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YAAK RIVER RESOURCES INC  
Form 10QSB  
May 10, 2002

U.S. SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended: March 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-30489

YAAK RIVER RESOURCES, INC.

-----  
(Exact name of small business issuer as specified in its charter)  
COLORADO 84-1097796

-----  
(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

2501 East Third Street, Casper, Wyoming 82609  
-----

(Address of principal executive offices)

(307) 235-0012  
-----

(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

As of March 31, 2002, 66,308,857 shares of common stock, par value \$0.0001 per share, were outstanding.

Transitional Small Business Disclosure Format: Yes  No

This Form 10-QSB consists of 15 pages. Exhibits are indexed at page 8.

PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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Please see pages F-1 through F-6.

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

#### PLAN OF OPERATIONS

Management intends to seek out and pursue a business combination with one or more existing private business enterprises that might have a desire to take advantage of the Company's status as a public corporation. Management does not intend to target any particular industry but, rather, intends to judge any opportunity on its individual merits.

In addition, management intends either to sell its existing real estate interests as an undeveloped package or to spin off the interests into a private subsidiary corporation that has yet to be formed. See "Real Estate Properties."

#### Real Estate Properties

Since 1999, the Company has owned 91 unimproved lots located in Teller County, Colorado. The lots are zoned for residential development, and comprise a total of approximately 4.7 acres of land. They are located in the Pike's Peak region approximately six miles by road from the historic mining town of Cripple Creek, Colorado, and approximately 40 miles by highway from the Colorado Springs metropolitan area.

The Company acquired the lots from Donald J. Smith, who is currently President and a Director of the Company. In connection with the purchase, the Company's board of directors deemed the lots to have a total value of \$162,000. The purchase price was paid in the form of approximately 23,000,000 treasury shares of the Company's Series A Common Stock.

To date, the Company has not developed the lots, and has reached a determination that it is not feasible for the Company to do so.

#### Risk Factors

An investment in the securities of the Company involves extreme risks and the possibility of the loss of a shareholder's entire investment. A prospective investor should evaluate all information discussed in this report and the risk factors discussed below in relation to his financial circumstances before investing in any securities of the Company.

1. No Currently Relevant Operating History. The Company has no currently relevant operating history, revenues from operations, or assets other than cash from private sales of stock. The Company faces all of the risks of a new business and those risks specifically inherent in the investigation, acquisition, or involvement in a new business opportunity. Purchase of any securities of the Company must be regarded as placing funds at a high risk in a new or "start-up" venture with all of the unforeseen costs, expenses, problems, and difficulties to which such ventures are subject.

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2. No Assurance of Success or Profitability. There is no assurance that the Company will acquire a favorable business opportunity. In addition, even if the Company becomes involved in a business opportunity, there is no assurance that it will generate revenues or profits, or that the market price

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of the Company's Common Stock will be increased thereby.

3. Possible Business - Not Identified and Highly Risky. The Company has not identified and has no commitments to enter into or acquire a specific business opportunity and therefore can disclose the risks and hazards of a business or opportunity that it may enter into in only a general manner, and cannot disclose the risks and hazards of any specific business or opportunity that it may enter into. An investor can expect a potential business opportunity to be quite risky. The Company's acquisition of or participation in a business opportunity will likely be highly illiquid and could result in a total loss to the Company and its shareholders if the business or opportunity is unsuccessful.

4. Type of Business Acquired. The type of business to be acquired may be one that desires to avoid effecting a public offering and the accompanying expense, delays, and federal and state requirements which purport to protect investors. Because of the Company's limited capital, it is more likely than not that any acquisition by the Company will involve other parties whose primary interest is the acquisition of a publicly traded company. Moreover, any business opportunity acquired may be currently unprofitable or present other negative factors.

