

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

Form 10-KSB

(Mark One)

X Annual report under section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended August 31, 2001.

___ Transition report under section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from ___ to ___.

SUNBURST ACQUISITIONS III, INC.
(Name of small business in its charter)

Colorado	0-23559	84-14320001
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification Number)

4807 S. Zang Way Morrison, Colorado	80465
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number: (303) 979-2404

Securities to be registered under Section 12(b) of the Act:
None
Title of each class
N/A

Securities to be registered under Section 12(g) of the Act:
Common Stock, no par value
(Title of Class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities 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 X No ___

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge,

in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. ____

State issuer's revenue for its most recent fiscal year: \$ -0-

State the aggregate market value of the voting stock held by non-affiliates computed by reference to the price at which the stock was sold, or the average bid and asked price of such stock, as of a specified date within the past 60 days (See definition of affiliate in Rule 12b-2): -0-

Note: If determining whether a person is an affiliate will involve an unreasonable effort and expense, the issuer may calculate the aggregate market value of the common equity held by non-affiliates on the basis of reasonable assumptions, if the assumptions are stated.

(Issuers involved in bankruptcy proceedings during the past five years):

Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes ____ No ____

(Applicable only to corporate registrants) State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 33,303,840 as of August 31, 2001.

(Documents incorporated by reference. If the following documents are incorporated by reference, briefly describe them and identify the part of the Form 10-KSB (e.g. Part I, Part II, etc.) into which the document is incorporated: (1) any annual report to security holders; (2) any proxy or information statement; and (3) any prospectus filed pursuant to Rule 424(b) or (c) of the Securities Act of 1933 ("Securities Act"). The listed documents should be clearly described for identification purposes.

PART I

ITEM 1. DESCRIPTION OF BUSINESS.

General

The Company was incorporated under the laws of the State of Colorado on August 27, 1997, and is in the early developmental and promotional stages. To date the Company's only activities have consisted of the raising of capital and efforts to seek one or more properties or businesses for acquisition. The Company has not commenced any commercial operations. The Company has no full-time employees and owns no real estate.

The Company's business plan has always been to seek, investigate, and, if warranted, acquire one or more properties or businesses. Such an acquisition may be made by purchase, merger, exchange of stock, or otherwise, and may encompass assets or a business entity, such as a corporation, joint venture, or partnership. The Company has very limited capital, and it is unlikely that the Company will be able to take advantage of more than one such business opportunity. The Company intends to seek opportunities demonstrating the potential of long-term growth as opposed to short-term earnings.

PRIOR BUSINESS ACTIVITIES

As of August 30, 1999, the Company entered into an Agreement and Plan of Reorganization with American Recruitment Conferences, Inc., a California corporation ("ARC"), and Workseek.com, a California corporation ("Workseek"). ARC and Workseek, which are affiliated companies, were to be acquired by the Company in a reverse acquisition transaction, resulting in the shareholders of ARC and Workseek obtaining control over the Company. A series of transactions were contemplated by the Agreement, including implementation of a 16.16-to-1 forward split, voluntary surrender for cancellation of shares by the existing shareholders of the Company, and issuance of new shares to the ARC and Workseek shareholders.

In contemplation of the ARC/Workseek acquisition, the contemplated forward split was completed and shares of the Company's Common Stock were sold in a private placement in August and September 1999, with the cash proceeds loaned to ARC. In the private placement, a total of 1,000,000 post-split shares were sold for \$1,400,000 in cash and \$600,000 in receivables assigned to the Company. Also in contemplation of completion of the ARC/Workseek acquisition, a total of 8,015,360 common shares were voluntarily surrendered for cancellation by Company officers and other shareholders.

The ARC/Workseek acquisition was not completed, and no payments were made under the terms of the promissory note. Collection of the promissory note is considered doubtful.

Efforts by Company management to negotiate some type of final resolution of the matter

were not successful. As a result, the note has been offset by a full allowance for realization and no further efforts to resolve the matter either through negotiation or legal action are expected or contemplated.

CURRENT BUSINESS ACQUISITION ACTIVITIES

As of the end of its fiscal year August 31, 2001, the Company had not identified a business opportunity that it planned to pursue, nor had the Company reached any agreement or definitive understanding with any person concerning an acquisition.

No assurance can be given that the Company will be successful in finding or acquiring a desirable business opportunity, given the limited funds that are expected to be available for acquisitions, or that

The Company's search will continue to be directed toward enterprises which have a desire to become a public corporation and which have a business plan designed to allow them to take advantage of opportunities available to public entities. This includes entities which have been recently organized, with no operating history, or a history of losses attributable to under-capitalization or other factors, entities in need of funds to develop a new product or service or to expand into a new market, entities which desire to use their securities to make acquisitions, and entities which have a combination of these characteristics.

In searching for investment opportunities, the Company is not restricted to any particular geographical area or industry. Therefore, subject to economic conditions, limitations on its ability to locate available business opportunities, and other factors, the Company has substantial discretion in selecting an appropriate business opportunity.

In connection with any acquisition, it is highly likely that an amount of stock constituting control of the Company would be issued by the Company or purchased from the Company's current principal shareholders by the target entity or its controlling shareholders.

