

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549**

**Form 10-QSB**

(Mark one)

  X   Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

**For the quarterly period ended September 30, 2002**

       Transition Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from                      to                     

Commission File Number: 0-31297

**Shallbetter Industries, Inc.**

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

Minnesota  
(State of incorporation)

41-1961936  
(IRS Employer ID Number)

30 Sembrado, Rancho Santa Margarita, CA 92688  
(Address of principal executive offices)

(949) 459-1220  
(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   X   NO     

State the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicable date: November 6, 2002: 3,623,655

Transitional Small Business Disclosure Format (check one): YES      NO   X

# Shallbetter Industries, Inc.

Form 10-QSB for the Quarter ended September 30, 2002

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**Part 1 - Item 1 - Financial Statements**

**Shallbetter Industries, Inc.**

**Balance Sheets**

September 30, 2002 and 2001

**(Unaudited)**

	September 30, <u>2002</u>	September 30, <u>2001</u>
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Cash in bank	\$ <u>      </u> -	\$ <u>      </u> 11
<b>Total Assets</b>	\$ <u>      </u> -	\$ <u>      </u> 11

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Liabilities</b>		
Advances from Shareholder	\$ <u>14,906</u>	\$ <u>5,600</u>
<b>Commitments and Contingencies</b>		
<b>Shareholders' Equity</b>		
Preferred stock - \$0.01 par value 5,000,000 shares authorized; none issued and outstanding	-	-
Common stock - \$0.01 par value. 45,000,000 shares authorized. 3,623,655 shares issued and outstanding	36,237	36,237
Additional paid-in capital	3,953	(6,508)
Accumulated deficit	(55,096)	(35,318)
<b>Total Shareholders' Equity</b>	(14,906)	(5,589)
<b>Total Liabilities and Shareholders' Equity</b>	\$ <u>      </u> -	\$ <u>      </u> 11

The financial information presented herein has been prepared by management  
without audit by independent certified public accountants.

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

**Shallbetter Industries, Inc.**  
**Statements of Operations and Comprehensive Loss**  
Nine and Three months ended September 30, 2002 and 2001

(Unaudited)

	Nine months ended September 30, <u>2002</u>	Nine months ended September 30, <u>2001</u>	Three months ended September 30, <u>2002</u>	Three months ended September 30, <u>2001</u>
<b>Revenues</b>	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
<b>Expenses</b>				
General and administrative	<u>18,847</u>	<u>6,445</u>	<u>14,906</u>	<u>4,004</u>
<b>Total Expenses</b>	<u>18,847</u>	<u>6,445</u>	<u>14,906</u>	<u>4,004</u>
<b>Loss before Income Taxes</b>	(18,847)	(6,445)	(14,906)	(4,004)
<b>Provision for Income Taxes</b>	_____ -	_____ -	_____ -	_____ -
<b>Net Loss</b>	(18,847)	(6,445)	(14,906)	(4,004)
<b>Other comprehensive income</b>	_____ -	_____ -	_____ -	_____ -
<b>Comprehensive Loss</b>	<u><u>\$(18,847)</u></u>	<u><u>\$(6,445)</u></u>	<u><u>\$(14,906)</u></u>	<u><u>\$(4,004)</u></u>
Loss per weighted-average share of common stock outstanding, computed on Net Loss - basic and fully diluted	<u><u>\$(0.01)</u></u>	<u><u>\$(0.01)</u></u>	<u><u>nil</u></u>	<u><u>nil</u></u>
Weighted-average number of shares of common stock outstanding	<u><u>3,623,655</u></u>	<u><u>3,623,655</u></u>	<u><u>3,623,655</u></u>	<u><u>3,623,655</u></u>

The financial information presented herein has been prepared by management  
without audit by independent certified public accountants.  
The accompanying notes are an integral part of these financial statements.