5. Impracticability of Exhaustive Investigation. The Company's limited funds and the lack of full-time management will likely make it impracticable to conduct a complete and exhaustive investigation and analysis of a business opportunity before the Company commits its capital or other resources thereto. Management decisions, therefore, will likely be made without detailed feasibility studies, independent analysis, market surveys, and the like which, if the Company had more funds available to it, would be desirable. The Company will be particularly dependent in making decisions upon information provided by the promoter, owner, sponsor, or others associated with the business opportunity seeking the Company's participation.

6. Lack of Diversification. Because of the limited financial resources of the Company, it is unlikely that the Company will be able to diversify its acquisitions or operations. The Company's probable inability to diversify its activities into more than one area will subject the Company to economic fluctuations within a particular business or industry and therefore increase the risks associated with the Company's operations.

7. Possible Reliance upon Unaudited Financial Statements. The Company generally will require audited financial statements from companies that the Company proposes to acquire. No assurance can be given, however, that audited financials will be available to the Company. In cases where audited financials are unavailable, the Company will have to rely upon unaudited information received from target companies' management that has not been verified by outside auditors. The Company is subject, moreover, to the reporting provisions of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and thus will be required to furnish certain information about significant acquisitions, including certified financial statements for any business that the Company shall acquire. Consequently, acquisition prospects that do not have or are unable to obtain the required certified statements may not be appropriate for acquisition so long as the reporting requirements of the Exchange Act are applicable.

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8. Investment Company Regulation. The Company does not intend to become classified as an "investment company" under the Investment Company Act of 1940 (the "Investment Act"). The Company believes that it will not become subject to regulation under the Investment Act because (i) the Company will not be engaged in the business of investing or trading in securities, (ii)

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any merger or acquisition undertaken by the Company will result in the Company's obtaining a majority interest in any such merger or acquisition candidate, and (iii) the Company intends to discontinue any investment in a prospective merger or acquisition candidate in which a majority interest cannot be obtained. Should the Company be required to register as an investment company, it shall incur significant registration and compliance costs. The Company has obtained no formal determination from the Securities and Exchange Commission (the "Commission") as to the status of the Company under the Investment Act. Any violation of the Investment Act will subject the Company to materially adverse consequences. Should the Commission find that the Company is subject to the Investment Act, and order the Company to register under such Act, the Company would vigorously resist such finding and order. Irrespective of whether the Commission or the Company were to prevail in such dispute, however, the Company would be damaged by the costs and delays involved. Because the Company will not register under the Investment Act, investors in the Company will not have the benefit of the various protective provisions imposed on investment companies by such Act, including requirements for independent directors.

9. Other Regulation. An acquisition made by the Company may be of a business that is subject to regulation or licensing by federal, state, or local authorities. Compliance with such regulations and licensing can be expected to be a time consuming, expensive process and may limit other investment opportunities of the Company.

10. Dependence upon Management. The Company will be heavily dependent upon the skills, talents, and abilities of its management to implement its business plan. The Company's executive officers and directors may devote as little as two hours per month to the affairs of the Company, which for a company such as this that is heavily dependent upon management, may be inadequate for Company business, and may delay the acquisition of any opportunity considered. Furthermore, management has little or no significant experience in seeking, investigating, and acquiring businesses and will depend upon its limited business knowledge in making decisions regarding the Company's operations.

11. Lack of Continuity in Management. The Company does not have employment agreements with its management, and there is no assurance that the persons named herein will manage the Company in the future. In connection with acquisition of a business opportunity, the current management of the Company probably will resign and appoint successors. This may occur without the vote or consent of the shareholders of the Company.

12. Conflicts of Interest. Certain conflicts of interest exist between the Company and its executive officers and directors. Each of them has other business interests to which they devote their primary attention, and they may be expected to continue to do so although management time should be devoted to the business of the Company. As a result, conflicts of interest may arise that can be resolved only through their exercise of such judgment as is consistent with their fiduciary duties to the Company.

