

U.S. 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: September 30, 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 November 2, 2001, the Registrant had a total of 17,000,000 shares of common stock issued and outstanding.

PART I: FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

The financial information set forth below with respect to our statements of operations for the three month period ended September 30, 2001 and 2000 are unaudited. This financial information, in the opinion of management, includes all adjustments consisting of normal recurring entries necessary for the fair presentation of such data. The results of operations for the three months ended September 30, 2001, are not necessarily indicative of results to be expected for any subsequent period.

Galaxy Specialties, Inc.
(A Development Stage Company)
Financial Statements
September 30, 2001

3

Galaxy Specialties, Inc.
(A Development Stage Company)
Balance Sheets

ASSETS

	September 30, 2001	June 30, 2001
	----- (Unaudited)	
CURRENT ASSETS	\$ -	\$ -

TOTAL ASSETS	\$ -	\$ -
	=====	

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts Payable - Related party	\$ 28,000	\$ 28,000

Total Liabilities	28,000	28,000

STOCKHOLDERS' EQUITY

Common Stock, \$.001 par value; 20,000,000 shares authorized; 17,000,000 shares issued and outstanding	17,000	17,000
Deficit Accumulated During the Development Stage	(45,000)	(45,000)

Total Stockholders' Equity (deficit)	(28,000)	(28,000)

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ -	\$ -
	=====	

4

Galaxy Specialties, Inc.
(A Development Stage Company)
Statement of Operations
(Unaudited)

	For the three months ended Sept.30, 2001	For the three months ended Sept.30, 2000	From Inception on March 7, 1986 to Sept. 30, 2001	
REVENUE	\$ -	\$ -	\$ -	-
<hr style="border-top: 1px dashed black;"/>				
EXPENSES				
Depreciation & Amortization		-	-	17,000
General & Administrative		-	-	28,000
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TOTAL EXPENSES		-	-	45,000
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NET INCOME (LOSS)	\$ -	\$ -	\$ -	(45,000)
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NET LOSS PER SHARE	\$ -	\$ -	\$ -	-
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WEIGHTED AVERAGE SHARES OUTSTANDING	17,000,000	17,000,000	17,000,000	17,000,000
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5

Galaxy Specialties, Inc.
(A Development Stage Company)
Statement of Cash Flows
(Unaudited)

	For the three months ended September 30, 2001	For the three months ended September 30, 2000	From Inception on March 7, 1986 Through September 30, 2001	
<hr style="border-top: 1px dashed black;"/>				
Cash Flows from Operating Activities				
Net Loss	\$ -	\$ -	\$ -	(45,000)
Less Non-cash Items:				
Depreciation & Amortization		-	-	17,000
Increase in Accounts Payable		-	-	28,000
<hr style="border-top: 1px dashed black;"/>				
Net Cash Provided (Used) by Operating Activities	-	-	-	-
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Cash Flows from Investing Activities	-	-	-	-
<hr style="border-top: 1px dashed black;"/>				
Net Cash Provided (Used) by Investing Activities	-	-	-	-
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Cash Flows from Financing Activities

Net Cash Provided (Used) by Financing Activities	-	-	-

Increase (Decrease) in Cash	-	-	-
Cash and Cash Equivalents at Beginning of Period	-	-	-

Cash and Cash Equivalents at End of Period	\$ -	\$ -	\$ -
=====			

Supplemental Cash Flow Information:

Stock issued for marketing rights \$ - \$ - \$ 17,000

Cash Paid For:

Interest \$ - \$ - \$ -
Income Taxes \$ - \$ - \$ -

6

Galaxy Specialties, Inc.
(A Development Stage Company)
Notes to the Financial Statements
September 30, 2001

GENERAL

Galaxy Specialties, Inc. (the Company) has elected to omit substantially all footnotes to the financial statements for the three months ended September 30, 2001 since there have been no material changes (other than indicated in other footnotes) to the information previously reported by the Company in their General Form for Registration of Securities Report filed on the Form 10-SB for the twelve months ended June 30, 2001.

