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AMERICAN STELLAR ENERGY INC.
Form 10QSB
March 09, 2005

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

Form 10-QSB

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended: SEPTEMBER 30, 2003

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission file number 000-29595

AMERICAN STELLAR ENERGY, INC.
(Formerly Merchant Park Communications, Inc.)

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

Nevada

88-0441332

(State or other jurisdiction of
incorporation or organization)

(IRS Employer Identification No.)

2162 Acorn Court, Wheaton Ill. 60187

(Address of principal executive offices)

(630) 462-2079

(Issuer's telephone number)

Check whether the issuer: (1) filed all reports required to be filed by
Section 13 or 15(d) of the Exchange Act during the past 12 months (or for
such shorter period that the registrant was required to file such reports),
and (2) has been subject to such filing requirements for the past 90 days.

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of
common equity, as of the latest practical date: September 30, 2003
45,116,169.

Transitional Small Business Disclosure Format (check one). Yes No

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ITEM 1. FINANCIAL STATEMENTS

The financial information set forth below with respect to our Statements of Operations for the three months ended September 30, 2003 and the nine months ended September 30, 2003 are unaudited. This financial information, in the opinion of management, includes all adjustments consisting of normal recurring entries necessary for the fair presentation of such data.

The results of operations for the three months ended September 30, 2003 and the nine months ended September 30, 2003 are not necessarily indicative of results to be expected for any subsequent period.

AMERICAN STELLAR ENERGY, INC. AND SUBSIDIARIES
(Formerly Merchantpark Communications, Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2003 and December 31, 2002

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AMERICAN STELLAR ENERGY, INC. AND SUBSIDIARIES
(Formerly Merchantpark Communications, Inc.)
Consolidated Balance Sheets

ASSETS

| | September 30, 2003 | December 31, 2002 |
|--------------------------------------|-----------------------|----------------------|
| | ----- | ----- |
| | (Unaudited) | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 34,429 | \$ 2,441 |
| Total Current Assets | 34,429 | 2,441 |
| | ----- | ----- |
| PROPERTY AND EQUIPMENT, NET (Note 3) | - | - |
| | ----- | ----- |
| TOTAL ASSETS | \$ 34,429 | \$ 2,441 |
| | ===== | ===== |

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LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

| | | | | |
|---------------------------|----|--------|----|--------|
| Accounts payable | \$ | 7,541 | \$ | 22,720 |
| Loan from related party | | 2,250 | | 68,619 |
| Accrued interest | | 2,941 | | 2,941 |
| | | ----- | | ----- |
| Total Current Liabilities | | 12,732 | | 94,280 |
| | | ----- | | ----- |
| Total Liabilities | | 12,732 | | 94,280 |
| | | ----- | | ----- |

COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' EQUITY

| | | | | |
|--|----|-------------|----|-------------|
| Common stock: 50,000,000 shares authorized of \$0.001 par value, 45,116,169 and 32,341,876 shares issued and outstanding, respectively | | 45,115 | | 32,341 |
| Additional paid-in capital | | 1,220,594 | | 978,693 |
| Accumulated deficit | | (1,245,504) | | (1,104,365) |
| Other comprehensive income | | 1,492 | | 1,492 |
| | | ----- | | ----- |
| Total Stockholders' Equity (Deficit) | | 21,697 | | (91,839) |
| | | ----- | | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ | 34,429 | \$ | 2,441 |
| | | ===== | | ===== |

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

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AMERICAN STELLAR ENERGY, INC. AND SUBSIDIARIES
(Formerly Merchantpark Communications, Inc.)
Consolidated Statements of Operations and Other Comprehensive Income
(Unaudited)

| | For the Three Months Ended | | For the Nine Months Ended | |
|--------------------|----------------------------|-------|---------------------------|-----------|
| | September 30, | | September 30, | |
| | 2003 | 2002 | 2003 | 2002 |
| | ----- | ----- | ----- | ----- |
| GROSS SALES | \$ - | \$ - | \$ - | \$ 14,925 |
| COST OF GOODS SOLD | - | - | - | - |
| | ----- | ----- | ----- | ----- |
| NET SALES | - | - | - | 14,925 |
| | ----- | ----- | ----- | ----- |
| EXPENSES | | | | |