13. Indemnification of Officers and Directors. The Company's Articles of Incorporation provide for the indemnification of its directors, officers, employees, and agents, under certain circumstances, against attorney's fees and other expenses incurred by them in any litigation to which they become a party arising from their association with or activities on behalf of the Company. The Company may also bear the expenses of such litigation for any of its directors, officers, employees, or agents, upon such person's promise to repay the Company therefor if it is ultimately determined that any such person shall not have been entitled to indemnification. This indemnification policy could result in substantial expenditures by the Company which it will be unable to recoup.

14. Director's Liability Limited. The Company's Articles of Incorporation exclude personal liability of its directors to the Company and its shareholders for monetary damages for breach of fiduciary duty except in certain specified circumstances. Accordingly, the Company will have a much more limited right of action against its directors than otherwise would be the case. This provision does not affect the liability of any director under federal or applicable state securities laws.

15. Dependence upon Outside Advisors. To supplement the business experience of management, the Company may be required to employ accountants, technical experts, appraisers, attorneys, or other consultants or advisors. The selection of any such advisors will be made by management without any input from shareholders. Furthermore, it is anticipated that such persons may be engaged on an "as needed" basis without a continuing fiduciary or other obligation to the Company.

16. Need for Additional Financing. The Company's funds will not be adequate to take advantage of any available business opportunities. Even if the Company were to obtain sufficient funds to acquire an interest in a business opportunity, it may not have sufficient capital to exploit the opportunity. The ultimate success of the Company will depend upon its ability to raise additional capital. The Company has not investigated the availability, source, or terms that might govern the acquisition of additional capital and will not do so until it evaluates its needs for additional financing. When additional capital is needed, there is no assurance that funds will be available from any source or, if available, that they can be obtained on terms acceptable to the Company. If not available, the Company's operations will be limited to those that can be financed with its modest capital.

17. Leveraged Transactions. There is a possibility that any acquisition of a business opportunity by the Company may be leveraged, i.e., the Company may finance the acquisition of the business opportunity by borrowing against the assets of the business opportunity to be acquired, or against the projected future revenues or profits of the business opportunity. This could increase the Company's exposure to larger losses. A business opportunity acquired through a leveraged transaction is profitable only if it generates enough revenues to cover the related debt and expenses. Failure to make payments on the debt incurred to purchase the business opportunity could result in the loss of a portion or all of the assets acquired. There is no assurance that any business opportunity acquired through a leveraged transaction will generate sufficient revenues to cover the related debt and expenses.

18. Competition. The search for potentially profitable business opportunities is intensely competitive. The Company expects to be at a disadvantage when competing with many firms that have substantially greater financial and management resources and capabilities than the Company. These competitive conditions will exist in any industry in which the Company may become interested.

19. No Foreseeable Dividends. The Company has not paid dividends on its Common Stock and does not anticipate paying such dividends in the foreseeable future.

20. Loss of Control by Present Management and Shareholders. The Company may consider an acquisition in which the Company would issue as consideration for the business opportunity to be acquired an amount of the Company's authorized but unissued Common Stock that would, upon issuance,

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constitute as much as 95% of the voting power and equity of the Company. The result of such an acquisition would be that the acquired company's shareholders and management would control the Company, and the Company's management could be replaced by persons unknown at this time. Such a merger could leave investors in the securities of the Company with a greatly reduced percentage of ownership of the Company. Management could sell its control block of stock at a premium price to the acquired company's shareholders, although management has no plans to do so.

21. Dilutive Effects of Issuing Additional Common Stock. The majority of the Company's authorized but unissued Common Stock remains unissued. The board of directors of the Company has authority to issue such unissued shares without the consent or vote of the shareholders of the Company. The issuance of these shares may further dilute the interests of investors in the securities of the Company and will reduce their proportionate ownership and voting power in the Company. See "Series B Common Shares Authorized," below.

