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RESERVE INDUSTRIES CORP /NM/  
Form 10QSB/A  
May 15, 2002

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

FORM 10-QSB/A

Quarterly report under Section 13 or 15(d) of the Securities  
and Exchange Act of 1934

For the quarterly period ended February 28, 2002  
Commission file number 0-3492

RESERVE INDUSTRIES CORPORATION

-----  
(Name of Small Business Issuer in its charter)

NEW MEXICO

85-0128783

-----  
(State or other jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification No.)

20 First Plaza, Suite 308, Albuquerque, New Mexico

87102

-----  
(Address of principal executive offices)

(Zip Code)

505-247-2384

-----  
Issuer's telephone number, including area code

Check whether the issuer: (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 and (2) has been subject to such  
filing requirements for the past 90 days.

Yes X No  
--- ---

State the number of shares of outstanding of each of the  
issuer's classes of common equity, as of the latest practicable  
date. As of April 10, 2002 - 2,803,763 shares \$1.00 Par Value

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PART I. Financial Information

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### CONSOLIDATED BALANCE SHEETS FEBRUARY 28, 2002 AND NOVEMBER 30, 2001

ASSETS	2002	2001
	-----	-----
CURRENT ASSETS:		
Cash and cash equivalents	\$ 60,698	\$ 76,223
Receivables, less allowance for doubtful accounts -0-	120,035	177,698
Receivables from affiliates and related parties	655,678	634,548
Inventories	302,964	298,357
Prepaid expenses and deposits	46,742	55,674
	-----	-----
Total current assets	1,186,117	1,242,500
PROPERTY, PLANT AND EQUIPMENT, at cost	3,262,771	3,262,771
Less accumulated depreciation and depletion	(1,573,054)	(1,505,484)
	-----	-----
Total property, plant and equipment	1,689,717	1,757,287
INVESTMENT IN UNCONSOLIDATED AFFILIATES	(105,680)	117,541
Total assets	\$ 2,770,154	\$ 3,117,328
	=====	=====
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
CURRENT LIABILITIES:		
Trade accounts payable	\$ 184,641	\$ 143,306
Short-term debt related party	335,300	348,000
Current portion of long-term debt	986,812	946,812
Deferred obligations to related parties	5,014,686	4,910,582
Other current liabilities	45,337	145,791
	-----	-----
Total current liabilities	6,566,776	6,494,491

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LONG-TERM DEBT, less current portion	383,842	383,963
STOCKHOLDERS' INVESTMENT:		
Common stock, \$1.00 par value. Authorized 6,000,000 shares, issued and outstanding 2,803,763 shares in 2002 and 2001	2,803,763	2,803,763
Additional paid-in capital	5,471,218	5,471,218
Accumulated deficit	(12,455,445)	(12,036,107)
	-----	-----
Total stockholders' investment	4,180,464	(3,761,126)
	-----	-----
Total liabilities and stockholders' investment	\$ 2,770,154	\$ 3,117,328
	=====	=====

The accompanying notes are an integral part of these consolidated statements. The 2002 and 2001 financial information is unaudited.

RESERVE INDUSTRIES CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE FIRST QUARTERS ENDED FEBRUARY 28, 2002 AND FEBRUARY 28, 2001

	Three Months Ended February 28	
	2002	2001
	-----	-----
REVENUES & OTHER ITEMS:		
Sales	\$ 410,919	\$ 509,411
Royalties	51,454	11,988
Interest income	839	35
Gain on sale of equipment	-	19,555
Income (loss) from affiliates:		
Equity in earnings	(223,201)	(79,505)
Other income	255	-
	-----	-----
Total revenues	240,266	461,484
EXPENSES & OTHER ITEMS:		
Cost of sales	348,636	607,346
General and administration	177,134	172,187
Interest	66,264	69,340
Depreciation and amortization	67,570	67,620
	-----	-----
Total costs and expenses	659,604	916,493
Pretax income (loss) from continuing operations	(419,338)	(455,009)
Provision for income taxes	-	-
	-----	-----
Net income (loss) from continuing operations	\$ (419,338)	\$ (455,009)
EARNINGS (LOSS) PER SHARE:		
Income (loss) from continuing operations	(0.15)	(0.16)
	-----	-----
Net income (loss) per share	\$ (0.15)	\$ (0.16)
	=====	=====

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Weighted Average Number of Shares of Common Stock Outstanding	2,803,763	2,803,763
	=====	=====

The accompanying notes are an integral part of these consolidated statements. The 2002 and 2001 financial information is unaudited.