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| | | | | |
|---|-------------|--------------|--------------|--------------|
| Depreciation and amortization | - | - | - | 63,370 |
| Consulting | 27,800 | 28,140 | 72,755 | 78,073 |
| General and administrative | 2,315 | 105,189 | 6,359 | 137,622 |
| | ----- | ----- | ----- | ----- |
| Total Expenses | 30,115 | 133,329 | 79,114 | 279,065 |
| | ----- | ----- | ----- | ----- |
| LOSS BEFORE OTHER INCOME (EXPENSE) | (30,115) | (133,329) | (79,114) | (264,140) |
| | ----- | ----- | ----- | ----- |
| OTHER INCOME (EXPENSE) | | | | |
| Interest income | - | - | - | - |
| Interest expense | - | (8,762) | - | (8,762) |
| Loss on extinguishment of debt | (32,025) | (24,000) | (62,025) | (159,500) |
| | ----- | ----- | ----- | ----- |
| Total Other Income (Expense) | (32,025) | (32,762) | (62,025) | (168,262) |
| | ----- | ----- | ----- | ----- |
| NET LOSS | \$ (62,140) | \$ (166,091) | \$ (141,139) | \$ (432,402) |
| | ===== | ===== | ===== | ===== |
| BASIC LOSS PER SHARE | \$ (0.00) | \$ (0.01) | \$ (0.00) | \$ (0.02) |
| | ===== | ===== | ===== | ===== |
| WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING | 41,400,287 | 20,755,573 | 37,220,918 | 20,755,573 |
| | ===== | ===== | ===== | ===== |

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

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AMERICAN STELLAR ENERGY, INC. AND SUBSIDIARIES
(Formerly Merchantpark Communications, Inc.)
Consolidated Statements of Stockholders' Equity

| | Common Stock | Additional | Other | Accumulated |
|--|--------------|------------|---------------|-------------|
| | Shares | Paid in | Comprehensive | Deficit |
| | | Capital | Income | |
| | Amount | | | |
| | ----- | ----- | ----- | ----- |

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| | | | | | | | | | |
|--|------------|----|--------|----|---------|----|-------|----|-------------|
| Balance, December 31, 2001 | 18,160,400 | \$ | 18,160 | \$ | 661,929 | \$ | 911 | \$ | (426,774) |
| Stock issued for services at \$0.027 per share | 562,500 | | 565 | | 14,625 | | - | | - |
| Stock issued for debt at \$0.50 per share | 44,976 | | 45 | | 22,443 | | - | | - |
| Stock issued for debt at \$0.25 per share | 900,000 | | 900 | | 224,100 | | - | | - |
| Stock issued for cash at \$0.005 per share | 5,750,000 | | 5,750 | | 23,000 | | - | | - |
| Stock issued for cash at \$0.001 per share | 250,000 | | 250 | | - | | - | | - |
| Stock issued for debt at \$0.007 per share | 1,000,000 | | 1,000 | | 6,000 | | - | | - |
| Stock issued for debt at \$0.006 per share | 3,900,000 | | 3,900 | | 19,500 | | - | | - |
| Stock issued for services at \$0.027 per share | 1,774,000 | | 1,771 | | 7,096 | | - | | - |
| Currency translation adjustment | - | | - | | - | | 581 | | - |
| Net loss for the year ended December 31, 2002 | - | | - | | - | | - | | (677,591) |
| Balance, December 31, 2002 | 32,341,876 | | 32,341 | | 978,693 | | 1,492 | | (1,104,365) |

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AMERICAN STELLAR ENERGY, INC. AND SUBSIDIARIES
(Formerly Merchantpark Communications, Inc.)
Consolidated Statements of Stockholders' Equity (continued)

