

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-QSB

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

For Quarter Ended: March 31, 2001

OR

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

Commission File No.000-31355

GALAXY SPECIALTIES, INC.

(Exact name of registrant as specified in its charter)

Nevada 81-0438093  
(State of incorporation) (I.R.S. Employer Identification No.)

369 East 900 South, Suite 149  
Salt Lake City, Utah 84111  
(801) 323-2395

(Address and telephone number of principal executive offices and principal place of business)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

As of April 18, 2001, the Registrant had a total of 17,000,000 shares of common stock issued and outstanding.

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PART I: FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

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GALAXY SPECIALTIES, INC.  
(A Development Stage Company)  
BALANCE SHEETS

<TABLE>  
<CAPTION>

March 31, 2001	June 30, 2000
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ASSETS	(Unaudited)	(Audited)
-----		
CURRENT ASSETS		
<S>	<C>	<C>
Cash in bank	\$ 0	\$ 0
-----		
	\$ 0	\$ 0
=====		
LIABILITIES & EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable - related party (Note 4)	\$ 28,000	\$ 28,000
-----		
TOTAL CURRENT LIABILITIES	28,000	28,000
STOCKHOLDERS' EQUITY (DEFICIT)		
Common Stock \$.001 par value:		
Authorized - 20,000,000 shares		
Issued and outstanding 17,000,000 shares	17,000	17,000
Deficit accumulated during the development stage	(45,000)	(45,000)
-----		
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	(28,000)	(28,000)
-----		
	\$ 0	\$ 0
=====		

</TABLE>

See Notes to Financial Statements.

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GALAXY SPECIALTIES, INC.  
(A Development Stage Company)  
STATEMENTS OF OPERATIONS  
(Unaudited)

<TABLE>  
<CAPTION>

	Three Months Ended		3/7/86 Nine Months Ended		(Date of
	March 31,		March 31,		inception) to
	2001	2000	2001	2000	3/31/2001
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Cost of sales	0	0	0	0	0
-----					
GROSS PROFIT	0	0	0	0	0
General & administrative expenses	0	0	0	0	45,000
-----					
NET LOSS	\$ 0	\$ 0	\$ 0	\$ 0	(45,000)
=====					

BASIC AND DILUTED  
(LOSS) PER COMMON  
SHARE

Net income (loss) per weighted average share	\$ .000	\$ (.000)	\$ .000	\$ (.000)
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Weighted average number of common shares used to compute net income (loss) per weighted average share	17,000,000	17,000,000	17,000,000	17,000,000
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</TABLE>

See Notes to Financial Statements.

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GALAXY SPECIALTIES, INC.  
(A Development Stage Company)  
STATEMENTS OF CASH FLOWS  
(Unaudited)

<TABLE>

<CAPTION>

	Three Months Ended		3/7/86 Nine Months Ended		(Date of
	March 31,	March 31,	March 31,	March 31,	inception) to
	2001	2000	2001	2000	3/31/2001
OPERATING ACTIVITIES					
<S>	<C>	<C>	<C>	<C>	<C>
Net income (loss)	\$	0 \$	0 \$	0 \$	0 \$ (45,000)
Adjustments to reconcile net income (loss) to cash used by operating activities:					
Amortization		0	0	0	17,000
Accounts payable related party		0	0	0	28,000
NET CASH USED BY OPERATING ACTIVITIES					
		0	0	0	0
INVESTING ACTIVITIES					
Organization costs		0	0	0	(17,000)
NET CASH REQUIRED BY INVESTING ACTIVITIES					
		0	0	0	(17,000)
FINANCING ACTIVITIES					
Proceeds from sale of common stock		0	0	0	17,000
NET CASH PROVIDED BY FINANCING ACTIVITIES					
		0	0	0	17,000
INCREASE IN CASH AND CASH EQUIVALENTS					
		0	0	0	0
Cash and cash equivalents at beginning of period		0	0	0	0
CASH & CASH EQUIVALENTS AT END OF PERIOD \$					
		0 \$	0 \$	0 \$	0 \$

</TABLE>

See Notes to Financial Statements.

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GALAXY SPECIALTIES, INC.  
(A Development Stage Company)  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2001

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

a. Basis of Presentation

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted auditing principles for complete financial statements. The unaudited financial statements should, therefore, be read in conjunction with the financial statements and notes thereto in the Report on Form 10-SB12G for the year ended June 30, 2000. In the opinion of management, all adjustments (consisting of normal and recurring adjustments) considered necessary for a fair presentation, have been included. The results of operations for the nine month period ended March 31, 2001 are not necessarily indicative of the results that may be expected for the entire fiscal year.

b. Organization & Consolidation Policy

Galaxy Specialties, Inc. (the Company), a Nevada corporation, was incorporated on May 22, 2000. On June 5, 2000, the Company merged with Hystar Aerospace Marketing Corporation of Montana Inc. (Hystar). The Company is the surviving corporation.

Hystar Aerospace Marketing Corporation of Montana was incorporated March 7, 1986 to lease, sell, and market airships and the Burkett Mill, a waste milling device, which rights were acquired from VIP Worldnet, Inc., initially the only shareholder. The technology to further develop the airship and the mill by the parent company proved to be prohibitive, and shortly after the acquisition of the marketing rights further activity ceased. Hystar has been inactive since that date.

The merger was recorded under the pooling of interests method of accounting. Each share of the Company remained outstanding as one fully paid and non-assessable share of capital stock of the surviving corporation.

