

SECURITIES AND EXCHANGE COMMISSION

FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

Filing Date: **1999-09-10** | Period of Report: **1998-06-30**
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FILER

BREAKTHROUGH ELECTRONICS INC

CIK: **816232** | State of Incorporation: **NV** | Fiscal Year End: **1231**
Type: **10QSB** | Act: **34** | File No.: **033-14982-LA** | Film No.: **99709687**
SIC: **3600** Electronic & other electrical equipment (no computer equip)

Mailing Address
2612 EAST KENTUCKY
AVENUE
SALT LAKE CITY UT 84117

Business Address
2612 EAST KENTUCKY
AVENUE
SALT LAKE CITY UT 84117
8012788132

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark one)

XX

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1998

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 33-14982-LA

BREAKTHROUGH ELECTRONICS, INC.

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

Nevada

88-0226208

(State of Incorporation)

(IRS Employer ID Number)

3179 West Sahara, Suite D-21, Las Vegas, Nevada 89102

(Address of principal executive offices)

(702) 368-0664

(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 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 XX
---- ----

State the number of shares outstanding of each of the issuer's classes of
common equity as of the latest practicable date:

710,536 Shares as of August 10, 1999.

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

BREAKTHROUGH ELECTRONICS, INC.

Form 10-QSB for the Quarter ended June 30, 1998

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SIGNATURES

BREAKTHROUGH ELECTRONICS, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

<TABLE>
<CAPTION>

	Common Stock		Additional	Deficit
	Shares	Amount	Paid-In	Accumulated
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Sale Stock - Insiders				
July 31, 1986	11,394	\$ 11	\$ 22,777	
Deficit 1986				(152)
Balance December 31, 1986	11,394	11	22,777	(152)
-----	-----	-----	-----	-----
Sale Stock - Insiders				
April 10, 1987	7,750	8	15,492	
Issuance Stock - Insiders				
Technology Rights	130,000	130	(130)	
Sale Stock - Public				
October 2, 1987	20,150	20	201,480	
Sale Stock - Public				
November 2, 1987	24,500	25	179,433	
Exercise Stock Warrants				
December 17, 1987	406	0	6,093	
Issuance Stock - Services				
December 27, 1987	28,000	28	55,972	
Deficit 1987				(103,524)
Balance December 31, 1987	222,200	222	481,117	(103,676)
-----	-----	-----	-----	-----
Exercise Stock Warrants				
February 1, 1988	2,240	2	30,654	
Deficit 1988				(188,157)
Balance December 31, 1988	224,440	224	511,771	(291,833)
-----	-----	-----	-----	-----
Deficit 1989				(359,617)
Balance December 31, 1989	224,440	224	511,771	(651,450)
-----	-----	-----	-----	-----

Issuance Stock				
Debt Exchange	50,000	50	99,950	
Deficit 1990				(9,108)
	-----	-----	-----	-----
Balance December 31, 1990	274,440	274	611,721	(660,558)
	=====	=====	=====	=====

</TABLE>

See accountants' audit report and notes to financial statements.

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BREAKTHROUGH ELECTRONICS, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

<TABLE>
<CAPTION>

	Common Stock		Additional	Deficit
	Shares	Amount	Paid-In	Accumulated
	-----	-----	-----	-----
	<C>	<C>	<C>	<C>
	-----	-----	-----	-----
Deficit 1991				(159)
	-----	-----	-----	-----
Balance December 31, 1991	274,440	274	611,721	(660,717)
	=====	=====	=====	=====
Deficit 1992				(85)
	-----	-----	-----	-----
Balance December 31, 1992	274,440	274	611,721	(660,802)
	=====	=====	=====	=====
Issue Stock				
Technology Acquisition	30,000	30	2,970	
Issue Stock				
Technology Acquisition	9,500	10	940	
Issue Stock				
Debt Exchange	50,000	50	49,092	
Deficit 1993				(335)
	-----	-----	-----	-----
Balance December 31, 1993	363,940	364	664,723	(661,137)
	=====	=====	=====	=====
Issue Stock				
Technology Acquisition	30,000	30	(30)	
Insider Loans Payable Forgiven			97,253	
Deficit 1994				(114,047)
	-----	-----	-----	-----
Balance December 31, 1994	393,940	394	761,946	(775,184)
	=====	=====	=====	=====
Issuance Stock				
Stock Issuance				
Services	53,000	53	(53)	
Debt Forgiveness Insider to Paid In			16,361	
Capital				
Deficit 1995				(11,097)
	-----	-----	-----	-----

Balance December 31, 1995	446,940	447	778,254	(786,281)
Deficit 1996				0
Balance December 31, 1996	446,940	447	778,254	(786,281)
Deficit 1997				(6,000)
Balance December 31, 1997	446,940	447	778,254	(792,281)
Stock Issuance Services	171,198	171	16,949	
Stock Cancellations	(118,139)	(118)	118	
Deficit 1998				(12,340)
Balance June 30, 1998	500,000	\$ 500	\$ 795,321	\$ (804,621)

See accountants' audit report and notes to financial statements.