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| | Common Stock Shares | Stock Amount | Additional Paid in Capital | Other Comprehensive Income | Accumulated Deficit |
|--|------------------------|-----------------|----------------------------------|----------------------------------|---|
| Balance, December 31, 2002 | 32,341,876 | 32,341 | 978,693 | 1,492 | (1,104,365) |
| Stock issued for cash at \$0.005 per share | 1,131,208 | 1,131 | 4,519 | - | - |
| Stock issued for cash at \$0.024 per share | 1,673,640 | 1,674 | 38,326 | - | - |
| Stock issued for debt at \$0.02 per share | 3,000,000 | 3,000 | 57,000 | - | - |
| Stock issued for cash at \$0.01 per share | 500,000 | 500 | 4,500 | - | - |
| Stock issued for cash at \$0.02 per share | 250,000 | 250 | 4,750 | - | - |
| Stock issued for debt at \$0.02 per share | 2,900,000 | 2,900 | 55,100 | - | - |
| Stock issued for cash at \$0.005 per share | 200,000 | 200 | 800 | - | - |
| Stock issued for debt at \$0.02 per share | 600,000 | 600 | 11,400 | - | - |
| Stock issued for debt at \$0.027 per share | 2,519,445 | 2,519 | 65,506 | - | - |
| Net loss for the nine months ended September 30, 2003 | - | - | - | - | (141,139) |
| Balance, September 30, 2003 | 45,116,169 | \$ 45,115 | \$ 1,220,594 | \$ 1,492 | \$ (1,245,504) |
| | | | | | |
| | | | | | Accumulated deficit prior to the development stage |
| | | | | | \$ (1,104,365) |
| | | | | | Accumulated deficit during to the development stage |
| | | | | | (141,139) |
| | | | | | \$ (1,245,504) |

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

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| | For the Nine Months Ended September 30, | |
|--|--|--------------|
| | 2003 | 2002 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss | \$ (141,139) | \$ (432,402) |
| Adjustments to reconcile net loss to net cash flows used by operating activities: | | |
| Depreciation and amortization | - | 63,370 |
| Loss on the extinguishment of debt | 62,025 | 159,500 |
| Common stock issued for services | - | 15,190 |
| Changes in operating assets and liabilities: | | |
| Decrease (Increase) in prepaids and other assets | - | (1,087) |
| Increase in accrued interest | - | 8,762 |
| Increase (decrease) in accounts payable and other debt | (77,204) | 69,913 |
| Net Cash Flows Used by Operating Activities | (156,318) | (116,754) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Net Cash Flows Used by Investing Activities | - | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Common stock issued for cash | 56,650 | 29,000 |
| Proceeds from loans from related party | 131,656 | 85,419 |
| Net Cash Flows Provided by Financing Activities | 188,306 | 114,419 |
| NET INCREASE (DECREASE) IN CASH | 31,988 | (2,335) |
| CASH AT BEGINNING OF PERIOD | 2,441 | 2,335 |
| CASH AT END OF PERIOD | \$ 34,429 | \$ - |

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

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| | For the Nine Months Ended September 30, | |
|----------------------------------|--|------------|
| | 2003 | 2002 |
| CASH PAID DURING THE YEAR: | | |
| Interest | \$ - | \$ - |
| Income taxes | \$ - | \$ - |
| NON-CASH TRANSACTIONS | | |
| Common stock issued for debt | \$ 198,028 | \$ 283,488 |
| Common stock issued for services | \$ - | \$ 15,190 |

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

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AMERICAN STELLAR ENERGY, INC. AND SUBSIDIARIES
(Formerly Merchantpark Communications, Inc.)
Notes to the Consolidated Financial Statements
September 30, 2003 and December 31, 2002

NOTE 1 - CONDENSED FINANCIAL STATEMENTS

The accompanying September 30, 2003 financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at September 30, 2003 and 2002 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 2002 audited financial statements. The results of operations for period ended September 30, 2003 are not necessarily indicative of the operating results for the full year.

NOTE 2 - GOING CONCERN

The Company's consolidated financial statements are prepared using generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has incurred losses for the periods ended September 30, 2003 and 2002 that have resulted in an accumulated deficit of approximately \$1,245,000 at September 30, 2003, which raises substantial doubt about the Company's ability to continue as a going concern. The

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accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of liabilities that might result from the outcome of this uncertainty. It is management's intent to seek additional financing through new stock issuances and lines of credit. The Company plans to continue generating revenues through sales of dedicated servers and professional services that include consulting web design, system architecture and server management.

NOTE 3 - PROPERTY AND EQUIPMENT

During the year ended December 31, 2002 the Company elected to discontinue a software development project begun in a prior year. The Company expensed all previously capitalized amounts related to this project and incurred a loss of \$218,836.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

In this report, references to "American Stellar," "Merchant Park," "we," "us," and "our" refer to American Stellar Energy, Inc. (formerly Merchant Park Communications, Inc.).

