

Form 10-QSB

Quarterly Report Under  
the Securities Exchange Act of 1934

For Quarter Ended: March 31, 1998

Commission File Number: 33-28106

YAAK RIVER RESOURCES, INC.  
(Exact name of small business issuer as specified in its charter)

Colorado  
(State or other jurisdiction of incorporation or organization)

84-1097796  
(IRS Employer Identification No.)

830 S. Kline Way  
Lakewood, Colorado  
(Address of principal executive offices)

80226  
(Zip Code)

(303) 985-3972  
(Issuer's Telephone Number)

(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 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 .

The number of shares of the registrant's only class of common stock issued and outstanding, as of March 31 1998, was 56,666,000 shares.

## PART I

### ITEM 1. FINANCIAL STATEMENTS.

The unaudited financial statements for the three month period ended March 31, 1998, are attached hereto.

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

The following discussion should be read in conjunction with the Financial Statements and notes thereto included herein.

The Company generated no revenues from its operations during the three month period ended March 31, 1998, and the Company is considered a development stage company. The Company was primarily engaged in the metals mining business and owns certain mining properties, held under patent, as well as lode and placer mineral rights and its plan of operation generally involved the acquisition of additional mineral claims and the taking to patent of a number of the claims acquired and to be acquired by the Company in the future. However, the Company did not engage in any material operations during the three month period ended March 31, 1998, with respect to its mining properties, primarily due to a lack of available funds with which to develop its properties and an extended moratorium by the Federal Government on disallowing the taking of claims to patent. The Company is also a General Partner of the Yaak River Resources, Timber Division, L.P., a

Colorado limited partnership (the "Timber Partnership") which intends to harvest timber and develop certain mineral resources on claims presently owned or controlled by the Company and on properties presently owned by the United States government to be patented by the Company. During the three months ended March 31, 1998, the Timber Partnership only engaged in administrative activities.

Because of the lack of funding and the moratorium placed on the patenting of claims by the United States government, during the fiscal year ended December 31, 1997, and the three month period ended March 31, 1998, the Company has considered expanding its business plan to that of either (i) locating and merging with another company who is seeking to merge with an entity whose securities are presently trading, or (ii) changing the principal business of the Company, while continuing to seek interested parties to join with the Company either as limited partners and/or joint venture partners for the purpose of mining its present properties.

Relevant to (i), a number of potential merger candidates have been presented to management; however, none of these candidates has been acceptable to the Company.

Relevant to (ii), the Company is presently evaluating the possibility of a long term commitment to an agricultural development project located in Mongolia, and is engaged in discussions with the "Bornuur" Company, a Mongolian corporation, to acquire an interest in approximately 24,710 acres

of farm land located approximately 65 miles north of Ulaanbaatar, Mongolia. This farm land has been in production for over 100 years. In July 1997 the Mongolian government adopted new legislation privatizing farm land, which management believes presents certain opportunities which the Company may be able to take advantage. The Company is presently negotiating with the Mongolian government for a minimum of a 60 year lease and privatization of the project district and anticipates that such an agreement, if any, will be established by the end of May 1998. If successfully negotiated, it is estimated that the project will require a cash infusion of approximately \$2.5 million to implement the operating schedule and achieve profitable operations. As of the date of this report, the Company has had negotiations with prospective lenders in this regard, but no definitive commitment has been provided and no assurances can be provided that such an agreement will be reached in the future.

The Company had minimal expenses during the three month period ended March 31, 1998. The Company is expected to operate at a loss for the remainder of the fiscal year until either (i) earnings, if any, are received from the harvesting of the its present metal and non-metal resources known to exist within the boundaries of the Company's properties; (ii) the Company successfully merges with a nonaffiliated entity; or (iii) the Company acquires an interest in another business venture.

The Company expects to continue without any cash revenues for at least the present fiscal year and will satisfy its cash requirements by loans and advances from the Timber Partnership and/or officers and directors of the Company, providing that the Company does not commence mining activities or the Company successfully engages in a business opportunity, either by merger or acquisition of assets. At present, the Company's financial resources are not sufficient to commence mining activities. In order to satisfy the Company's capital requirements for additional drilling and to develop a mining feasibility program, it will be necessary for the Company to obtain additional financing in the minimum estimated amount of \$750,000. Management of the Company is continuing to seek possible interested partners to join with the Company in developing its mining claims or soliciting joint venture partners to expand its mining activities, based upon the valuation of the Company's claims and properties as reported in an independent engineering valuation report. As of the date of this report, management is unaware of any third parties who are interested in joining with the Company in this regard. Exploration and mining activities of other mining companies in the area surrounding its claims in Northern Montana and Canada in similar geological settings provides a basis for management to believe that it will be able to interest joint venturers in its proposed mining ventures. However, in the event the Company is unable to either solicit joint venture partners or otherwise obtain the capital deemed necessary in order to commence mining operations, management will seek out other viable business opportunities by way of merger or acquisition in order to provide the Company's shareholders with liquidity.