**Shallbetter Industries, Inc.**  
**Statements of Changes in Shareholders' Equity**  
Nine months ended September 30, 2002 and 2001

(Unaudited)

	<u>Common Stock</u>		Additional		Stock	
	<u>Shares</u>	<u>Amount</u>	<u>paid-in</u>	<u>Accumulated</u>	<u>Subscription</u>	<u>Total</u>
			<u>capital</u>	<u>deficit</u>	<u>receivable</u>	
<b>Balances at</b>						
<b>January 1, 2001, as</b>						
<b>reported</b>	1,197,285	\$11,973	\$17,756	\$(28,873)	\$ -	\$ 856
Correction of cumulative						
clerical errors found in						
Fiscal 2001 reconciliation						
of shareholders' listing	10,600	106	(106)	-	-	-
Effect of 3 for 1 forward						
stock split on						
August 28, 2002	<u>2,415,770</u>	<u>24,158</u>	<u>(24,158)</u>	-	-	-
<b>Balances at</b>						
<b>January 1, 2001,</b>						
<b>as restated</b>	3,623,655	36,237	(6,508)	(28,873)	-	856
Net loss for the period	-	-	-	<u>(6,445)</u>	-	<u>(6,445)</u>
<b>Balances at</b>						
<b>September 30, 2001</b>	<u>3,623,655</u>	<u>\$36,237</u>	<u>\$(6,508)</u>	<u>\$(35,318)</u>	<u>\$ -</u>	<u>\$(5,589)</u>
<b>Balances at</b>						
<b>January 1, 2002,</b>						
<b>as reported</b>	1,207,885	\$12,079	\$17,650	\$(36,249)	\$ -	\$(6,520)
Effect of 3 for 1 forward						
stock split on						
August 28, 2002	<u>2,415,770</u>	<u>24,158</u>	<u>(24,158)</u>	-	-	-
<b>Balances at</b>						
<b>January 1, 2002,</b>						
<b>as restated</b>	3,623,655	36,237	(6,508)	(36,249)	-	(6,520)
Advances due to						
former shareholder						
converted to additional						
paid-in capital on						
July 16, 2002	-	-	10,461	-	-	10,461
Net loss for the period	-	-	-	<u>(18,847)</u>	-	<u>(18,847)</u>
<b>Balances at</b>						
<b>September 30, 2002</b>	<u>3,623,655</u>	<u>\$36,237</u>	<u>\$ 3,953</u>	<u>\$(55,096)</u>	<u>\$ -</u>	<u>\$(14,906)</u>

The financial information presented herein has been prepared by management  
without audit by independent certified public accountants.

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

**Shallbetter Industries, Inc.**  
**Statements of Cash Flows**  
Nine months ended September 30, 2002 and 2001

(Unaudited)	Nine months ended September 30, <u>2002</u>	Nine months ended September 30, <u>2001</u>
<b>Cash Flows from Operating Activities</b>	\$(18,847)	\$(6,445)
Net Loss		
Adjustments to reconcile net income to net cash provided by operating activities		
Decrease in accounts payable	<u>-</u>	<u>-</u>
<b>Net cash provided by (used in) operating activities</b>	(18,847)	(6,445)
<b>Cash Flows from Investing Activities</b>	<u>-</u>	<u>-</u>
<b>Cash Flows from Financing Activities</b>		
Advances from shareholder	17,991	5,600
<b>Net cash provided by financing activities</b>	17,991	5,600
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	(856)	(845)
Cash and cash equivalents at beginning of period	<u>856</u>	<u>856</u>
Cash and cash equivalents at end of period	<u>\$ 11</u>	<u>\$ 11</u>
<b>Supplemental Disclosures of</b>		
<b>Interest and Income Taxes Paid</b>		
Interest paid during the period	\$ <u>-</u>	\$ <u>-</u>
Income taxes paid (refunded)	\$ <u>-</u>	\$ <u>-</u>
<b>Supplemental Disclosures of</b>		
<b>Non-cash Investing and Financing Activities</b>		
Advances from former controlling shareholder converted to additional paid-in capital	\$10,461	\$ <u>-</u>

The financial information presented herein has been prepared by management  
without audit by independent certified public accountants.  
The accompanying notes are an integral part of these financial statements.

# **Shallbetter Industries, Inc.**

## **Notes to Financial Statements**

### **NOTE A - Organization and Description of Business**

Shallbetter Industries, Inc. (Company) was initially incorporated on September 8, 1968 under the laws of the State of Minnesota. The Company has not conducted any business operations or maintained any assets since 1982. The current business purpose of the Company is to seek out and obtain a merger, acquisition or outright sale transaction whereby the Company's shareholders will benefit. The Company is not currently engaged in any negotiations and continues to seek an appropriate merger or acquisition candidate.

### **NOTE B - Preparation of Financial Statements**

The Company follows the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and has adopted a year-end of December 31.