The accompanying financial statements present the financial condition and results of operations of Hystar from its inception through the merger date and of the surviving entity, the Company, as of the merger date.

c. Recognition of Revenue

The Company recognizes income and expense on the accrual basis of accounting.

d. Net Loss Per Common Share

Basic and diluted loss per common share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the periods presented.

e. Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents.

GALAXY SPECIALTIES, INC.  
(A Development Stage Company)  
NOTES TO FINANCIAL STATEMENTS (continued)  
March 31, 2001

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (continued)

f. Provision for Income Taxes

The Company records the income tax effect of transactions in the same year that the transactions enter into the determination of income, regardless of when the transactions are recognized for tax purposes. Tax credits are recorded in the year realized. Since the Company has not yet realized income as of the date of this report, no provision for income taxes has been made.

In February, 1992, the Financial Accounting Standards Board adopted Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, which supersedes substantially all existing authoritative literature for accounting for income taxes and requires deferred tax balances to be adjusted to reflect the tax rates in effect when those amounts are expected to become payable or refundable. The Statement was applied in the Company's financial statements for the fiscal year commencing July 1, 1992.

No provision for income taxes have been recorded due to net operating loss carryforwards totaling approximately \$45,000 that will be offset against future taxable income. These NOL carryforwards begin to expire in the year 2001. No tax benefit has been reported in the financial statements because the Company believes there is a 50% or greater chance the carryforwards will expire unused.

g. 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 assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

h. Dividend Policy

The Company has not yet adopted any policy regarding payment of dividends.

i. Organization Costs

The Company amortized its organization costs over a five year period.

NOTE 2: GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has no assets and has had recurring operating losses for the past several years and is dependent upon financing to continue operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. It is management's plan to find an operating company to merge with, thus creating necessary operating revenue.

NOTE 3: CAPITALIZATION

In 1986, the Company issued 17,000,000 shares of common stock for the marketing rights to a waste milling device. The value of this issuance was \$17,000.

GALAXY SPECIALTIES, INC.  
(A Development Stage Company)  
NOTES TO FINANCIAL STATEMENTS (continued)  
March 31, 2001

NOTE 4: RELATED PARTY TRANSACTIONS

During the year ended June 30, 2000, the Company incurred \$28,000 of professional fees payable to Mutual Ventures Corp. An officer of the Company is also an employee of Mutual Ventures Corp.

NOTE 5: DEVELOPMENT STAGE COMPANY

The Company is a development stage company as defined in Financial Accounting Standards Board Statement No. 7. It is concentrating substantially all of its efforts in raising capital and searching for a business operation with which to merge, or assets to acquire, in order to generate significant operations.

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In this report references to "Galaxy Specialities," "we," "us," and "our" refer to Galaxy Specialities, Inc.

Forward Looking Statements

This form 10-QSB contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. For this purpose any statements contained in this Form 10-QSB that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "estimate" or "continue" or comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, and actual results may differ materially depending on a variety of factors, many of which are not within our control. These factors include but are not limited to economic conditions generally and in the industries which we may participate; competition within our chosen market and failure by Galaxy Specialities to successfully develop business relationships.

ITEM 2: PLAN OF OPERATIONS

We are a development stage company with no assets and recurring losses from inception and are dependent upon financing to continue operations. For the year ended June 30, 2000 and the nine months ended March 31, 2001, we had no cash on hand and total current liabilities of \$28,000. The \$28,000 note payable is for accounting and legal fees incurred during the 2000 fiscal year and paid on our behalf by a related party.

We have no material commitments for the next twelve months. We believe that our current cash needs for at least the next twelve months can be met by loans from our directors, officers and shareholders based on understandings we have with these persons. However, these understandings are not formal agreements and therefore these persons are not obligated to provide funds. We may repay any loans, costs of services and advancements with cash, if available, or we may convert them into common stock.

Our management intends to actively pursue business opportunities during the next twelve months. All risks inherent in new and inexperienced enterprises are inherent in our business. We have not made a formal study of the economic potential of any business. At the present, we have not identified any assets or business opportunities for acquisition. If we obtain a business opportunity, it may be necessary to raise additional capital, which may be accomplished by selling our common stock.

Based on current economic and regulatory conditions, management believes that it is possible, if not probable, for a company like ours, without many assets or liabilities, to negotiate a merger or acquisition with a viable

private company. The opportunity arises principally because of the high legal and accounting fees and the length of time associated with the registration process of "going public." However, should any of these conditions change, it is very possible that there would be little or no economic value for anyone taking over control of Galaxy Specialities.

Potential investors must recognize that because of our limited capital available for investigation and management's limited experience in business analysis we may not discover or adequately evaluate adverse facts about the business opportunity to be acquired. Also, we intend to concentrate our acquisition efforts on properties or businesses that we believe to be undervalued or that we believe may realize a substantial benefit from being publicly owned. Investors should expect that any acquisition candidate may have little or no operating history, or a history of losses or low profitability.

It is emphasized that our management may effect transactions having a potentially adverse impact upon our shareholders pursuant to the authority and discretion of our management to complete acquisitions without submitting any proposal to the stockholders for their consideration.

Should a merger or acquisition prove unsuccessful, it is possible that we may decide not to pursue further acquisition activities and management may abandon its activities and our shares would become worthless.

## PART II: OTHER INFORMATION

### ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

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None

(b) Reports on Form 8-K.

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None

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned who is duly authorized.

Galaxy Specialities, Inc.

Date April 18, 2001

By: /s/ Jeanne Ball  
Jeanne Ball, President and Director

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