The Company currently has no employees and relies upon the unpaid services of its officers for the operation of the Company. The contracted

services of individuals will continue until it is justifiable to employ a full time employee.

#### Forward Looking Statements

This report contains certain 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, as amended (the "Exchange Act") concerning the Company's operations, economic performance and financial conditions, including, in particular, the likelihood of the Company's ability to acquire another existing business or assets. These statements are based upon a number of assumptions and estimates which are inherently subject to significant uncertainties and contingencies, many of which are beyond the control of the Company and reflect future business decisions which are subject to change. Some of these assumptions inevitably will not materialize and unanticipated events will occur which will affect the Company's results. Consequently, actual results will vary from the statements contained herein and such variance may be material. Prospective investors should not place undue reliance on this information.

#### Year 2000 Disclosure

Many existing computer programs use only two digits to identify a year in the date field. These programs were designed and developed without considering the impact of the upcoming change in the century. If not corrected, many computer applications could fail or create erroneous results by or at the Year 2000. As a result, many companies will be required to undertake major projects to address the Year 2000 issue. Because the Company has nominal assets, including no personal property such as computers, it is not anticipated that the Company will incur any negative impact as a result of this potential problem. However, it is possible that this issue may have an impact on the Company after the Company successfully consummates a merger or acquisition. Management intends to address this potential problem with any prospective merger or acquisition candidate. There can be no assurances that new management of the Company will be able to avoid a problem in this regard after a merger or acquisition is so consummated.

#### PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS - None

ITEM 2. CHANGES IN SECURITIES - NONE

ITEM 3. DEFAULTS UPON SENIOR SECURITIES - NONE

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS - NONE.

ITEM 5. OTHER INFORMATION - NONE.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K -

(a) Exhibits

EX-27 Financial Data Schedule

(b) Reports on Form 8-K - None.

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

	Unaudited March 31, 1998	Audited December 31 1997
	<u>                    </u>	<u>                    </u>
ASSETS		
Current Assets		
Cash	\$ 1,022	\$ 1,022
Accounts Receivable-O'Hara Resources	2,200	2,200
Investment-Mining Properties	305,410	305,410
	<u>308,632</u>	<u>308,632</u>
Other Assets		
Organizational Costs- Net of Amortization	0	0
	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 308,632</u>	<u>\$ 308,632</u>
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable	42,155	40,456
Advance from (YRML) Purchase, 1.5 Units	20,000	20,000
Shareholder Loans	20,017	20,017
Current Portion-Long Term Debt	7,500	7,500
	<u>89,672</u>	<u>87,973</u>
Long-Term Liabilities		
Long Term Debt	115,000	115,000
	<u>115,000</u>	<u>115,000</u>
Total Liabilities	<u>\$ 204,672</u>	<u>\$ 202,973</u>
Shareholder's Equity		
Series A Common Stock, Par Value \$.0001 Per Share; 250,000,000 Shares Authorized; Issued and Outstanding - 56,666,000 Shares	5,666	5,666

	Unaudited March 31, 1998	Audited December 31 1997
	<u>          </u>	<u>          </u>
Series B Common Stock, Par Value \$.0001 Per Share; 250,000,000 Shares Authorized; Issued and Outstanding - None	0	0
Preferred Stock, Par Value \$.0001 Per Share; 50,000,000 Shares Authorized; Issued and Outstanding - None	0	0
Capital Paid in Excess of Par Value	304,663	304,663
Deficit Accumulated During the Development Stage	(206,369)	(204,670)
Total Shareholders' Equity	<u>\$ 103,960</u>	<u>\$ 105,659</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 308,632</u> =====	<u>\$ 308,632</u> =====

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

YAAK RIVER RESOURCES, INC.  
(A Development Stage Company)  
Unaudited  
Statement of Operations