Other Entities

The officers, directors and principal shareholders of the Company are also the officers, directors and principal shareholders of several other blind pool or blank check corporations. Each of these other corporations has the same business plan as the Company.

Investigation and Selection of Business Opportunities

To a large extent, a decision to participate in a specific business opportunity may be made upon management's analysis of the quality of the other company's management and personnel, the anticipated acceptability of new products or marketing concepts, the merit of technological changes, and numerous other factors which are difficult, if not impossible, to analyze through the application of any objective criteria. In many instances, it is anticipated that

the historical operations of a specific firm may not necessarily be indicative of the potential for the future because of the possible need to shift marketing approaches substantially, expand significantly, change product emphasis, change or substantially augment management, or make other changes.

Because the Company may participate in a business opportunity with a newly organized firm or with a firm which is entering a new phase of growth, it should be emphasized that the Company will incur further risks, because management in many instances will not have proved its abilities or effectiveness, the eventual market for such company's products or services will likely not be established, and such company may not be profitable when acquired.

It is anticipated that the Company will not be able to diversify, but will essentially be limited to one such venture because of the Company's limited financing. This lack of diversification will not permit the Company to offset potential losses from one business opportunity against profits from another, and should be considered an adverse factor affecting any decision to purchase the Company's securities.

It is emphasized that management of the Company may effect transactions having a potentially adverse impact upon the Company's shareholders pursuant to the authority and discretion of the Company's management to complete acquisitions without submitting any proposal to the stockholders for their consideration. Company management does not generally anticipate that it will provide holders of the Company's securities with financial statements, or any other documentation, concerning a target company or its business prior to any merger or acquisition. In some instances, however, the proposed participation in a business opportunity may be submitted to the stockholders for their consideration, either voluntarily by Company management which elects to seek the stockholders' advice and consent, or because state law so requires.

The analysis of business opportunities will be undertaken by or under the supervision of the Company's executive officers and directors. Although there are no current plans to do so, Company management might hire an outside consultant to assist in the investigation and selection of business opportunities, and in that event, might pay a finder's fee. Since Company management has no current plans to use any outside consultants or advisors to assist in the investigation and selection of business opportunities, no policies have been adopted regarding use of such consultants or advisors, the criteria to be used in selecting such consultants or advisors, the services to be provided, the term of service, or regarding the total amount of fees that may be paid. However, because of the limited resources of the Company, it is likely that any such fee the Company agrees to pay would be paid in stock and not in cash. Otherwise, the Company anticipates that it will consider, among other things, the following factors:

- (1) Potential for growth and profitability, indicated by new technology, anticipated market expansion, or new products;
- (2) Strength and diversity of existing management, or management prospects that are

scheduled for recruitment;

(3) Capital requirements and anticipated availability of required funds, to be provided from operations, through the sale of additional securities, through joint ventures or similar arrangements, or from other sources;

(4) The Company's perception of how any particular business opportunity will be received by the investment community and by the Company's stockholders;

(5) The availability of audited financial statements for the business opportunity; and

(6) Whether, following the business combination, the financial condition of the business opportunity would be, or would have a significant prospect in the foreseeable future of becoming sufficient to enable the securities of the Company to qualify for listing on an exchange or on a national automated securities quotation system, such as NASDAQ.

No one of the factors described above will be controlling in the selection of a business opportunity, and management will attempt to analyze all factors appropriate to the opportunity and make a determination based upon reasonable investigative measures and available data. Potential investors must recognize that, because of the Company's limited capital available for investigation and management's limited experience in business analysis, the Company may not discover or adequately evaluate adverse facts about the opportunity to be acquired.

The Company is unable to predict when it may participate in a business opportunity and it has not established any deadline for completion of a transaction. It expects, however, that the process of seeking candidates, analysis of specific proposals and the selection of a business opportunity may require several additional months or more.

Company management believes that various types of potential merger or acquisition candidates might find a business combination with the Company to be attractive. These include acquisition candidates desiring to create a public market for their shares in order to enhance liquidity for current shareholders, acquisition candidates which have long-term plans for raising equity capital through the public sale of securities and believe that the possible prior existence of a public market for their securities would be beneficial, and acquisition candidates which plan to acquire additional assets through issuance of securities rather than for cash, and believe that the possibility of development of a public market for their securities will be of assistance in that process. Acquisition candidates which have a need for an immediate cash infusion are not likely to find a potential business combination with the Company to be an attractive alternative.

Form of Acquisition

It is impossible to predict the manner in which the Company may participate in a business opportunity. Specific business opportunities will be reviewed as well as the respective needs and desires of the Company and the promoters of the opportunity and, upon the basis of

that review and the relative negotiating strength of the Company and such promoters, the legal structure or method deemed by management to be suitable will be selected. Such structure may include, but is not limited to leases, purchase and sale agreements, licenses, joint ventures and other contractual arrangements. The Company may act directly or indirectly through an interest in a partnership, corporation or other form of organization. Implementing such structure may require the merger, consolidation or reorganization of the Company with other corporations or forms of business organization. In addition, the present management and stockholders of the Company most likely will not have control of a majority of the voting shares of the Company following a reorganization transaction. As part of such a transaction, the Company's directors may resign and new directors may be appointed without any vote by stockholders.

