims previously asserted between the parties either in the Third Judicial District Court of Salt Lake County in a proceeding entitled MCNIC Pipeline & Processing Company v. Crown Asphalt Distribution Civil No. 00904867 (the "State Action") and that certain proceeding filed in the United States District Court for the District of Utah Central Division entitled Crown Energy Corporation, et al. v. MCN Energy Group, Inc. et al., Civil No. 2CV-0583ST (the "Federal Action"). In summary, in the State Action, MCNIC alleged that funds previously advanced by it to Crown Distribution in an amount in excess of \$14 million, plus interest, were immediately due and payable. MCNIC also sought the appointment of a receiver for Crown Distribution's assets and sought to foreclose on security interests in the assets of Crown Distribution.

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In contrast, the Company asserted that the funds previously advanced to Crown Distribution by MCNIC were part of a revolving credit facility which was not due and payable at that time and from which Crown Distribution should be able to make additional draws. Further, the Company sought recovery against MCNIC, its related entities and certain of its officers under other causes of action, including breach of fiduciary duties, economic duress, breach of implied covenants of good faith and fair dealing, breach of contracts and intentional interference with business relations.

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CROWN ENERGY CORPORATION
Notes to Consolidated Financial Statements
Continued

16. Commitments
and
Contingencies
Continued

Litigation - Continued

On October 31, 2001, the Arbitrator issued the Damage Award in which held that MCNIC's loans were due and payable with interest accruing on such loans from 8% to 18%, depending upon the particular loan involved. The decision also failed to find for the Company on its claims against MCNIC, its related entities and officers. The Damage Award was subsequently confirmed by the Third Judicial District Court of Salt Lake County, state of Utah on February 7, 2002.

In addition, the Arbitrator awarded \$2,609,519 in fees and costs (the "Fee Award") to MCNIC against the Company and its related entities on a joint and several basis. The Fee Award has yet to be confirmed by the appropriate Utah state court and proceedings regarding it have been stayed as further explained below.

On March 8, 2002, the Company and MCNIC, its related entities and certain of its officers executed the Settlement Agreement. Pursuant to the foregoing agreement, the Company transferred all of its interests in Crown Ridge and the leases relating to the Asphalt Ridge properties to MCNIC. In addition, the Company and its officers agreed not to compete with Crown Ridge in the Western United States and Western Canada in any way in regards to tar sands leasing, mining, extraction or processing for a period of three years. Notwithstanding the following, it was agreed that the conducting by the Company of its present business of buying, storing, blending and selling asphalt did not constitute a breach of the foregoing covenant.

In exchange for the assignment of the Crown Ridge interest, the Company received (i) MCNIC's commitment to pay the MK Judgment and its indemnification of the Company from the MK Judgment, (ii) the assignment from Crown Ridge of a 1% non-cost bearing, overriding

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royalty interest in the sales proceeds received by Crown Ridge or its successors and assigns from any products produced on the assigned leases of "Tract A" at Asphalt Ridge or a 3% non-cost bearing, overriding royalty interest in proceeds received by Crown Ridge or its successors and assigns from any other lands which are currently leased by Crown Ridge or the Company, and (iii) the mutual release between the parties of any known or unknown claims between them relating to Crown Ridge, including the obligation of the Company to pay the CAC Loan.

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CROWN ENERGY CORPORATION
Notes to Consolidated Financial Statements
Continued

16. Commitments
and
Contingencies
Continued

Litigation - Continued

Pursuant to the Settlement Agreement, the Company also acquired the Option to purchase all of MCNIC's rights, title and interests in, or relating to, Crown Distribution (including its right to Damage Award and the Fees Award) for an amount equal to \$5,500,000 (the "Purchase Price"). The Settlement Agreement provided that the Purchase Price be paid through the payment of \$200,000 at execution with the balance due upon the closing of the Option (if such closing occurs on or before April 30, 2002). After April 30, 2002 the Company had the right to extend the Option until September 30, 2002 by making an additional \$100,000 payment for each 30 days by which the Option is extended. The Company did not meet its obligation on September 30, 2002.