Safe Harbor for Forward-Looking Statements

When used in this report, the words "may," "will," "expect," "anticipate," "continue," "estimate," "project," "intend," and similar expressions are intended to identify 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 regarding events, conditions, and financial trends that may affect the Company's future plans of operations, business strategy, operating results, and financial position. Persons reviewing this report are cautioned that any forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties and that actual results may differ materially from those included within the forward-looking statements as a result of various factors. Such factors are discussed under the "Item 2. Management's Discussion and Analysis of Financial Condition or Plan of Operations," and also include general economic factors and conditions that may directly or indirectly impact the Company's financial condition or results of operations.

General

The Company was incorporated on October 14, 1999 in the State of Nevada as Westnet Communications Group, Inc., for the purpose of developing a special interest worldwide web site. In March 2001, the Company acquired Merchant Park Communications, changed its name to Merchant Park Communications, Inc., and changed its business direction to that of the developing proprietary 2nd generation E-business software for licensing to end users and web hosting. In March 2002, the Company discontinued the development of the software due to lack of operating capital, assigned all software and assets to a subsidiary company in exchange for a royalty fee, and began pursuing a new business opportunity; in September 2004, the assignee abandoned the project due to lack of revenues. During the fourth quarter of 2003, the Company entered into an

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agreement with Armen Energy LLC, whereby it obtained an undivided 45% working interest by way of a "Farm Out Agreement" on acreage that will be held-by-production. In November 2003, the Company amended its Articles to reflect a name change to American Stellar Energy, Inc. As of February 2005, three productive wells have been drilled with one additional well in the development stage. Exact flow rates and costs are not yet available.

Results of Operations for the Three Months Ended September 30, 2003 and 2002

All years stated in this section refer to the third quarter of that year. In 2003, the Company did not generate any revenues from any source as the Company continued to seek new direction. In 2002, there was no revenue as web hosting services had been terminated earlier in the year.

Consulting and General and administrative expense decreased from \$133,329 in 2002 to \$30,115 in 2003 due to reduced costs as a result of the company restructure.

Depreciation and amortization for 2003 were recorded as zero due to the write off of all company assets in that year. In 2002 depreciation was recorded as

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zero since the software development project had been terminated. This was the only capitalized asset of the Company which was subsequently written off in 2003.

The Company incurred a loss of \$62,140 in 2003 due to restructuring efforts in the absence of revenue. A loss of \$166,091 was incurred in 2002 due to remaining operating expenses at the beginning of the restructuring and zero revenue.

Results of Operations for the Nine Months Ended September 30, 2003 and 2002

All years stated in this section refer to the nine months ended of that year. For 2003, the company did not generate any revenues from any source. In 2002, almost all of the sales revenue of \$ 14,925 was recorded in the first quarter and was derived from web hosting and related services prior to the termination of services and the lay off of all staff.

Consulting and General and administrative expense decreased from \$215,695 in 2002 to \$79,114 in 2003 as software development and web hosting activities ceased in March 2002 and the Company began a period of restructuring.

Depreciation and amortization for 2003 were recorded as zero due to the write off of all company assets in that year. In 2002 depreciation of \$63,370 was recorded.

The Company incurred a loss of \$141,139 in 2003 due to restructuring efforts in the absence of revenue. A loss of \$432,402 was incurred in 2002 as the Company ceased software development and web hosting activities which failed to be profitable.

The Company had a cash flow deficiency of \$156,318 in 2003 and \$116,754 in 2002. Cash flow financing was provided to the Company by the sale of Company stock and related party loans in both years. These activities resulted in period end cash balances of \$34,429 in 2003 and zero in 2002.

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Liquidity, Capital Resources and Financial Condition

As of the nine month period ended September 30, 2003, the Company had \$34,429 in total assets consisting entirely of cash on hand. The Company also had accounts payable of \$7,541 consisting mostly of consulting and marketing expenses, a related party payable of \$2,250 and accrued interest of \$2,941 for total liabilities of \$12,732. The Company had no revenues during the first nine months in 2003.

The Company had sufficient cash to service its debts, but not enough to satisfy ongoing operating requirements. During the first quarter of 2002 the Company had already discontinued its software development project due to this lack of capital.