It is likely that the Company will acquire its participation in a business opportunity through the issuance of Common Stock or other securities of the Company. Although the terms of any such transaction cannot be predicted, it should be noted that in certain circumstances the criteria for determining whether or not an acquisition is a so-called "tax free" reorganization under the Internal Revenue Code of 1986, depends upon the issuance to the stockholders of the acquired company of up to 80% of the common stock of the combined entities immediately following the reorganization. If a transaction were structured to take advantage of these provisions rather than other "tax free" provisions provided under the Internal Revenue Code, the Company's stockholders in such circumstances would retain in the aggregate 20% or less of the total issued and outstanding shares. This could result in substantial additional dilution in the equity of those who were stockholders of the Company prior to such reorganization. Any such issuance of additional shares might also be done simultaneously with a sale or transfer of shares representing a controlling interest in the Company by the current officers, directors and principal shareholders. (See "Description of Business - General").

It is anticipated that any securities issued in any reorganization would be issued in reliance upon exemptions, if any are available, from registration under applicable federal and state securities laws. In some circumstances, however, as a negotiated element of the transaction, the Company may agree to register such securities either at the time the transaction is consummated, or under certain conditions at specified times thereafter. The issuance of substantial additional securities and their potential sale into any trading market that might develop in the Company's securities may have a depressive effect upon such market.

The Company will participate in a business opportunity only after the negotiation and execution of a written agreement. Although the terms of such agreement cannot be predicted, generally such an agreement would require specific representations and warranties by all of the parties thereto, specify certain events of default, detail the terms of closing and the conditions which must be satisfied by each of the parties thereto prior to such closing, outline the manner of bearing costs if the transaction is not closed, set forth remedies upon default, and include miscellaneous other terms.

Competition

The Company expects to encounter substantial competition in its efforts to locate attractive opportunities, primarily from business development companies, venture capital partnerships and corporations, venture capital affiliates of large industrial and financial companies, small investment companies, and wealthy individuals. Many of these entities will have significantly greater experience, resources and managerial capabilities than the Company and will therefore be in a better position than the Company to obtain access to attractive business opportunities. The Company also will experience competition from other public “blind pool” companies, many of which may have more funds available than does the Company.

Administrative Offices

The Company currently maintains a mailing address at 4807 S. Zang Way, Morrison, Colorado 80465, which is the office address of its President. The Company’s telephone number there is (303) 979-2404.

Other than this mailing address, the Company does not currently maintain any other office facilities, and does not anticipate the need for maintaining office facilities at any time in the foreseeable future. The Company pays no rent or other fees for the use of this mailing address.

Employees

The Company is a development stage company and currently has no employees. Management of the Company expects to use consultants, attorneys and accountants as necessary, and does not anticipate a need to engage any full-time employees so long as it is seeking and evaluating business opportunities. The need for employees and their availability will be addressed in connection with the decision whether or not to acquire or participate in specific business opportunities. No remuneration will be paid to the Company’s officers except as set forth under “Executive Compensation” and under “Certain Relationships and Related Transactions.”

CAUTIONARY STATEMENT FOR PURPOSES OF THE “SAFE HARBOR” PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. Except for historical matters, the matters discussed in this Form 10-KSB are forward-looking statements based on current expectations, and involve risks and uncertainties. Forward-looking statements include, but are not limited to, statements under the following headings:

(i) “Description of Business - General” - the general description of the Company’s plan to seek a merger or acquisition candidate, and the types of business opportunities that may be pursued.

(ii) “Description of Business - Investigation and Selection of Business Opportunities” - the steps which may be taken to investigate prospective business opportunities, and the factors which may be used in selecting a business opportunity.

(iii) "Description of Business - Form of Acquisition" - the manner in which the Company may participate in a business acquisition.

The Company wishes to caution the reader that there are many uncertainties and unknown factors which could affect its ability to carry out its business plan in the manner described herein.

ITEM 2. DESCRIPTION OF PROPERTY.

The Company currently maintains a mailing address at 4807 S. Zang Way, Morrison, Colorado 80465, which is the address of its President. The Company pays no rent for the use of this mailing address, however, for financial statement purposes, the Company is accruing \$50 per month as additional paid-in capital for this use. The Company does not believe that it will need to maintain an office at any time in the foreseeable future in order to carry out its plan of operations described herein. The Company's telephone number is (303) 979-2404.

The Company currently has no investments in real estate, real estate mortgages, or real estate securities, and does not anticipate making any such investments in the future. However, the policy of the Company with respect to investment in real estate assets could be changed in the future without a vote of security holders.

ITEM 3. LEGAL PROCEEDINGS.

The Company is not a party to any pending legal proceedings, and no such proceedings are known to be contemplated.

No director, officer or affiliate of the Company, and no owner of record or beneficial owner of more than 5.0% of the securities of the Company, or any associate of any such director, officer or security holder is a party adverse to the Company or has a material interest adverse to the Company in reference to pending litigation.

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

No matters were submitted to a vote of the security holders of the Company during the fourth quarter of the fiscal year which ended August 31, 2001.

Part II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Although the Company's shares have been approved for trading on the OTC Bulletin Board since approximately November 19, 1998, under the trading symbol "SBSQ" no actual trading of such shares has occurred and no bid or asked prices have been posted. It is not anticipated that any actual trading activity will occur until the Company has completed a merger or acquisition transaction. The Company's securities are currently held of record by a total of approximately 62 persons.