During interim periods, the Company follows the accounting policies set forth in its annual audited financial statements filed with the U. S. Securities and Exchange Commission on its Annual Report on Form 10-KSB for the year ended December 31, 2001. The information presented within these interim financial statements may not include all disclosures required by accounting principles generally accepted in the United States of America and the users of financial information provided for interim periods should refer to the annual financial information and footnotes when reviewing the interim financial results presented herein.

In the opinion of management, the accompanying interim financial statements, prepared in accordance with the U. S. Securities and Exchange Commission's instructions for Form 10-QSB, are unaudited and contain all material adjustments, consisting only of normal recurring adjustments necessary to present fairly the financial condition, results of operations and cash flows of the Company for the respective interim periods presented. The current period results of operations are not necessarily indicative of results which ultimately will be reported for the full fiscal year ending December 31, 2002.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Management further acknowledges that it is solely responsible for adopting sound accounting practices, establishing and maintaining a system of internal accounting control and preventing and detecting fraud. The Company's system of internal accounting control is designed to assure, among other items, that 1) recorded transactions are valid; 2) valid transactions are recorded; and 3) transactions are recorded in the proper period in a timely manner to produce financial statements which present fairly the financial condition, results of operations and cash flows of the Company for the respective periods being presented

### **NOTE C - Going Concern Uncertainty**

The Company has not conducted any business operations or maintained any assets since 1982. The current business purpose of the Company is to seek out and obtain a merger, acquisition or outright sale transaction whereby the Company's shareholders will benefit. The Company is not currently engaged in any negotiations and continues to seek an appropriate merger or acquisition candidate.

## **Shallbetter Industries, Inc.**

### **Notes to Financial Statements - Continued**

#### **NOTE C - Going Concern Uncertainty - Continued**

The Company's need for capital may change dramatically if it acquires an interest in a business opportunity during the next 12 months. The Company's current operating plan is to (i) handle the administrative and reporting requirements of a public company; and (ii) search for potential businesses, products, technologies and companies for acquisition. At present, the Company has no understandings, commitments or agreements with respect to the acquisition of any business, product, technology or company and there can be no assurance that the Company will identify any such business, product, technology or company suitable for acquisition in the future. Further, there can be no assurance that the Company would be successful in consummating any acquisition on favorable terms or that it will be able to profitably manage the business, product, technology or company it acquires or, if successful, that any acquisition or merger will result in the appreciation of our stockholders' investment in our common stock.

The Company's continued existence is dependent upon its ability to generate sufficient cash flows from operations to support its daily operations as well as provide sufficient resources to retire existing liabilities and obligations on a timely basis.

The Company remains dependent upon additional external sources of financing; including being dependent upon its management and/or significant stockholders to provide sufficient working capital. The Company anticipates offering future sales of equity securities. However, there is no assurance that the Company will be able to obtain additional funding through the sales of additional equity securities or, that such funding, if available, will be obtained on terms favorable to or affordable by the Company.

It is the intent of management and significant stockholders to provide sufficient working capital necessary to support and preserve the integrity of the corporate entity. However, no formal commitments or arrangements to advance or loan funds to the Company or repay any such advances or loans exist. There is no legal obligation for either management or significant stockholders to provide additional future funding.

In such a restricted cash flow scenario, the Company would be unable to complete our business plan steps, and would, instead, delay all cash intensive activities. Without necessary cash flow, the Company may become dormant during the next twelve months, or until such time as necessary funds could be raised in the equity securities market.

The Company has not conducted any business operations or maintained any assets since 1982, has minimal cash on hand, no profit, is not currently engaged in any merger or acquisition negotiations and continues to seek an appropriate merger or acquisition candidate. Because of these factors, our auditors have issued an audit opinion for the Company which includes a statement describing our going concern status. This means, in our auditor's opinion, substantial doubt about our ability to continue as a going concern exists at the date of their latest audit opinion.

While the Company is of the opinion that good faith estimates of the Company's ability to secure additional capital in the future to reach our goals have been made, there is no guarantee that the Company will receive sufficient funding to sustain operations or implement any future business plan steps.



# **Shallbetter Industries, Inc.**

## **Notes to Financial Statements - Continued**

### **NOTE D - Summary of Significant Accounting Policies**

#### **1. Cash and cash equivalents**

The Company considers all cash on hand and in banks, including accounts in book overdraft positions, certificates of deposit and other highly-liquid investments with maturities of three months or less, when purchased, to be cash and cash equivalents.