On October 16, 2002, the Company reached a final settlement agreement with MCNIC in which CAPCO purchased MCNIC's interest in CAD in exchange for \$2 million, receivables of \$146,781 and CAC's 1% overriding royalty in Crown Ridge. As part of the settlement, MCNIC released its rights to all debt due to MCNIC, including the working capital loan of \$14,935,222, related interest on the working capital loan of \$6,359,115, the preferential debt of \$5,325,723, accrued interest on the preferential debt of \$3,061,926, and fees and other costs of \$2,609,519. The gain associated with this settlement of \$30,144,724, calculated as the difference between the liabilities settled and the value paid was recorded as an extraordinary gain on extinguishment of debt.

Other

The Company may become or is subject to other investigations, claims, or lawsuits ensuing out of the conduct of its business, including those related to environmental, safety and health, commercial transactions, etc. Management of the Company is currently not aware of any other investigations,

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claims, or lawsuits which it believes could have a material adverse affect on its financial position.

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CROWN ENERGY CORPORATION
Notes to Consolidated Financial Statements
Continued

17. Subsidiary
Information

The Company operates in the asphalt production and distribution segment through the following subsidiaries:

	Year Ended December 31, 2002		
	Crown Asphalt Distribution	Crown Asphalt Products Company	CEC and CAC
Revenues from external customers	\$ 266,269	\$ 17,698,406	\$ -
Gross profit (loss)	\$ (1,200,552)	\$ 1,667,562	\$ -
Interest expense	\$ 2,179,691	\$ 129,573	\$ 95,299
Depreciation and amortization	\$ 553,411	\$ 199,457	\$ 30,798
Subsidiary net income (loss)	\$ (2,541,181)	\$ 29,374,116	\$ 2,542,748
Subsidiary total assets	\$ 10,318,775	\$ 37,335,055	\$ 5,854,170

	Year Ended December 31, 2001		
	Crown Asphalt Distribution	Crown Asphalt Products Company	CEC and CAC
Revenues from external customers	\$ 572,965	\$ 26,459,693	\$ -
Gross profit (loss)	\$ (1,838,969)	\$ 4,745,437	\$ -
Interest expense	\$ 3,411,221	\$ 232,360	\$ 375,157
Depreciation and amortization	\$ 566,241	\$ 169,407	\$ 27,959
Subsidiary net loss	\$ (9,191,518)	\$ 3,090,477	\$ (386,940)
Subsidiary total assets	\$ 11,009,753	\$ 7,981,851	\$ (16,322,244)

	Year Ended December 31, 2000		
	Crown Asphalt Distribution	Crown Asphalt Products Company	CEC and CAC

Revenues from				
external customers	\$ 20,464,624	\$ 2,322,479	\$ -	\$ -
Gross profit (loss)	\$ (1,119,221)	\$ 301,261	\$ -	\$ -
Interest expense	\$ 2,096,565	\$ 180,715	\$ 299,106	\$ -
Depreciation and				
amortization	\$ 708,614	\$ 109,840	\$ 85,410	\$ -
Subsidiary net loss	\$ (11,365,018)	\$ 712,126	\$ 7,708,029	\$ -
Subsidiary total				
assets	\$ 13,461,698	\$ 3,500,902	\$ (15,265,175)	\$ -

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CROWN ENERGY CORPORATION
Notes to Consolidated Financial Statements
Continued

17. Subsidiary
Information
Continued

	2002	2001
	-----	-----
Reconciliation of assets:		
Total assets for individual subsidiaries	\$ 53,508,000	\$ 20,000,000
Elimination of investment in subsidiaries	(40,049,177)	(15,000,000)
Elimination of intercompany receivables	(184,027)	(2,000,000)
	-----	-----
Total consolidated assets	\$ 13,274,796	\$ 15,000,000
	=====	=====

During 2002, 2001 and 2000, the Company operated primarily in the production and distribution of asphalt. The Company's operations and sales are dispersed throughout Utah, Arizona, California, Nevada, Wyoming, New Mexico, Nebraska and Colorado and could be adversely affected by economic downturns in these states and by federal or state funding policies related to road construction or improvements.

18. Employee
Benefit Plan

In 1999, the Company established a defined contribution plan which qualifies under Section 401(k) of the Internal Revenue Code. The plan provides retirement benefits for employees meeting minimum age and service requirements. Participants may contribute up to the lesser of \$10,000 or 15 percent of their gross wages, subject to certain limitations. The plan provides for a discretionary amount to be contributed to the plan each year. The contribution for the years ended December 31, 2002, 2001, and 2000 totaled approximately \$35,000, \$35,000, and \$36,000, respectively.