RESERVE INDUSTRIES CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE FIRST QUARTERS ENDED FEBRUARY 28, 2002 AND 2001

	Three Months Ended February 28	
	2002	2001
	-----	-----
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss) from continuing Operations	\$ (419,338)	\$ (455,009)
Adjustments to reconcile net income from Continuing operations to net cash provided by operating activities:		
Depreciation and amortization	67,570	67,620
Equity in (gain) loss from affiliates	223,201	79,505
(Gain) loss on disposition of fixed assets	-	(19,555)
Changes in assets and liabilities:		
(Increase) decrease in receivables	57,663	69,339
(Increase) decrease in inventories	(4,607)	(30,985)
(Increase) decrease in other current assets	(12,178)	12,529
Increase (decrease) in trade accounts payable	41,335	54,285
Increase (decrease) in deferred obligations to related parties	91,404	222,899
Increase (decrease) in other current liabilities	(60,454)	62,832
	-----	-----
Total adjustments	403,934	518,469
	-----	-----
Net cash provided (used) by operating activities	(15,404)	63,460
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sale of equipment	-	31,912
Capital expenditures	-	(55,965)
	-----	-----
Net cash provided (used) by investing activities	-	(24,053)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
(Decrease) in long-term debt	(121)	(33,170)
	-----	-----
Net cash provided (used) by financing activities	(121)	(33,170)
Net increase (decrease) in cash and cash equivalents	(15,525)	6,237
Cash and cash equivalents at the beginning of the year	76,223	6,729
	-----	-----
Cash and cash equivalents at the end of the year	\$ 60,698	\$ 12,966
	=====	=====
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for interest	\$ 16,561	\$ 24,837

The accompanying notes are an integral part of these consolidated

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statements. The 2002 and 2001 financial information is unaudited.

### FOOTNOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The accompanying statements, which should be read in conjunction with the Consolidated Financial Statements included in the November 30, 2001 fiscal year end Annual Report filed on Form 10-KSB, are unaudited but have been prepared in the ordinary course of business for the purpose of providing information with respect to the interim periods, and are subject to audit at the close of the year. However, it is the opinion of the management of the Company that all adjustments (none of which were other than normal recurring accruals) necessary for a fair presentation of such periods have been included.

The Consolidated Financial Statements prepared for fiscal years 2001, 2000, 1999, 1998, 1997, 1996, 1995, 1994, 1993, 1992 and 1991 were unaudited because the Company elected to not incur the expense of an audit and to conserve its cash for other corporate requirements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

#### Results of Operations

First quarter ended February 28, 2002 compared to the first quarter ended February 28, 2001

For the first quarter ended February 28, 2002, the Registrant had revenues of \$240,266, which resulted in a net loss of \$419,338 or \$0.15 per share. For the first quarter ended February 28, 2001, the Registrant had revenues of \$461,484, which resulted in a net loss of \$455,009 or \$0.16 per share.

The revenues in the first quarter of 2002 decreased from 2001 as a result of a decrease in sales from \$509,411 to \$410,919, a decrease in gain on sale of equipment of \$19,555 and an increase in equity losses from \$79,505 to \$223,201. These decreases were offset by an increase in royalty income of \$39,466. The sales at the Registrant's silica sand operation decreased as a result a decrease in demand for the Registrant's low iron glass sand and bunker sand. The Registrant's equity income from its affiliated venture Rossborough-Remacor LLC (R-R) remained in a loss position, as sales have not recovered due to the loss of several steel customers to bankruptcy and the slowness in the economy. R-R expects to complete the consolidation of last summer's merger during the next quarter.