#### **2. Income taxes**

The Company utilizes the asset and liability method of accounting for income taxes. At September 30, 2002 and 2001, the deferred tax asset and deferred tax liability accounts, as recorded when material, are entirely the result of temporary differences. Temporary differences represent differences in the recognition of assets and liabilities for tax and financial reporting purposes, primarily accumulated depreciation and amortization. As of September 30, 2002 and 2001, the deferred tax asset related to the Company's net operating loss carryforward was fully reserved due to the unpredictability of ultimate realization.

#### **3. Earnings (Loss) per share**

Basic earnings (loss) per share is computed by dividing the net income (loss) by the weighted-average number of shares of common stock and common stock equivalents (primarily outstanding options and warrants). Common stock equivalents represent the dilutive effect of the assumed exercise of the outstanding stock options and warrants, using the treasury stock method. The calculation of fully diluted earnings (loss) per share assumes the dilutive effect of the exercise of outstanding options and warrants at either the beginning of the respective period presented or the date of issuance, whichever is later. As of September 30, 2002 and 2001, the Company has no warrants and/or options issued and outstanding.

### **NOTE E - Fair Value of Financial Instruments**

The carrying amount of cash, accounts receivable, accounts payable and notes payable, as applicable, approximates fair value due to the short term nature of these items and/or the current interest rates payable in relation to current market conditions.

Interest rate risk is the risk that the Company's earnings are subject to fluctuations in interest rates on either investments or on debt and is fully dependent upon the volatility of these rates. The Company does not use derivative instruments to moderate its exposure to interest rate risk, if any.

Financial risk is the risk that the Company's earnings are subject to fluctuations in interest rates or foreign exchange rates and are fully dependent upon the volatility of these rates. The company does not use derivative instruments to moderate its exposure to financial risk, if any.

### **NOTE F - Seasonality of Operations**

The Company experiences fluctuations in quarterly operating expenses, principally professional services for compliance with the Securities Exchange Act of 1934, which are charged to operations in the period in which the services are incurred.

# Shallbetter Industries, Inc.

## Notes to Financial Statements - Continued

### NOTE G - Advances from Officer

To support operations, the Company's former chief executive officer made non-interest bearing working capital advances to support operations. As of June 30, 2002, the Company owes this individual approximately \$7,900. In July 2002, this individual made an additional advance of approximately \$2,560 to bring the total advances to approximately \$10,460. On July 24, 2002, this former officer forgave the \$10,460 in working capital advances to the Company and these amounts were reclassified to additional paid-in capital on that date.

### NOTE H - Common Stock Transactions

During the first quarter of 2001, the Company performed an extensive reconciliation of its shareholder list in conjunction with the appointment of a new stock transfer agent. As a result of this reconciliation process, the Company noted various clerical errors in its issued and outstanding shares. The net effect of this reconciliation process was to add 10,600 shares to the issued and outstanding shares of the Company as of the first day of the first period presented.

On August 6, 2002, the Company's Board of Directors authorized a 3 for 1 forward stock split to shareholders of record as of the close of business on August 19, 2002. The result of this action, including fractional share rounding, was to increase the issued and outstanding shares from 1,207,885 to 3,623,665. The effects of these actions are cumulatively reflected in the accompanying financial statements as of the first day of the first period presented.

### NOTE I - Income Taxes

The components of income tax (benefit) expense for the six months ended June 30, 2002 and 2001, respectively, are as follows:

	September 30, 2001	September 30, 2001
Federal:		
Current	\$ -	\$ -
Deferred	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
State:		
Current	-	-
Deferred	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ -</u>

As of September 30, 2002, the Company has a net operating loss carryforward of approximately \$35,000 to offset future taxable income. Subject to current regulations, this carryforward will begin to expire in 2020. The amount and availability of the net operating loss carryforwards may be subject to limitations set forth by the Internal Revenue Code. Factors such as the number of shares ultimately issued within a three year look-back period; whether there is a deemed more than 50 percent change in control; the applicable long-term tax exempt bond rate; continuity of historical business; and subsequent income of the Company all enter into the annual computation of allowable annual utilization of the carryforwards.