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22. Thinly Traded Public Market. There currently is only a thinly traded or virtually inactive public market for the securities of the Company, and no assurance can be given that a more active market will develop or that an investor will be able to liquidate his investment without considerable delay, if at all. If a more active market should develop, the price may be highly volatile. Factors such as those discussed in this "Risk Factors" section may have a significant impact upon the market price of the securities of the Company. Owing to what may be expected to be the low price of the securities, many brokerage firms may not be willing to effect transactions in the securities. Even if an investor finds a broker willing to effect a transaction in these securities, the combination of brokerage commissions, state transfer taxes, if any, and any other selling costs may exceed the selling price. Further, many lending institutions will not permit the use of such securities as collateral for any loans.

23. Broker-Dealer Sales of Company's Registered Securities. The Company's registered securities are covered by a Securities and Exchange Commission rule that imposes additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and accredited investors. For purposes of the rule, the phrase "accredited investors" means, in general terms, institutions with assets in excess of \$5,000,000, or individuals having a net worth in excess of \$1,000,000 or having an annual income that exceeds \$200,000 (or that, when combined with a spouse's income, exceeds \$300,000). For transactions covered by the rule, the broker-dealer must make a special suitability determination for the purchaser and receive the purchaser's written agreement to the transaction prior to the sale. Consequently, the rule may affect the ability of broker-dealers to sell the Company's securities and also may affect the ability of investors in securities of the Company to sell their securities in any market that might develop therefor.

24. Preferred Shares Authorized. The Articles of Incorporation of the Company authorize issuance of a maximum of 50,000,000 nonvoting shares of Preferred Stock, par value \$0.0001 per share. No shares of Preferred Stock have been issued or are outstanding on the date of this Report, and there is no plan to issue any in the foreseeable future. Should a series of Preferred Stock be issued, however, the terms of such series could operate to the significant disadvantage of the holders of outstanding Series A Common Stock or other securities of the Company. Such terms could include, among others, preferences as to dividends and distributions on liquidation.

25. Series B Common Shares Authorized. The Articles of Incorporation

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of the Company authorize issuance of a maximum of 250,000,000 nonvoting shares of Series B Common Stock, par value \$0.0001 per share. No shares of Series B Common Stock have been issued or are outstanding on the date of this Report and there is no plan to issue any in the foreseeable future. Should Series B Common Stock be issued, however, such Stock could have a substantial, dilutive effect upon the interests of the holders of outstanding Series A Common Stock or other securities of the Company, and would reduce the proportionate ownership of such holders in the Company.

26. Possible Rule 144 Sales. The majority of the outstanding shares of Common Stock held by present shareholders are "restricted securities" within the meaning of Rule 144 under the Securities Act of 1933, as amended. As restricted shares, these shares may be resold only pursuant to an effective registration statement or under the requirements of Rule 144 or other applicable exemption from registration under the Act and as required under applicable state securities laws. Rule 144 provides in essence that a person who has held restricted securities for a period of one year may, under certain conditions, sell every three months, in brokerage transactions, a number of shares that does not exceed the greater of 1.0% of a company's outstanding common stock or the average weekly trading volume during the four calendar weeks prior to the sale. There is no limit on the amount of restricted securities that may be sold by a nonaffiliate after the restricted securities have been held by the owner for a period of two years. A sale under Rule 144 or under any other exemption from the Act, if available, or pursuant to subsequent registrations of shares of Common Stock of present shareholders, may have a depressive effect upon the price of the Common Stock in any market that may develop. A total of 33,661,977 shares of Common Stock (50.8% of the total number of issued and outstanding shares) held by present shareholders of the Company are available for sale under Rule 144, all of which will be subject to applicable volume restrictions under the Rule.

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### Special Note Regarding Forward-Looking Statements

Some of the statements under "Management's Discussion and Analysis or Plan of Operation," and elsewhere in this Report and in the Company's periodic filings with the Securities and Exchange Commission constitute forward-looking statements. These statements involve known and unknown risks, significant uncertainties and other factors what may cause actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, those listed under "Risk Factors" and elsewhere in this Report.