No dividends have been declared or paid on the Company's securities, and it is not anticipated that any dividends will be declared or paid in the foreseeable future.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

Liquidity and Capital Resources

The Company remains in the development stage. Until it conducted the private placement in contemplation of the ARC/Workseek acquisition, it had experienced no significant change in liquidity or capital resources or stockholders' equity other than the receipt of proceeds in the amount of \$8,000 from its inside capitalization funds, and the expenditure of such funds in furtherance of the Company's business plan, including primarily expenditure of funds to pay legal and accounting expenses. Consequently, the Company's balance sheet for the fiscal year ended year ended August 31, 2001 reflects current and total assets of \$1,901, in the form of cash and cash equivalents, and current liabilities of \$5,209.

Results of Operations

For the fiscal year ending August 31, 2000, the Company incurred a net loss of \$2,022,917, primarily as a result of the \$2,000,000 valuation allowance taken against the promissory note from ARC and Workseek. Legal fees of \$10,193 and \$9,292 in other professional fees were incurred as a result of the negotiations and dealings with ARC and Workseek and compliance with the SEC's reporting requirements.

For the fiscal year ending August 31, 2001, the Company has engaged in no significant operations other than compliance with its periodical reporting requirements and efforts to locate a suitable merger or acquisition candidate. For the fiscal year, the Company incurred a net loss of \$14,361 primarily as a result of incurring \$8,484 in legal fees and \$4,116 in other professional fees related to compliance with its reporting obligations and negotiations and dealings with ARC and Workseek.

Plan of Operations

For the fiscal year ending August 31, 2002, the Company expects to continue its efforts to locate a suitable business acquisition candidate and thereafter to complete a business acquisition transaction. The Company anticipates incurring a loss for the fiscal year as a result of expenses associated with compliance with the reporting requirements of the Securities

Exchange Act of 1934, and expenses associated with locating and evaluating acquisition candidates. The Company does not expect to generate revenues until it completes a business acquisition, and, depending upon the performance of the acquired business, it may also continue to operate at a loss after completion of a business combination.

Need for Additional Financing

It is anticipated that the Company will require additional capital in order to meet its cash needs for the next year, including the costs of compliance with the continuing reporting requirements of the Securities Exchange Act of 1934, as amended.

No specific commitments to provide additional funds have been made by management or other stockholders, and the Company has no current plans, proposals, arrangements or understandings with respect to the sale or issuance of additional securities prior to the location of a merger or acquisition candidate. Accordingly, there can be no assurance that any additional funds will be available to the Company to allow it to cover its expenses. Notwithstanding the foregoing, to the extent that additional funds are required, the Company anticipates receiving such funds in the form of advancements from current shareholders without issuance of additional shares or other securities, or through the private placement of restricted securities rather than through a public offering.

The Company may also seek to compensate providers of services by issuances of stock in lieu of cash. For information as to the Company's policy in regard to payment for consulting services, see "Certain Relationships and Transactions."

ITEM 7. FINANCIAL STATEMENTS.

See following pages.

SUNBURST ACQUISITIONS III, INC.
(A Development Stage Company)

Report of Independent Public Accountants
Balance Sheet
Statements of Operations
Statement of Stockholders' Equity (Deficit)
Statements of Cash Flows
Notes to Financial Statements

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors and Stockholders of
Sunburst Acquisitions III, Inc.

We have audited the accompanying balance sheet of Sunburst Acquisitions III, Inc. (a development stage company) as of August 31, 2001, and the related statements of operations, stockholders' equity (deficit), and cash flows for each of the years ended August 31, 2001 and August 31, 2000, and for the period from inception (August 27, 1997) to August 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sunburst Acquisitions III, Inc. as of August 31, 2001, and the results of its operations, cash flows and changes in stockholders' equity (deficit) for each of the years ended August 31, 2001 and August 31, 2000, and for the period from inception (August 27, 1997) to August 31, 2001 in conformity with generally accepted accounting principles.

Comiskey & Company
PROFESSIONAL CORPORATION
Denver, Colorado
October 16, 2001

Sunburst Acquisitions III, Inc.
(A Development Stage Company)
BALANCE SHEET
August 31, 2001

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	1,901
Note receivable (net of valuation allowance of \$2,000,000)		<u>-</u>

Total current assets		<u>1,901</u>
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TOTAL ASSETS	\$	<u>1,901</u>
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LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES

Accounts payable	\$	<u>5,209</u>
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Total current liabilities		5,209
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STOCKHOLDERS' DEFICIT

Preferred stock, no par value; 20,000,000 shares authorized; No shares issued and outstanding		-
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Common stock, no par value; 100,000,000 shares authorized; 33,303,840 shares issued and outstanding		2,020,435
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Additional paid-in capital		34,806
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Deficit accumulated during the development stage		<u>(2,058,549)</u>
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Total stockholders' deficit		<u>(3,308)</u>
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TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$	<u>1,901</u>
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The accompanying notes are an integral part of the financial statements.