UNAUDITED INFORMATION

The information furnished herein was taken from the books and records of the Company without audit. However, such information reflects all adjustments which are, in the opinion of management, necessary to properly reflect the results of the interim period presented. The information presented is not necessarily indicative of the results from operations expected for the full fiscal year.

In this report references to "Galaxy Specialties," "we," "us," and "our" refer to Galaxy Specialties, 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 Specialties 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 we are dependent upon financing to continue operations. For the year ended June 30, 2001, and the three months ended September 30, 2001, we had no cash on hand and total current liabilities of \$28,000. The \$28,000 note payable is related to accounting and legal fees incurred during the 2000 fiscal year which were 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 and as of the date of this filing, 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 Specialties.

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 5: OTHER INFORMATION

We have completed a change in auditors and had prepared a Current Report on Form 8-K to announce the change. Our quarterly financials became available before the 8-K was filed and we have elected to include the 8-K information in this periodic report.

FORM 8-K, ITEM 4: CHANGES IN CERTIFYING ACCOUNTANT

On October 29, 2001, our board of directors approved and adopted the change of our independent accountants. On October 30, 2001, we requested and received the resignation of Smith & Company, Certified Public Accountants, as our independent auditors. Then we engaged Chisholm & Associates, Certified Public Accountants, as our independent auditors.

Smith & Company had served as our independent accountants since July 2000 and had audited our financials statements for the years ended June 30, 2001, 2000 and 1999. Smith & Company's reports for each of the two fiscal years were modified in regards to the uncertainty of our ability to continue as a going concern. Except for this modification, the reports did not contain an adverse opinion, disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles. There were no disagreements with Smith & Company on any matter regarding accounting principles or practices, financial statement disclosure, or auditing scope or procedure during the past two fiscal years or any subsequent interim period preceding the date of dismissal.

During the most recent fiscal year and through October 30, 2001, we have not consulted with Chisholm & Associates regarding either: (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, and neither a written report was provided to us nor oral advice was provided that Chisholm & Associates concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a disagreement or a reportable event.

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K

(a) Part II Exhibits.

- 3.1 Articles of Incorporation, dated May 22, 2000 (Incorporated by reference to exhibit 3.1 of Form 10-SB, filed August 21, 2000.)
- 3.2 Articles of Merger filed June 5, 2000 (Incorporated by reference to exhibit 3.2 of Form 10-SB, filed August 21, 2000.)
- 3.3 Bylaws of Galaxy (Incorporated by reference to exhibit 3.3 of Form 10-SB, filed August 21, 2000.)
- 16 Letter of Agreement from Smith & Company

(b) Reports on Form 8-K.

None

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 Specialties, Inc.

Date 11/05/01

/s/ M Jeanne Ball

By: _____
M. Jeanne Ball, President and Director

Exhibit 16

Smith
&
Company

A Professional Corporation of Certified Public Accountants

November 2, 2001

SECPS Letter File
U.S. Securities and Exchange Commission
Mail Stop 9-5
450 Fifth Street, NW
Washington, DC 20549

RE: Galaxy Specialties, Inc.
SEC File No. 000-31355

Ladies and Gentlemen:

We were previously principal accountants for Galaxy Specialties, Inc., and on July 25, 2001 we reported on the financial statements of Galaxy Specialties, Inc. as of June 2001 and 2000, and for the two years ended June 30, 2001 and 2000. On October 30, 2001, we were dismissed as principal accountants. We have read Item 4 of the 8-K dated October 30, 2001, for Galaxy Specialties, Inc. and agree with the statement contained therein regarding Smith & Company.

Very truly yours,

Smith & Company

By: /s/ Roger B. Kennard

Roger B. Kennard

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Telephone (801) 575-8297 * Facsimile (801) 575-8306