In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "intends," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of such terms or other comparable terminology.

The forward-looking statements herein are based on current expectations that involve a number of risks and uncertainties. Such forward-looking statements are based on assumptions that the Company will obtain or have access to adequate financing for each successive phase of its growth, that there will be no material adverse competitive or technological change in condition of the Company's business, that the Company's President and other significant employees will remain employed as such by the Company, and that there will be no material adverse change in the Company's operations, business or governmental regulation affecting the Company. The foregoing assumptions are based on judgments with respect to, among other things, further economic, competitive and market conditions, and future business decisions, all of

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which are difficult or impossible to predict accurately and many of which are beyond the Company's control.

Although management believes that the expectations reflected in the forward-looking statements are reasonable, management cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither management nor any other persons assumes responsibility for the accuracy and completeness of such statements.

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PART II -- OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None

(b) Reports on Form 8-K

None

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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.

Date: May 10, 2002

YAAK RIVER RESOURCES, INC.

By: /s/ Donald J. Smith  
Donald J. Smith, President  
(Principal Executive Officer)

By: /s/ James K. Sandison  
James K. Sandison, Secretary  
and Treasurer (Principal  
Financial Officer and  
Principal Accounting Officer)

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YAAK RIVER RESOURCES, INC.

Financial Statements

For the Period Ended March 31, 2002  
(Unaudited)



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MICHAEL JOHNSON & CO., LLC  
LETTERHEAD

REPORT ON REVIEW BY INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

To the Board of Directors  
Yaak River Resources, Inc.  
Casper, Wyoming

We have reviewed the accompanying balance sheet of Yaak River Resources, Inc. (A Development Stage Company) as of March 31, 2002 and the related statements of operations and cash flows for the three months ended March 31, 2002 and 2001, included in the accompanying Securities and Exchange Commission Form 10-QSB for the period ended March 31, 2002. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with accounting principles generally accepted in the United States.

We have previously audited, in accordance with auditing standards generally accepted in the United States, the balance sheet as of December 31, 2001, and the related statements of operations, stockholders' equity and cash flows for the year then ended (not presented herein). In our report dated March 4, 2002, we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the accompanying balance sheet as of March 31, 2002 is fairly stated in all material respects in relation to the balance sheet from which it has been derived.

/s/ Michael Johnson & Co. LLC  
Michael Johnson & Co., LLC.  
Denver, Colorado  
May 6, 2002

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YAAK RIVER RESOURCES, INC.  
(A Development Stage Company)  
Balance Sheets  
(Unaudited)

ASSETS

March 31, 2002	December 31, 2001
-----	-----

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Current Assets:		
Cash	\$ 2,006	\$ 3,749
Investment - Properties	35,743	35,743
	-----	-----
Total current assets	37,749	39,492
	-----	-----
Other Assets		
Organizational Costs - Net of Amortization	-	-
	-----	-----
Total Other Assets	-	-
	-----	-----
TOTAL ASSETS	\$ 37,749	39,492
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable and accrued expenses	\$ 2,112	\$ 1,329
Advances from Shareholders	-	-
	-----	-----
Total current liabilities	2,112	1,329
STOCKHOLDERS' EQUITY		
Preferred Stock, \$.0001 par value; 50,000,000 shares authorized, Issued and outstanding, None	-	-
Series A Common Stock, \$.0001 par value; 250,000,000 Shares authorized, Issued and outstanding - 66,308,857 shares	6,630	6,630
Series B Common Stock, \$.0001 par value; 250,000,000 Shares authorized, Issued and outstanding, None	-	-
Capital paid in excess of par value	371,199	371,199
Deficit accumulated during the development stage	(342,192)	(339,666)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	35,637	38,163
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 37,749	\$ 39,492
	=====	=====

See accountant's review report.