Sunburst Acquisitions III, Inc.
(A Development Stage Company)
STATEMENTS OF OPERATIONS

	For the period from inception (August 27, 1997) to August 31, <u>2001</u>	For the year ended August 31, <u>2001</u>	For the year ended August 31, <u>2000</u>
REVENUES	\$ -	\$ -	\$ -
EXPENSES			
Amortization	300	-	-
Consulting fees	4,935	-	-
General office	1,838	872	162
Legal fees	26,162	8,484	10,193
Professional fees	17,822	4,116	9,292
Rent	2,400	600	600
Taxes and licenses	107	-	-
Transfer agent	4,985	289	2,670
Valuation allowance	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>
Total expenses	<u>2,058,549</u>	<u>14,361</u>	<u>2,022,917</u>
NET LOSS	(2,058,549)	(14,361)	(2,022,917)
Accumulated deficit			
Balance, beginning of period	<u>-</u>	<u>(2,044,188)</u>	<u>(21,271)</u>
Balance, end of period	<u>\$ (2,058,549)</u>	<u>\$ (2,058,549)</u>	<u>\$ (2,044,188)</u>
NET LOSS PER SHARE	<u>\$ (NIL)</u>	<u>\$ (NIL)</u>	<u>\$ (NIL)</u>
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	<u>34,742,371</u>	<u>33,303,840</u>	<u>33,342,176</u>

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

Sunburst Acquisitions III, Inc.

(A Development Stage Company)
STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)

	<u>Preferred stock</u>		<u>Common stock</u>		<u>Common</u>	<u>Additional</u>	<u>Deficit</u>	<u>Total</u>
	<u>Number of</u>	<u>Amount</u>	<u>Number of</u>	<u>Amount</u>	<u>Stock</u>	<u>paid-in</u>	<u>accumulated</u>	<u>stockholders'</u>
	<u>shares</u>		<u>shares</u>		<u>Subscribed</u>	<u>capital</u>	<u>during the</u>	<u>equity</u>
							<u>development</u>	<u>(deficit)</u>
							<u>stage</u>	
Preferred stock issued for cash, August 27, 1997 at \$0.001 per share	80,000	\$ 8,000	-	\$ -	-	\$ -	\$ -	\$ 8,000
Common stock issued for services, August 27, 1997 at \$0.000062 per share	-	-	31,269,600	1,935	-	-	-	1,935
Net loss for the period ended August 31, 1997	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,935)</u>	<u>(1,935)</u>
Balance, August 31, 1997	80,000	8,000	31,269,600	1,935	-	-	(1,935)	8,000
Rent at no charge	-	-	-	-	-	600	-	600
Common stock issued for services, July 1998 at \$0.00186 per share	-	-	1,616,000	3,000	-	-	-	3,000
Net loss for the year ended August 31, 1999	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,305)</u>	<u>(10,305)</u>
Balance, August 31, 1998	80,000	8,000	32,885,600	4,935	-	600	(12,240)	1,295
Rent at no charge	-	-	-	-	-	600	-	600
Common stock issued for cash, January 1999 at \$0.00155 per share	-	-	4,848,000	7,500	-	-	-	7,500

Preferred stock converted to common, May 1999 at \$0.00309 per share	(80,000)	(8,000)	2,585,600	8,000	-	-	-	-
Common stock subscribed, year ended August 31, 1999	-	-	-	-	2,000,000	-	-	2,000,000
Net loss for the year ended August 31, 1999	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,031)</u>	<u>(9,031)</u>
Balance, August 31, 1999	-	-	40,319,200	20,435	2,000,000	1,200	(21,271)	2,000,364
Issuance of common stock subscribed, September 1999 at \$2.00 per share	-	-	1,000,000	2,000,000	(2,000,000)	-	-	-
Voluntary cancellation of outstanding shares, September 1999	-	-	(8,015,360)	-	-	-	-	-
Rent at no charge	-	-	-	-	-	600	-	600
Expenses paid by shareholder	-	-	-	-	-	1,444	-	1,444
Net loss for the year ended August 31, 2000	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,022,917)</u>	<u>(2,022,917)</u>
Balance, August 31, 2000	-	-	33,303,840	2,020,435	-	3,244	(2,044,188)	(20,509)
Rent at no charge	-	-	-	-	-	600	-	600
Expenses paid by shareholder	-	-	-	-	-	30,962	-	30,962
Net loss for the year ended August 31, 2001	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,361)</u>	<u>(14,361)</u>
Balance, August 31, 2001	<u>-</u>	<u>\$ -</u>	<u>33,303,840</u>	<u>\$ 2,020,435</u>	<u>\$ -</u>	<u>\$ 34,806</u>	<u>\$(2,058,549)</u>	<u>\$(3,308)</u>

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

Sunburst Acquisitions III, Inc.