## NOTE I - Income Taxes - Continued

The Company's income tax expense for the nine months ended September 30, 2002 and 2001, respectively, are as follows:

	Nine months ended September 30, <u>2002</u>	Nine months ended September 30, <u>2001</u>
Statutory rate applied to income before income taxes	\$(6,400)	\$(2,200)
Increase (decrease) in income taxes resulting from:		
State income taxes	-	-
Other, including reserve for deferred tax asset and application of net operating loss carryforward	<u>6,400</u>	<u>2,200</u>
Income tax expense	<u>\$ -</u>	<u>\$ -</u>

Temporary differences, consisting primarily of statutory deferrals of expenses for organizational costs and statutory differences in the depreciable lives for property and equipment, between the financial statement carrying amounts and tax bases of assets and liabilities give rise to deferred tax assets and liabilities as of September 30, 2002 and 2001, respectively:

	September 30, <u>2001</u>	September 30, <u>2001</u>
Deferred tax assets		
Net operating loss carryforwards	\$12,025	\$5,300
Less valuation allowance	<u>(12,025)</u>	<u>(5,300)</u>
	<u>\$ -</u>	<u>\$ -</u>
Net Deferred Tax Asset		

During the nine months ended September 30, 2002 and 2001, respectively, the reserve for the deferred current tax asset increased by approximately \$6,400 and \$2,191, respectively.

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## **Part I - Item 2**

### **Management's Discussion and Analysis of Financial Condition and Results of Operations**

#### **(4) Caution Regarding Forward-Looking Information**

Certain statements contained in this annual filing, including, without limitation, statements containing the words "believes", "anticipates", "expects" and words of similar import, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such factors include, among others, the following: international, national and local general economic and market conditions; demographic changes; the ability of the Company to sustain, manage or forecast its growth; the ability of the Company to successfully make and integrate acquisitions; raw material costs and availability; new product development and introduction; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; the loss of significant customers or suppliers; fluctuations and difficulty in forecasting operating results; changes in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; the ability to protect technology; and other factors referenced in this and previous filings.

Given these uncertainties, readers of this Form 10-QSB and investors are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

#### **(5) General**

Shallbetter Industries, Inc. (Company) was initially incorporated on September 8, 1968 under the laws of the State of Minnesota. The Company has not conducted any business operations or maintained any assets since 1982. The current business purpose of the Company is to seek out and obtain a merger, acquisition or outright sale transaction whereby the Company's shareholders will benefit. The Company is not currently engaged in any negotiations and continues to seek an appropriate merger or acquisition candidate.

#### **(6) Results of Operations, Liquidity and Capital Resources and Plan of Operation**

The Company had no revenue for the nine month periods ended September 30, 2002 and 2001, respectively.

General and administrative expenses for the nine months ended September 30, 2002 and 2001 were approximately \$18,800 and \$6,400, respectively. These expenses consisted primarily of legal and accounting expenses associated with maintaining the corporate status of the Company and compliance with the periodic reporting requirements of the Securities Exchange Act of 1934.

The Company realized a net loss of \$18,800 and \$6,400 for the first nine months of 2002 and 2001, respectively.

The Company does not expect to generate any meaningful revenue or incur operating expenses unless and until it acquires an interest in an operating company.

At September 30, 2002, the Company had no available cash, a deficit in working capital of \$(14,906) and negative shareholders' equity of \$(14,906).

Through July 16, 2002, working capital was provided by the Company's former chief executive officer, Craig Laughlin. In July 2002, Mr. Laughlin advanced an additional \$2,561 to the Company to bring his total

advances to approximately \$10,461. On July 24, 2002, Mr. Laughlin forgave the \$10,461 in working capital advances to the Company and these amounts were reclassified to additional paid-in capital on that date.

Subsequent to July 16, 2002, the Company's working capital needs have been provided by Don Saunders, the current controlling shareholder.

The Company is currently fully dependent upon either future sales of securities and/or advances or loans from significant stockholders or corporate officers to provide sufficient working capital to preserve the integrity of the corporate entity.

There is no assurance that the Company will be able to obtain additional funding through the sales of additional securities or, that such funding, if available, will be obtained on terms favorable to or affordable by the Company.

It is the intent of management and significant stockholders to provide sufficient working capital necessary to support and preserve the integrity of the corporate entity. However, there is no legal obligation for either management or significant stockholders to provide additional future funding.

