

Liquidity and Capital Resources

The Company has no liquid assets and is currently in the process of looking for opportunities to merge with or acquire. At minimum, the Company will be successful in obtaining necessary funding to develop any business opportunities.

Results of Operations

The Company reported a net loss of \$35,510 for the year ended September 30, 2001, a loss of \$0 for the previous year. The Company anticipates a successor business can be acquired or merged.

ITEM 7. FINANCIAL STATEMENTS

- (a)(1) The following financial statements of the Company and its subsidiaries have been filed as part of the report (see Item 8 Financial Statements and Supplementary Data):
- (2) Schedules are omitted because of the absence of conditions under which they are required. The required information is given in the financial statements or notes thereto.

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Report of Independent Certified Public Accountant

Financial Statements:

Balance Sheet - September 30, 2001 and 2000.

Statements of Operations - For the years ended September 30, 2001 and September 30, 2000.

Statement of Stockholders' Equity - For the period from October 1, 1998 to September 30, 2001.

Statement of Cash Flows - For the years ended September 30, 2001 and September 30, 2000.

Notes to Financial Statements

/Letterhead/

INDEPENDENT AUDITOR S REPORT

To the Board of Directors
Habersham Energy Company
Salt Lake City, Utah

We have audited the accompanying balance sheet of Habersham Energy Company (an Oklahoma corporation) as of September 30, 2001 and 2000 and the related statements of stockholders (deficiency), and cash flows for the years then ended in connection with the responsibility of the management of Habersham Energy Company. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards, which require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes testing the supporting documents and disclosures in the financial statements. An audit also includes testing the accounting principles used and significant estimates affecting the overall financial statement presentation. We do not express an opinion for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habersham Energy Company as of September 30, 2001 and 2000, and the results of their operations and its cash flows for the years then ended in connection with the accepted accounting principles.

The accompanying financial statements have been prepared on the basis of the assumption that the company will continue as a going concern. As discussed in Note 1 to the financial statements, the company has incurred significant operating losses and has a significant operating loss raise significant operating losses raise substantial doubt about the company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Bierwolf, Nilson & Associates
December 18, 2001

Habersham Energy Company
Balance Sheet

	<u>September</u> <u>30, 2001</u>	<u>September</u> <u>30, 2000</u>
Assets		
<u>Assets</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities and Stockholders Equity (Deficit)		
<u>Current Liabilities</u>		
Accounts Payable	28,242	169,713
Interest Payable	10,018	-
Note Payable	<u>166,963</u>	<u>-</u>
Total Current Liabilities	205,223	169,713
<u>Commitment and Contingencies (Note 3)</u>	-	-
<u>Stockholders Equity (Deficit)</u>		
Preferred Stock; 1,000,000 Shares at \$.10 Par Value; No Shares Issued and Outstanding (Note 4)	-	-
Common Stock Authorized; 20,000,000 Shares at \$.10 Par Value; 4,617,424 Shares Issued and Outstanding	461,742	461,742
Capital in Excess of Par Value	7,884,033	7,884,033
Accumulated Deficit	<u>(8,550,998)</u>	<u>(8,515,488)</u>
Total Stockholders Equity (Deficit)	<u>(205,223)</u>	<u>(169,713)</u>
Total Liabilities and Stockholders Equity (Deficit)	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

Habersham Energy Company
 Statements of Operations
 For the Years Ended

	September 30,	
	<u>2001</u>	<u>2000</u>
<u>Revenue</u>	\$ -	\$ -
<u>Expenses</u>		
General & Administrative	25,492	-
Interest Expense	<u>10,018</u>	<u>-</u>
Total Expenses	35,510	-
Net Income (Loss) - Before Taxes	(35,510)	-
Taxes (Note 3)	<u>-</u>	<u>-</u>
Net Income (Loss)	<u>\$ (35,510)</u>	<u>\$ -</u>
Net Loss Per Common Share	<u>\$ (0.01)</u>	<u>\$ -</u>
Weighted Average Outstanding Shares	<u>4,617,424</u>	<u>4,617,424</u>

The accompanying notes are an integral part of these financial statements

Habersham Energy Company
Statement of Stockholders Equity
For the Period October 1, 1998 to September 30, 2001

	Common Shares	Common Stock	Capital In Excess of Par Value	Retained Earnings (Deficit)
Balance, October 1, 1998	4,617,424	\$ 461,742	\$ 7,884,033	(8,515,488)
Net Income (Loss) for the Year Ended September 30, 1999	-	-	-	-
Balance, September 30, 1999	4,617,424	461,742	7,884,033	(8,515,488)
Net Income (Loss) for the Year Ended September 30, 2000	-	-	-	-
Balance, September 30, 2000	4,617,424	461,742	7,884,033	(8,515,488)
Net Income (Loss) for the Year Ended September 30, 2001	-	-	-	(35,510)
Balance, September 30, 2001	<u>4,617,424</u>	<u>\$ 461,742</u>	<u>\$ 7,884,033</u>	<u>\$ (8,550,998)</u>