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Yaak River Resources, Inc.  
(A Development Stage Company)  
Statements of Operations  
(Unaudited)

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	Three Month Period Ended March 31,		June 10, 1988 (Inception) to March 31,
	2002	2001	2002
REVENUE	\$ -	\$ -	\$ -
OPERATING EXPENSES			
Amortization	-	-	1,500
Bank Charges	-	-	561
Legal & Accounting	2,112	1,488	99,526
Director Fees	-	-	800
Office Expense	-	-	7,990
Stock Fees & Other Costs	414	-	10,798
Administration/Consulting	-	967	127,075
Mining Assessments & Fees	-	-	75,479
Bad Debt	-	-	6,250
Rent/Telephone	-	-	12,213
	-----	-----	-----
Total Operating Expenses	2,526	2,455	342,192
	-----	-----	-----
NET LOSS FROM OPERATING EXPENSES	\$ (2,526)	\$ (2,455)	\$ (342,192)
	=====	=====	=====
OTHER INCOME AND EXPENSES			
Interest Income	-	-	-
Interest Expense	-	-	-
Other	-	-	-
	-----	-----	-----
	-	-	-
	-----	-----	-----
Net Loss	\$ (2,526)	\$ (2,455)	\$ (342,192)
	=====	=====	=====
Weighted average number of shares outstanding			
	66,308,857	64,808,857	
	=====	=====	
Basic and Diluted			
Net Loss Per Share	*	*	
	=====	=====	
* Less than \$.01			

See accountant's review report.

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Yaak River Resources, Inc.  
(A Development Stage Company)  
Statements of Cash Flows  
(Unaudited)

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	Three Months Ended March 31,		June 10, 1988 (Inception) to March 31,
	2002	2001	2002
	-----	-----	-----
Cash Flows From			
Operating Activities:			
Net Loss	\$ (2,526)	\$ (2,455)	\$ (342,192)
Adjustments to reconcile net loss to net cash used in operating activities			
Amortization and Depreciation	-	-	1,500
Organization Costs	-	-	(1,500)
Stock issued for services	-	-	8,800
(Decrease) Increase in Accounts Payable	783	-	2,112
	-----	-----	-----
Total Adjustments	783	-	10,912
	-----	-----	-----
Net Cash Flows Used In Operating Activities	(1,743)	(2,455)	(331,280)
Cash Flows From			
Investing Activities:			
Exchange of properties - net	-	-	147,167
Investment Purchase	-	-	(305,410)
	-----	-----	-----
Net Cash Flow Used In Investing Activities	-	-	(158,243)
Cash Flows From			
Financing Activities:			
Proceeds from Long-Term Debt	-	-	189,500
Payment of Long-Term Debt	-	-	(45,000)
Proceeds from Sale of Stock	-	-	347,029
	-----	-----	-----
Net Cash Flows Provided by Financing Activities	-	-	491,529
	-----	-----	-----
Net Increase (Decrease) in Cash	(1,743)	(2,455)	2,006
Cash at beginning of period	3,749	8,270	-
	-----	-----	-----
Cash at end of period	\$ 2,006	\$ 5,815	\$ 2,006
	=====	=====	=====
Supplemental Disclosure of			
Cash Flow Information:			
Cash paid during the period for interest	\$ -	\$ -	\$ -

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	=====	=====	=====
Cash paid during the period			
for income taxes	\$ -	\$ -	\$ -
	=====	=====	=====

Noncash Investing and financing activities:

In 1999, the Company exchanged properties with a book value of \$182,910 to a related party in payment of liabilities of \$147,167 and land with book value of \$35,743.

See accountant's review report.