	For the Three Months Ended March 31, 1998	For the Year Ended December 31, 1997	June 10, 1988 (Inception) Thru March 31, 1998
Income	\$ 0	\$ 0	\$ 0
Expenses			
Amortization	0	0	1,500
Bank Charges	0	78	399
Legal and Accounting	1,699	5,563	48,255
Director Fees	0	0	800
Office	0	40	6,938
Stock Fees and Other Costs	0	0	9,982
Administration/Consulting	0	12,876	46,987
Mining Assessments and Fees	0	5,480	75,295
Bad Debt	0	0	4,000
Rent/Telephone	0	0	12,213
Total Expenses	1,699	24,037	206,369
Net (Loss) Accumulated During the Development Stage	\$ (1,699)	(24,037)	(206,369)
Weighted Average Number of Shares Outstanding	56,666,000	56,666,000	56,666,000
Net Loss Per Share	\$ (*)	\$ (*)	\$ (*)

\*Less than \$0.004 Per Share.

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



YAAK RIVER RESOURCES, INC.  
(A Development Stage Company)  
Unaudited  
Cash Flow Statement

	For the Three Months Ended March 31, 1998	For the Year Ended December 31, 1997	June 10, 1988 (Inception) Thru March 31, 1998
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Cash Flows From			
Operating Activities:			
Net (Loss) Accumulated			
During Development Stage	\$ (1,699)	\$ (24,037)	\$ (206,369)
Amortization and Depreciation	0	0	1,500
Organization Costs	0	0	(1,500)
(Decrease) Increase in			
Accounts Payable	1,699	16,231	42,155
Decrease (Increase) in			
Accounts Receivable	0	0	(2,200)
Decrease (Increase) in			
Loans to Shareholder	0	7,917	20,017
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net Cash Flows Used			
By Operating Activities	0	111	(146,397)
Cash Flows From			
Investing Activities:			
Investment Purchase	0	0	(305,410)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net Cash Flows Used			
By Investing Activities	0	0	(305,410)
Cash Flows From			
Financing Activities:			
Issuance of Common Stock	0	0	1,800
Loans from LP Investors	0	0	20,000
Proceeds From Long-Term Debt	0	0	167,500
Payment of Long-Term Debt	0	0	(45,000)
Proceeds From Sale of Stock	0	0	308,529
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net Cash Flows Provided			
By Financing Activities	0	0	452,829
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net Increase (Decrease) in Cash	0	111	1,022
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Cash at Beginning of Period	1,022	911	0
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Cash at End of Period	\$ 1,022	\$ 1,022	\$ 1,022
	=====	=====	=====

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

YAAK RIVER RESOURCES, INC.  
(A Development Stage)  
Unaudited  
Statement of Shareholders' Equity

	Number of Shares Common Stock	Common Stock	Additional Paid In Capital	Deficit Accumulated During the Development Stage	Total
Balance at June 10, 1988	0	\$ 0	\$ 0	\$ 0	\$ 0
Stock issued for services January 6, 1989	10,000,000	1,000	500	0	1,500
Stock issued for cash January 6, 1989	5,000,000	500	0	0	500
Public offering November 27, 1989	2,666,000	266	12,353	0	12,619
Net Loss for year ended December 31, 1989				(3,765)	(3,765)
Net Loss for year ended December 31, 1990				(10,129)	(10,129)
Net Loss for year ended December 31, 1991				(300)	(300)
Stock issued for assets (YRML) January 10, 1992	30,000,000	3,000	134,910	0	137,910
Net Loss for year ended December 31, 1992				(47,589)	(47,589)
Stock issued for cash June 30, 1993	6,000,000	600	149,400	0	150,000
Stock issued for services June 30, 1993	3,000,000	300	0	0	300
Net Loss for year ended December 31, 1993				(54,951)	(54,951)
Net Loss for year ended December 31, 1994				(26,293)	(26,293)
Net Loss for year ended December 31, 1995				(17,764)	(17,764)
Net Loss for year ended December 31, 1996			7,500	(19,842)	(12,342)

	Number of Shares Common Stock	Common Stock	Additional Paid In Capital	Deficit Accumulated During the Development Stage	Total
	_____	_____	_____	_____	_____
Net Loss for year ended December 31, 1997				(24,037)	(24,037)
Net Loss for period ended March 31 1998				(1,699)	(1,699)
Balance at March 31, 1998	56,666,000	\$5,666	\$ 304,663	\$ (206,369)	\$103,960
	=====	=====	=====	=====	=====

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

YAAK RIVER RESOURCES, INC.  
(A Development Stage Company)  
Notes to Financial Statements  
March 31, 1998  
(Unaudited)

Note 1 - Organization and Summary of Significant Accounting Policies:  
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Organization:  
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On June 10, 1988, Yaak River Resources, Inc. (the Company) was incorporated under the laws of Colorado under the name of Andraplex Corporation. The name was changed at the Annual Shareholder's Meeting on January 10, 1992. The Company's primary purpose is to engage in selected acquisitions and development of mineral and mining properties.