Financing

Historically, the Company has funded acquisitions and satisfaction of debt through the sale of common stock. The Company issued 6,969,445 shares of common stock during the third quarter of 2003. This stock was used to satisfy \$138,025 in debts to related parties and raise \$11,000 in cash. Management anticipates that net losses will continue for the foreseeable future and expects that any additional capital will likely be provided by advances from related parties or private placements of our common stock. There were no agreements with any parties regarding advances, loans or purchases of stock.

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If the Company decides to complete a private placement of stock, it will likely rely on exemptions from the registration requirements provided by federal and state securities laws. The purchasers and manner of issuance will be determined according to the Company's financial needs and the available exemptions. The Company does not currently intend to make a public offering of its common stock. It should also be noted that if the Company issues more shares of our common stock then shareholders may experience dilution in the value per share of their common stock.

Subsequent Events

As discussed above, in March 2002 the Company ceased its development of propriety technology and the associated business plan to license this software and technology to small business end users. Further, web development and associated services were discontinued with the layoff of all staff. This began a restructuring period wherein the Company disposed of all remaining assets and looked for new business opportunities in the energy sector. In October 2003 the Company identified a suitable property in Corsicana, Texas, and entered into a Farm Out Agreement with Armen Energy LLC, whereby it obtained an undivided 45% working interest on a 1,000 acre property that will be held-by-production. As of February 2005, three producing wells had been drilled with one additional well in the development stage. Exact flow rates and costs are not yet available.

The Company plans to drill 10 additional wells in 2005 and intends to raise the necessary capital from the sale of its securities and oil production revenues from the three producing wells.

ITEM 3. CONTROLS AND PROCEDURES

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(a) Evaluation of disclosure controls and procedures. Based on the evaluation of our disclosure controls and procedures (as defined in Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) required by Securities Exchange Act Rules 13a-15(b) or 15d-15(b), our Chief Executive Officer/Chief Financial Officer has concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective.

(b) Changes in internal controls. There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

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

The following unregistered securities were issued in the quarter ended September 30, 2003:

- . On July 8, 2003 the Company issued 500,000 shares of common stock at \$0.01 per share for \$5,000 in cash.
- . On August 5, 2003 the Company issued 250,000 shares of common stock at \$0.02 per share for \$5,000 in cash.
- . On August 12, 2003 the Company issued 1,000,000 shares of common stock at \$0.02 per share to satisfy \$20,000 of debt.
- . On August 12, 2003 the Company issued 1,200,000 shares of common stock at \$0.02 per share to satisfy \$24,000 of debt.
- . On August 12, 2003 the Company issued 700,000 shares of common stock at \$0.02 per share to satisfy \$14,000 of debt.
- . On August 5, 2003 the Company issued 200,000 shares of common stock at \$0.005 per share for \$1,000 in cash.
- . On August 12, 2003 the Company issued 600,000 shares of common stock at \$0.02 per share to satisfy \$12,000 of debt.
- . On September 8, 2003 the Company issued 2,519,445 shares of common stock at \$0.027 per share to satisfy \$68,025 of debt.

All of the above issued shares were issued under section 4(2) of the 1933 Securities Act and bear a restrictive legend.

As of September 30, 2003 the Company had 45,116,169 shares of common stock issued and outstanding.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not Applicable.

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

None

ITEM 5. OTHER INFORMATION

During July 2003, Mr. Peter Matousek resigned as President and CEO and was succeeded by Mr. Francis R. Biscan, Jr. who became President, Chief Executive Officer and a Director at that time.

ITEM 6. EXHIBITS

| Exhibit Number | Title |
|-------------------|---------------------------------|
| 31.1 | Section 302 Certification - CEO |
| 31.2 | Section 302 Certification - CFO |
| 32.1 | Section 906 Certification - CEO |
| 32.2 | Section 906 Certification - CFO |

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMERICAN STELLAR ENERGY, INC.
(Registrant)

DATE: March 8, 2005

By: /s/ Francis R. Biscan Jr.

Francis R. Biscan Jr.
President, Chief Executive
Officer and Director

DATE: March 8, 2005

By: /s/ Clifford Brown

Clifford Brown
Chief Financial Officer
Secretary, Director

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