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Yaak River Resources, Inc.  
(A Development Stage Company)  
Statements of Changes in Stockholders' Equity  
(Unaudited)

	Common Stock		Capital Paid	Deficit	
	Shares	Amount	In Excess of	Accum. During	Totals
	-----	-----	Par Value	the Development	-----
				Stage	
	-----	-----	-----	-----	-----
June 10, 1988 (Inception)	-	\$ -	\$ -	\$ -	\$ -
Issuance of common Stock: January 6, 1989 (for services)	10,000,000	1,000	500	-	1,500
January 6, 1989 (for cash)	5,000,000	500	-	-	500
November 27, 1989 (Public offering)	2,666,000	266	12,353	-	12,619
Net Loss	-	-	-	(3,765)	(3,765)
Balance- December 31, 1989	17,666,000	1,766	12,853	(3,765)	10,854
Net Loss	-	-	-	(10,129)	(10,129)
Balance- December 31, 1990	17,666,000	1,766	12,853	(13,894)	725
Net Loss	-	-	-	(300)	(300)
Balance- December 31, 1991	17,666,000	1,766	12,853	(14,194)	425

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Issuance of common Stock: January 10, 1992 (for assets of YRML)	30,000,000	3,000	134,910	-	137,910
Net Loss	-	-	-	(47,589)	(47,589)
Balance- December 31, 1992	47,666,000	4,766	147,763	(61,783)	90,746
Issuance of common Stock: June 30, 1993 (for cash)	6,000,000	600	149,400	-	150,000
June 30, 1993 (for services)	3,000,000	300	-	-	300
Net Loss	-	-	-	(54,951)	(54,951)
Balance- December 31, 1993	56,666,000	5,666	297,163	(116,734)	186,095
Net Loss	-	-	-	(26,293)	(26,293)
Balance- December 31, 1994	56,666,000	5,666	297,163	(143,027)	159,802
Net Loss	-	-	-	(17,764)	(17,764)
Balance- December 31, 1995	56,666,000	5,666	297,163	(160,791)	142,038
Net Loss	-	-	7,500	(19,842)	(12,342)
Balance- December 31, 1996	56,666,000	5,666	304,663	(180,633)	129,696
Net Loss	-	-	-	(24,037)	(24,037)
Balance- December 31, 1997	56,666,000	5,666	304,663	(204,670)	105,659
Net Loss	-	-	-	(78,712)	(78,712)
Balance- December 31, 1998	56,666,000	5,666	304,663	(283,382)	26,947
Net Loss	-	-	-	(15,204)	(15,204)
Balance - December 31, 1999	56,666,000	5,666	304,663	(298,586)	11,743
Issuance of common stock (for cash)	3,000,000	300	20,700	-	21,000
Issuance of common stock (for cash)	1,000,000	100	6,900	-	7,000
Issuance of common stock (for services)	1,000,000	100	6,900	-	7,000
Issuance of common stock (for debt)	3,142,857	314	21,686	-	22,000
Net loss for year				(24,730)	(24,730)

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Balance - December 31, 2000	64,808,857	6,480	360,849	(323,316)	44,013
Issuance of Common Stock (for cash)	1,500,000	150	10,350	-	10,500
Net Loss for period	-	-	-	(16,350)	(16,350)
Balance - December 31, 2001	66,308,857	\$6,630	\$371,849	\$ (339,666)	\$38,163
Net Loss for period	-	-	-	(2,526)	(2,526)
Balance - March 31, 2002	66,308,857	\$6,630	\$371,199	\$ (342,192)	\$35,637

See accountant's review report.

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YAAK RIVER RESOURCES, INC.  
NOTES TO FINANCIAL STATEMENTS

1. Presentation of Interim Information

In the opinion of management of Yaak River Resources, Inc., the accompanying unaudited financial statements include all normal adjustments considered necessary to present fairly the financial position as of March 31, 2002, and the results of operations and cash flows for the three months ended March 31, 2002 and 2001. Interim results are not necessarily indicative of results for a full year.

The financial statements and notes are presented as permitted by Form 10-QSB, and do not contain certain information included in the Company's audited financial statements and notes for the fiscal year ended December 31, 2001.

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