(A Development Stage Company)
STATEMENTS OF CASH FLOWS

	For the period from inception (August 27, 1997) to August 31, <u>2001</u>	For the year ended August 31, <u>2001</u>	For the year ended August 31, <u>2000</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$ (2,058,549)	\$ (14,361)	\$ (2,022,917)
Adjustments to reconcile net loss to net cash flows from operating activities:			
Amortization	300	-	-
Rent expense	2,400	600	600
Stock issued for consulting fees	4,935	-	-
Increase (decrease) in accounts payable	<u>5,209</u>	<u>(15,638)</u>	<u>19,699</u>
Net cash flows from operating activities	(2,045,705)	(29,399)	2,002,618)
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in organization costs	(300)	-	-
Cash in escrow	<u>-</u>	<u>-</u>	<u>1,271,000</u>
Net cash flows from investing activities	(300)	-	1,271,000
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of common stock	2,007,500	-	2,000,000
Issuance of preferred stock	8,000	-	-
Additional paid-in capital	32,406	30,962	1,444
Common stock subscribed	<u>-</u>	<u>-</u>	<u>(1,271,000)</u>
Net cash flows from financing activities	<u>2,047,906</u>	<u>30,962</u>	<u>730,444</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,901	1,563	(1,174)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>-</u>	<u>338</u>	<u>1,512</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 1,901</u>	<u>\$ 1,901</u>	<u>\$ 338</u>

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

Sunburst Acquisitions III, Inc.
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
August 31, 2001

1. Summary of Significant Accounting Policies

Development Stage Company

Sunburst Acquisitions III, Inc. (a development stage company) (the "Company") was incorporated under the laws of the State of Colorado on August 27, 1997. The initial principal office address of the corporation is 4807 S. Zang Way, Morrison, Colorado 80465

The Company is a new enterprise in the development stage as defined by Statement No. 7 of the Financial Accounting Standards Board and has not engaged in any business other than organizational efforts. It has no full-time employees and owns no real property. The Company intends to operate as a capital market access corporation by registering with the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934. After this, the Company intends to seek to acquire one or more existing businesses which have existing management, through merger or acquisition. Management of the Company will have virtually unlimited discretion in determining the business activities in which the Company might engage.

Accounting Method

The Company records income and expenses on the accrual method.

Loss per Share

Loss per share was computed using the weighted average number of shares of common stock outstanding during the period.

Organization Costs

Costs to incorporate the Company were originally capitalized to be amortized over a sixty-month period. With the adoption of SOP 98-5, the unamortized portion of these costs was written off to expense during the year ended August 31, 1999.

Financial Instruments

Unless otherwise indicated, the fair value of all reported assets and liabilities which represents financial instruments (none of which are held for trading purposes) approximate the carrying values of such amounts.

Statements of Cash Flows

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of the Company's financial statements in conformity with generally accepted accounting principles requires the Company's management to make estimates and assumptions

that effect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

Consideration of Other Comprehensive Income Items

SFAF 130 - Reporting Comprehensive Income, requires companies to present comprehensive income (consisting primarily of net income plus other direct equity changes and credits) and its components as part of the basic financial statements. For the year ended August 31, 2001, the Company's financial statements do not contain any changes in equity that are required to be reported separately in comprehensive income.

Stock Basis

Shares of common stock issued for other than cash have been assigned amounts equivalent to the fair value of the service or assets received in exchange.

2. Stockholders' Equity

As of August 29, 1999, 2,035,000 shares of the Company's no par value common stock had been issued for consulting services provided. The services were converted to shares at \$0.001 per share. As of August 29, 1999, 300,000 shares had been issued for cash at \$0.025 per share, and 160,000 additional shares are outstanding as a result of the conversion of preferred stock at \$0.050 per share.

On August 30, 1999, the Company underwent a 16.16 for 1 forward stock split of its then outstanding common shares. In addition, and in anticipation of a merger that was not consummated, the Company sold in a private placement a total of 1,000,000 post-split common shares at \$2.00 per share. Proceeds were received in the form of \$1,400,000 cash and \$600,000 in assigned conversion agreements, under which creditors of the merger candidate had agreed to convert prior loans to the merger candidate into common shares at the rate of \$2.00 per share. The private placement was completed in September 1999.

Officers and other stockholders also voluntarily cancelled 8,015,360 common shares as part of the agreement in September 1999.

All share and per share amounts have been restated. A total of 33,303,840 shares were outstanding at August 31, 2001.

As of August 31, 2001, all shares of the Company's no par value Series A preferred stock have been converted to common stock.

3. Related Party Transactions

Following the conversion of their preferred shares, the Company's officers and directors were the owners of 26,082,240 shares of common stock. These common shares owned by the directors account for approximately 78% of the Company's issued and outstanding shares.

The Company's President is providing office space at no charge to the Company. For purposes

of the financial statements, the Company is accruing \$50 per month as additional paid-in capital for this use.

4. Income Taxes

The Company has Federal net operating loss carryforwards of approximately \$2,059,000 expiring during the years 2018 and 2021. The tax benefit of these net operating losses is approximately \$391,900 and has been offset by a full allowance for realization. This carryforward may be limited upon the consummation of a business combination under IRC Section 381. For the years ended August 31, 2001 and 2000, the valuation allowance increased by approximately \$2,734 and \$385,067, respectively.

5. Statement of Cash Flows

Non cash investing and financing activities for the year ended August 31, 2000 included the assignment of notes receivable for stock in the amount of \$600,000. The stock subscription receivable of \$129,000 was collected in September 1999.