The costs and expenses were \$659,604 and \$916,493 in the first quarter of 2002 and 2001, respectively. The cost of sales decreased by \$258,710 from 2001 to 2002 due primarily to the completion of the plant improvements and partially due to the reduction in sales. The G&A increased slightly from 2001 to 2002. Some of the expenses contained in the general and administrative costs pertaining to salaries of the officers and deferred

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compensation have been accrued but not paid, as the Company is conserving its cash.

### Liquidity and Capital Resources

Period from December 1, 2001 to February 28, 2002

The Company's net cash provided (used) by operating activities was \$(15,404) and \$63,460 for the first quarter ended February 28, 2002 and 2001, respectively. The net cash used by investing activities was \$0 and \$24,053 for the same three months in 2002 and 2001, respectively. For 2001, the cash provided by investing activities was from the sale of surplus equipment, and the capital expenditures were for capital improvements to the sand project. The Company decreased its long-term debt by \$121 and \$33,170 for the three months ended February 28, 2002 and 2001, respectively. The Company's cash and cash equivalents increased (decreased) by \$(15,525) and \$6,237 for the three months ended February 28, 2002 and 2001, respectively.

The Company had working capital deficits of approximately \$5.38 million and \$5.25 million for the three months ended February 28, 2002 and the year ended November 30, 2001, respectively. The working capital deficit increased as a result of the operating losses. As part of the Company's program to conserve cash in order to operate the company, part of the salaries due to the officers of the Company, all of the deferred compensation due to the deceased chairman's spouse, and part of the interest due on certain loans were accrued but not paid for the three months ended February 28, 2002 and 2001, respectively. As of February 28, 2002, these accruals (salaries, deferred compensation and deferred interest) exceeded \$4.9 million.

For the current year, the Company plans to continue to accrue part of the obligations described in the preceding paragraph and expects to continue to generate sufficient cash flow to operate.

Forward-Looking Statements. The Company may from time to time make written or oral "forward-looking statements", within the meaning of the Private Securities Litigation Reform Act of 1995, including statements contained in this Form 10QSB and in other documents filed by the Company with the Securities and Exchange Commission and in its reports to stockholders, as well as elsewhere. "Forward-looking statements" are statements such as those contained in projections, plans, objectives, estimates, statements of future economic performance, and assumptions related to any of the forgoing, and may be identified by the use of forward-looking terminology, such as "may", "expect", "anticipate", "estimate", "goal", "continued", or other comparable terminology. By their very nature, forward-looking statements are subject to known and unknown risks and uncertainties relating to the Company's future performance that may cause the actual results, performance or achievements of the Company, or industry results, to differ materially from those expressed or implied in such "forward-looking statements". Any such statement is qualified by reference to the following cautionary statements.

The Company's business operates in highly competitive markets and is subject to changes in general economic conditions, competition, customer and market preferences, government

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regulation, the impact of tax regulation, foreign exchange rate fluctuations, the degree of market acceptance of the products, the uncertainties of potential litigation, as well as other risks and uncertainties detailed elsewhere herein and from time to time in the Company's Securities and Exchange Commission filings. This Form 10QSB contains forward looking statements, particularly in the section: Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, Part II Item 5. Other information, and in some of the footnotes to the financial statements. Actual results could differ materially from those projected in the forward looking statements as a result of known and unknown risks, uncertainties, and other factors, including but not limited market acceptance of the Company's products and services, changes in expected research and development requirements, and the effects of changing economic conditions and business conditions generally. The Company does not undertake and assumes no obligation to update any forward-looking statement that may be made from time to time by or on behalf of the Company.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

Not Applicable

Item 2. Changes in Securities

Not Applicable

Item 3. Defaults upon Senior Securities

Not Applicable

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable

Item 5. Other Information

Not Applicable

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits - None

(b) Reports - 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.

RESERVE INDUSTRIES CORPORATION  
(Registrant)

/s/ William J. Melfi

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William J. Melfi, Vice President  
Finance and Administration  
(Principal Financial and Accounting  
Officer and Authorized Officer)