Initial Public Offering:  
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In the Company's initial public offering, which was closed on November 27, 1989, the Company sold 2,580,000 units (the Units). 86,000 additional shares were issued to the underwriters. Each Unit consisted of one (1) share of Series A Common Stock, one (1) A Warrant exercisable at \$.05, one (1) B Warrant exercisable at \$.10.

Costs, consisting of \$9,444 and 86,000 shares of Series A Common Stock, incurred to complete the registration were offset against the gross proceeds.

The Company's fiscal year end is December 31.

Note 2 - Purchase of Mineral Properties:  
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On January 10, 1992, at the Annual Meeting of Shareholders, the shareholders voted unanimously to purchase certain mineral and mining properties (the Properties) located in the State of Montana, including leases, drawings, engineering studies and other tangible and intangible assets associated with the Properties. The seller of the Properties was Yaak River Mines, Ltd. They received 30,000,000 shares of Series A Common Stock. The issuance of the 30,000,000 shares of Series A Common Stock was exempt from registration under the exemption provided in Section 4(2) of the Securities Act of 1933, as amended.

The Company is the beneficiary of 16,000,000 of the above shares which are being held in the Con Tolman Memorial Trust C. 8,000,000 additional shares of the Company were placed in the trust as part of the original purchase of the Company. These 24,000,000 shares are expected to be used to acquire additional mining properties.

Note 3 - Yaak River Resources Timber Division, Limited Partnership:  
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On August 14, 1992, the Company formed a limited partnership, Yaak River Resources Timber Division L.P. (the Partnership), a Colorado limited partnership, with subscriptions for 40 Units at \$5,000.00 per Unit for an aggregate price of \$200,000.00. Each Unit contains 1/40th interest in the Partnership and 150,000 shares of Series A Common Stock of the Company. The Company is the general partner of the Partnership. As a part of the formation of the Partnership, the Company agreed to reserve 6,000,000 shares of its Series A Common Stock for the Partnership. Said 6,000,000 shares of Series A Common Stock represents the shares offered in the Units issued by the Partnership. The Partnership was formed for the purpose of developing certain available natural resources on properties under the management of the Company.

On June 30, 1993, the Company sold six million (6,000,000) shares of its \$.0001 par value Series A Common Stock for the issuance to the purchasers of the Limited Partnership interests in the Yaak River Resources, Timber Division L.P., for \$150,000.

Note 4 - Income Taxes:  
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The Company has made no provision for income taxes because there have been no operations to date causing income for financial statement or tax purposes.

Note 5 - Net (Loss) Per Common Share  
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The net (loss) per common share of the Series A Common Stock is computed based on the weighted average number of shares outstanding.

Note 6 - Long-Term Debt  
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Note Payable to the Roy Grush Estate in annual installments of \$7,500, 0%, due September 2014, secured by the Properties (Note 2). The Company has agreed to pay the minimum annual assessment costs of maintenance and improvements on claims in lieu of interest.

Following is a summary of long-term debt at March 31, 1998:

1998	\$ 7,500
1999	7,500
2000	7,500
2001	7,500
2002	7,500
	<hr/>
	37,500
Remaining	77,500
	<hr/>
	\$115,000

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

YAAK RIVER RESOURCES, INC.  
(Registrant)

Dated: May 14, 1998

By: s/Wm. Ernest Simmons

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Wm. Ernest Simmons  
President

YAAK RIVER RESOURCES, INC.

Exhibit Index to Quarterly Report on Form 10-QSB  
For the Quarter Ended March 31, 1998

EXHIBITS	Page No.
EX-27	Financial Data Schedule . . . . . 16

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE UNAUDITED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED MARCH 31, 1998, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

3-MOS	DEC-31-1998	MAR-31-1998
		1,022
		0
	2,200	0
		305,410
	308,632	0
		0
	308,632	
	89,672	0
	0	0
		0
		5,666
		98,294
308,632		0
	0	0
		0
	1,699	0
	0	0
	0	0
	(1,699)	0
	0	0
	0	0
		0
	(1,699)	0
	0	0
	0	0