6. Notes Receivable

In connection with the proposed merger with ARC/Workseek merger, the cash proceeds from a private placement were advanced to ARC pursuant to a promissory note and security agreement in the amount of \$1,400,000. This loan, which is secured by all of the merger candidate's right of title and interest in accounts, equipment, general intangibles, inventory, negotiable collateral, and proceeds from the disposition of such collateral, was due and payable with interest at 10% per year on January 23, 2000. The merger did not occur, no payment has been made and collection is doubtful. The note receivable has been offset by a full allowance for realization.

In addition, agreements between third party investors and ARC to acquire up to \$600,000 in equity interests in ARC were assigned to the Company, which issued its own shares to the investors in lieu of ARC shares. This increased the amount loaned or otherwise invested by the Company in ARC to \$2,000,000. No payment has been received on the \$600,000 in assigned conversion agreements and a full allowance for realization has been recorded.

Part III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT.

The directors and executive officers currently serving the Company are as follows:

Name	Age	Positions Held and Tenure
Jay Lutsky	57	President and a Director since August 1997
Michael R. Quinn	76	Secretary/Treasurer, and a Director since August 1997

The directors named above will serve until the next annual meeting of the Company's

stockholders. Thereafter, directors will be elected for one-year terms at the annual stockholders' meeting. Officers will hold their positions at the pleasure of the board of directors, absent any employment agreement, of which none currently exists or is contemplated. There is no arrangement or understanding between any of the directors or officers of the Company and any other person pursuant to which any director or officer was or is to be selected as a director or officer.

The directors and officers will devote their time to the Company's affairs on an "as needed" basis, which, depending on the circumstances, could amount to as little as two hours per month, or more than forty hours per month, but more than likely will fall within the range of five to ten hours per month.

Biographical Information

JAY LUTSKY

Mr. Lutsky has served as President, and as a Director of the Company since its inception. From 1968 to 1974, Mr. Lutsky was employed at United Bank of Denver in various management positions, including Guaranteed Check Manager, Corporate Programs Manager and Executive Lending Officer. From April 1974 through April 1980, Mr. Lutsky was involved in the publishing and ski promotions business, serving as President of Mountain States Ski Association, a company he helped to start. From August 1983 through September 1985, Mr. Lutsky worked in the positions of General Manager of the SumFun Program, Regional marketing Manager, and Investor Relations Manager for Gold C Enterprises, Inc., a publicly-traded Colorado corporation that published discount coupon books. Since May of 1980, Mr. Lutsky has done business as Dolphin & Associates, a private consulting firm and he has managed his personal investment portfolio.

Mr. Lutsky has served on the board and been president of several public companies. From December 1986 through May, 1990, Mr. Lutsky served as president of Eagle Venture Acquisitions, Inc. ("Eagle"). Eagle merged with Network Financial Services, Inc. ("Network") in May 1990. Mr. Lutsky continued on the board of Network which traded on the NASDAQ system until December, 1993. Mr. Lutsky was a vice-president and served on the board of Starlight Acquisitions, Inc. ("Starlight"), a blank check offering. Starlight merged with Toucan Gold Corporation ("Toucan"), TUGO-Bulletin Board, on May 10, 1996. Mr. Lutsky now serves as an advisor to the current board of directors of Toucan. Until November, 1997, Mr. Lutsky was an officer and served on the board of directors of Gatwick, Ltd., a Regulation A public company. In November, 1997, Gatwick, Ltd., changed its name to AIM Smart Corporation and completed a share acquisition transaction with Smart AIM Corporation, a Michigan corporation. Mr. Lutsky also currently serves on the board of directors of Sunburst Acquisitions V, Inc., Sunburst Acquisitions VII, Inc. and Sunburst Acquisitions VIII, Inc., all of which are blind pool or blank check companies.

He earned a Bachelor of Science degree from Kent State University in 1967.

MICHAEL R. QUINN

Mr. Quinn has served as Secretary/Treasurer and Director of the Company since its inception. He has been involved with several development stage companies. He consults with companies contemplating trading publicly and his services consist of corporate structuring, management, accounting, productions, sales, etc. Mr. Quinn earned the degrees of Metallurgical Engineer and Engineer of Mines at the Colorado School of Mines in 1946. He did graduate work and was employed as a research assistant at MIT

Over the last six years, Mr. Quinn has served as a consultant to equity holders involved in a bankruptcy case, as a consultant and lead plaintiff in three lawsuits, all of which have resulted in favorable decisions for the plaintiff.

He served as President, Treasurer and Director of O.T.C. Capital Corporation (“OTC”). OTC acquired Capital 2000. He was a founder of American Leverage, Inc., and was its Secretary/Treasurer and a Director until American Leverage, Inc. acquired Data National Corporation (“Data”). Data is active, profitable and in a growth mode. Until November, 1997, Mr. Quinn was an officer and served on the board of directors of Gatwick, Ltd., a Regulation A public company. In November, 1997, Gatwick, Ltd., changed its name to Smart Aim Corporation and completed a share acquisition transaction with Smart AIM Corporation, a Michigan corporation. Mr. Quinn also currently serves on the board of directors of Sunburst Acquisitions VI, Inc., Sunburst Acquisitions VII, Inc. and Sunburst Acquisitions VIII, Inc., all of which are blind pool or blank check companies.

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

Mr. Lutsky and Mr. Quinn have each filed an Initial Statement of Beneficial Ownership of Securities on Form 3. They will file a Form 5 for the fiscal year ending August 31, 2001.