The Company's need for capital may change dramatically if it acquires an interest in a business opportunity during the next 12 months. The Company's current operating plan is to (i) handle the administrative and reporting requirements of a public company; and (ii) search for potential businesses, products, technologies and companies for acquisition. At present, the Company has no understandings, commitments or agreements with respect to the acquisition of any business, product, technology or company and there can be no assurance that the Company will identify any such business, product, technology or company suitable for acquisition in the future. Further, there can be no assurance that the Company would be successful in consummating any acquisition on favorable terms or that it will be able to profitably manage the business, product, technology or company it acquires.

## **Part II - Other Information**

### **Item 1 - Legal Proceedings**

None

### **Item 2 - Changes in Securities**

None

### **Item 3 - Defaults on Senior Securities**

None

### **Item 4 - Submission of Matters to a Vote of Security Holders**

The Company has held no regularly scheduled, called or special meetings of shareholders during the reporting period.

### **Item 5 - Other Information**

None

### **Item 6 - Exhibits and Reports on Form 8-K**

#### Exhibits

- 99.1 Certification Pursuant to 18 USC, Section 1330, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

#### Reports on Form 8-K

None

## 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.

**Shallbetter Industries, Inc.**

Dated: November 6, 2002

\_\_\_\_\_/s/ Thomas K. Russell  
Thomas K. Russell  
President, Chief Executive Officer,  
Chief Financial Officer and Director

**Certification Pursuant to 18 USC, Section 1350,  
as Adopted Pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Shallbetter Industries, Inc. (Shallbetter or Company) on Form 10-QSB for the quarter ended September 30, 2002 (Report), as filed with the Securities and Exchange Commission, on the date hereof, I, Thomas K. Russell, Chief Executive Officer and Chief Financial Officer of the Company, certify to the best of my knowledge, pursuant to 18 USC 1350, as adopted pursuant to Section 302 and promulgated as 18 USC 1350 pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report referenced above has been read and reviewed by the undersigned.
2. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934.
3. The Report referenced above does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading.

I acknowledge that the management of the Company is solely responsible for the fair presentation in the financial statements of the financial position, results of operations and cash flows of the Company in conformity with accounting principles generally accepted in the United States of America.

Based upon my knowledge, the financial statements, and other such financial information included in the report, fairly present the financial condition and results of operations of Shallbetter Industries, Inc. as of and for the period ended September 30, 2002.

In my opinion, the accompanying interim financial statements, prepared in accordance with the instructions for Form 10-QSB, are unaudited and contain all material adjustments, consisting only of normal recurring adjustments necessary to present fairly the financial condition, results of operations and cash flows of the Company for the respective interim periods presented. The current period results of operations are not necessarily indicative of results which ultimately will be reported for the full fiscal year ending December 31, 2002.

4. I acknowledge that the Company's Board of Directors and Management are responsible for establishing and maintaining disclosure controls and procedures for Shallbetter Industries, Inc. These controls and systems are designed to ensure that material information is made known to the Board of Directors and Management of the Company, particularly during the period in which this periodic report is being prepared. The Company's Board of Directors and Management have evaluated the effectiveness of the Company's disclosure controls and procedures within 90 days of the date of this periodic filing.
5. I acknowledge that the Company's Board of Directors and Management are solely responsible for adopting sound accounting practices, establishing and maintaining a system of internal accounting control and preventing and detecting fraud. The Company's system of internal accounting control is designed to assure, among other items, that 1) recorded transactions are valid; 2) valid transactions are recorded; and 3) transactions are recorded in the proper period in a timely manner to produce financial statements which present fairly the financial condition, results of operations and cash flows of the Company for the respective periods being presented.

**Certification Pursuant to 18 USC, Section 1350,  
as Adopted Pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002**

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All significant weaknesses in the design or operation of internal accounting controls which could adversely affect Shallbetter's ability to record, process, summarize and report financial data have been identified by the Company's Board of Directors and/or Management have been reported to the Company's independent auditors. Additionally, any fraud, whether material or not to the financial statements of Shallbetter Industries, Inc. that involves management or other employees who have a significant role in the issuer's internal accounting controls have also been reported to the Company's Board of Directors and/or Management and to the Company's independent auditors.

6. I have made the appropriate disclosures related to any significant changes to the Company's system of internal accounting controls or in other factors that could significantly affect our internal accounting control system or the financial reporting derived therefrom.

/s/ Thomas K. Russell

Thomas K. Russell

Chief Executive Officer and

Chief Financial Officer

Dated: November 6, 2002