The accompanying notes are an integral part of these financial statements

Habersham Energy Company
Statements of Cash Flows
For the Years Ended

	<u>September</u> <u>30, 2001</u>	<u>September</u> <u>30, 2000</u>
<u>Cash Provided by Operating Activities</u>		
Net Income (Loss)	\$ (35,510)	\$ -
Decrease/Increase in:		
Accounts payable	(144,221)	-
Interest payable	<u>10,018</u>	<u>-</u>
Net Cash (Used) by Operating Activities	(169,713)	-
<u>Cash Provided by Investing Activities</u>	<u>-</u>	<u>-</u>
<u>Cash Provided by Financing Activities</u>		
Issuance of Note Payable for Cash	<u>169,713</u>	<u>-</u>
Net Cash Provided by Financing Activities	169,713	-
Net Increase (Decrease) in Cash	-	-
Cash at Beginning of Period	<u>-</u>	<u>-</u>
Cash at End of Period	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<u>Cash Paid For:</u>		
Interest	\$ -	\$ -
Taxes	-	-

The accompanying notes are an integral part of these financial statements

Habersham Energy Company
Notes to the Financial Statements
September 30, 2001

NOTE 1 - Summary of Significant Accounting Policies

Organization

Habersham Habersham Energy Company (formerly U.S. Mineral & Royalty Corp Habersham Energy Company) incorporated under the laws of Oklahoma on April 14, 1977. Habersham Energy Company is a development and operating company. Historically, Habersham Energy Company has been developing and operating producing oil and gas properties but the Company has not been producing since 1995.

Income (Loss) Per Share

The computation of income or (loss) per share of common stock is based on the number of shares outstanding at the date of the financial statements.

Income Taxes

The Company adopted Statement of Financial Standards No. 109 Accounting for Income Taxes in the fiscal year ended September 30, 2001 and was applied retroactively.

Statement of Financial Accounting Standards No. 109 Accounting for Income Taxes requires the use of an asset and liability approach for financial accounting and reporting for income tax purposes. This statement recognizes (a) the amount of taxes payable or refundable for current and deferred tax liabilities and assets for future tax consequences of events that have been recognized in the financial statements or tax returns.

Deferred income taxes result from temporary differences in the recognition of assets and liabilities for tax and financial reporting purposes. There were no deferred income tax assets or liabilities as of September 30, 2001 and earlier years; accordingly, no deferred income tax expense or benefit was recorded for all years.

The Company has cumulative net operating loss carryforwards at September 30, 2001. No effect has been shown in the financial statements for the net operating loss carryforwards as the likelihood of future tax benefit from such net operating loss carryforwards is remote. Accordingly, the potential tax benefits of the net operating loss carryforwards at September 30, 2001 have been offset by valuation reserves of the same amount.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the period. Actual results may differ from those estimates.

other. The note carries an interest rate of 6% per annum and is due on demand.

PART III

ITEM 8. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following information is furnished with respect to the Company's executive officers. There are no family relationships between executive officers.

Directors and Executive Officers

<u>Name</u>	<u>Age (2001)</u>	<u>Director Since</u>	<u>Position with the Company</u>
Robert Wallace	66	1999	Director/President

Robert Wallace, President and Director, has been a teacher, counselor and school administrator in the Southern California for the last 30 years. Wallace has been involved in several mergers and acquisitions for the past several years.

Mr. Wallace has a bachelor's degree in animal husbandry and a master's degree in counseling psychology from Arizona State University, and a PHD in Counseling Psychology from USC.

ITEM 9. EXECUTIVE COMPENSATION

Compensation of Executive Officers and Directors

None.

Employment Agreements and Other Compensation Arrangements

None.

Compensation of Non-Employee Directors

None.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN MANAGEMENT

<u>Name of Beneficial Owner</u>	<u>Position Held</u>	<u>Beneficially Owned</u>	
		<u>Number of shares</u>	<u>Percentage of Outstanding</u>

Robert Wallace	Director	-	-
H. Ross Arnold, III	Shareholder	2,134,820	46.2%
Middle East Associates	Shareholder	337,720	7.3%
Patricia Rapp	Shareholder	240,184	5.2%

Item 12. Certain Relationships and Related Transactions

Other than executive compensation, Other than executive compensation, during the reported year the Registrant has not entered into any transactions with management which are to be reported under this Item.

Item 13. Exhibits, and Reports on Form 8-K

(A) Exhibits

(B) The Registrant filed no current reports on Form 8-K during the last year of the fiscal year ended September 30, 2001.

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 a duly authorized person.

Habersham Energy Company, Inc.

By: Robert Wallace

Dated: December 18, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the following capacities:

SIGNATURE	TITLE	DATE
<u>/s/ Robert Wallace</u>	Director (Principal Executive & Financial Officer)	December 18, 2001