ITEM 10. EXECUTIVE COMPENSATION.

No officer or director received any remuneration from the Company during the fiscal year. Until the Company acquires additional capital, it is not intended that any officer or director will receive compensation from the Company other than reimbursement for out-of-pocket expenses incurred on behalf of the Company. See “Certain Relationships and Related Transactions.” The Company has no stock option, retirement, pension, or profit-sharing programs for the benefit of directors, officers or other employees, but the Board of Directors may recommend adoption of one or more such programs in the future.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth, as of the end of the Company's most recent fiscal year, the number of shares of Common Stock owned of record and beneficially by executive officers, directors and persons who hold 5.0% or more of the outstanding Common Stock of the Company. Also included are the shares held by all executive officers and directors as a group.

Name and Address	Number of Shares Owned Beneficially	Percent of Class Owned
Michael R. Quinn ⁽¹⁾ 2082 Cherry Street Denver, Colorado 80207	13,024,960	39.11%
Jay Lutsky ⁽¹⁾ 4807 S. Zang Way Morrison, CO 80465	13,057,280	39.21%
All directors and executive officers (2 persons)	26,082,240	78.32%

⁽¹⁾ The person listed is an officer, a director, or both, of the Company.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Indemnification of Officers and Directors

As permitted by Colorado law, the Company's Articles of Incorporation provide that the Company will indemnify its directors and officers against expenses and liabilities they incur to defend, settle, or satisfy any civil or criminal action brought against them on account of their being or having been Company directors or officers unless, in any such action, they are adjudged to have acted with gross negligence or willful misconduct. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling the Company pursuant to the foregoing provisions, the Company has been informed that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in that Act and is, therefore, unenforceable.

Exclusion of Liability

Pursuant to the Colorado Corporation Code, the Company's Articles of Incorporation exclude personal liability for its directors for monetary damages based upon any violation of their fiduciary duties as directors, except as to liability for any breach of the duty of loyalty, acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, acts in violation of Section 7-5-114 of the Colorado Corporation Code, or any transaction from which a director receives an improper personal benefit. This exclusion of liability does not limit any right which a director may have to be indemnified and does not affect any director's

liability under federal or applicable state securities laws.

Conflicts of Interest

None of the officers of the Company will devote more than a portion of his time to the affairs of the Company. There will be occasions when the time requirements of the Company's business conflict with the demands of the officers' other business and investment activities. Such conflicts may require that the Company attempt to employ additional personnel. There is no assurance that the services of such persons will be available or that they can be obtained upon terms favorable to the Company.

Each of the Company's officers and directors also are officers, directors, or both of several other Colorado based development-stage corporation in the same business as the Company. These companies may be in direct competition with the Company for available opportunities.

Company management, and the other principal shareholders of the Company, intend to actively negotiate or otherwise consent to the purchase of a portion of their common stock as a condition to, or in connection with, a proposed merger or acquisition transaction. Members of management acquired a significant portion of their shares for services rendered at a price of \$0.001 per share. It is anticipated that a substantial premium may be paid by the purchaser in conjunction with any sale of shares by officers, directors or affiliates of the Company which is made as a condition to, or in connection with, a proposed merger or acquisition transaction. The fact that a substantial premium may be paid to Company officers, directors and affiliates to acquire their shares creates a conflict of interest for them and may compromise their state law fiduciary duties to the Company's other shareholders. In making any such sale, Company officers, directors and affiliates may consider their own personal pecuniary benefit rather than the best interests of the Company and the Company's other shareholders, and the other shareholders are not expected to be afforded the opportunity to approve or consent to any particular buy-out transaction involving shares held by members of Company management.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K.

(a) The Exhibits listed below are incorporated by reference.

Exhibit No.	Document
3.1	Articles of Incorporation (incorporated by reference from Registration Statement on Form 10-SB filed with the Securities and Exchange Commission on December 29, 1997).
3.2	Bylaws (incorporated by reference from Registration Statement on Form 10-SB filed with the Securities and Exchange Commission on December 29, 1997).
4.1	Specimen Common Stock Certificate (incorporated by reference from Registration

Statement on Form 10-SB filed with the Securities and Exchange Commission on December 29, 1997).

- 4.2 Specimen Class A Convertible Preferred Stock Certificate (incorporated by reference from Registration Statement on Form 10-SB filed with the Securities and Exchange Commission on December 29, 1997).
- 10.1 Agreement and Plan of Reorganization (incorporated by reference to the exhibits filed with the Company's annual report on Form 10-KSB for the fiscal year ended August 31, 1999.)
- 10.2 American Recruitment Conferences/Workseek Loan Documents (incorporated by reference to the exhibits filed with the Company's annual report on Form 10-KSB for the fiscal year ended August 31, 1999.)

(b) No reports on Form 8-K were filed by the Company during the last quarter of its fiscal year ending August 31, 2001.

SIGNATURES

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SUNBURST ACQUISITIONS III, INC.

By: /s/ _____
Jay Lutsky (Principal Executive Officer and Director)
Date: October 25, 2001

By: /s/ _____
Michael R. Quinn (Principal Financial Officer and Director)
Date: October 25, 2001