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BREAKTHROUGH ELECTRONICS, INC.
(A DEVELOPMENT STAGE COMPANY)
BALANCE SHEETS
(UNAUDITED)

<TABLE>
<CAPTION>

	June 30, 1998	December 31, 1997
<S>	<C>	<C>
CURRENT ASSETS		
Cash	\$ 1,416	\$ 0
CURRENT LIABILITIES		
Accrued Taxes	7,580	7,580
Accounts Payable	2,000	6,000
TOTAL LIABILITIES	9,580	13,580
STOCKHOLDERS' EQUITY (DEFICIT)		
Common Stock, Authorized 50,000,000 Shares at \$.001 Par Value, 500,000 and 446,940 Issued and Outstanding	500	447
Additional Paid In Capital	795,321	778,254
Retained Deficits	(803,985)	(792,281)
TOTAL STOCKHOLDERS' DEFICIT	(8,164)	(13,580)
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 1,416	\$ 0

</TABLE>

BREAKTHROUGH ELECTRONICS, INC.
(A DEVELOPMENT STAGE COMPANY)
STATEMENTS OF CASH FLOWS
(UNAUDITED)

<TABLE>
<CAPTION>

	For the Three Months Ended June 30,		For the Six Months Ended June 30,		From Inception on July 31, 1986 Through June 30,
	1998	1997	1998	1997	1998
<S>	<C>	<C>	<C>	<C>	<C>
CASH FLOWS PROVIDED BY OPERATIONS					
Net Income (Loss)	\$ (11,704)	\$ 0	\$ (11,704)	\$ 0	\$ (803,985)
Increase (Decrease):					
Other Assets	0	0	0	0	0
Accrued Expenses	0	0	0	0	7,580
Accounts Payable	(4,000)	0	(4,000)	0	2,000
Net Cash Flow (Outlay) From Operations	===== (15,704) =====	===== 0 =====	===== (15,704) =====	===== 0 =====	===== (794,405) =====
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds From:					
Sale of Common Stock	5	0	5	0	500
Paid in Capital	17,115	0	17,115	0	795,321
	===== 17,120 =====	===== 0 =====	===== 17,120 =====	===== 0 =====	===== 795,821 =====
NET INCREASE (DECREASE) IN CASH	1,416	0	1,416	0	1,416
CASH AT THE BEGINNING OF PERIOD	0	0	0	0	0
CASH AT END OF PERIOD	\$ ===== 1,416 =====	\$ ===== 0 =====	\$ ===== 1,416 =====	\$ ===== 0 =====	\$ ===== 1,416 =====

</TABLE>

See accountants' audit report and notes to financial statements.

BREAKTHROUGH ELECTRONICS, INC.
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED JUNE 30, 1998

NOTE 1 -- ACCOUNTING POLICIES

Organization of the Company

Breakthrough Electronics, Inc., formerly Golden Queens Mining Company, was incorporated on July 31, 1986 under the laws of the State of Nevada. The Company changed its name to Breakthrough Electronics, Inc. on June 10, 1987. The change was in response to the Company's new business focus of developing an electronic telephone screening device then known as "Phoneguard". Phoneguard was acquired through the issuance of common stock with no acquisition cost assigned. The Company is still in the development stage, as it has virtually no revenue to date.

The Company is authorized to issue up to 50,000,000 shares of common stock, \$.001 par value. Over the years, the Company has raised capital under both public offerings as well as private stock sales. The Company intended to utilize capital raised to complete the research and development of Phoneguard, and then implement a marketing plan thereafter. As of the reporting date, the Company has expended all of the capital raised, without completing the intended task. As of the reporting date, the Company has ceased any and all operations, and its technology has rapidly become outdated. Currently, the Company's sole business focus, is the contemplation of acquiring, or being acquired by, an existing company via either purchase or merger. The Company has begun preliminary discussions with potential candidate companies, but has not as of the date of this report come to any contractual arrangement.

The financial statements reflect certain capital equipment items which have been fully expensed either from previous depreciation expense or loss on asset abandonment. The total original expenditures for all capital equipment has been included in losses to date, and is not segregated in the statement of cash flows.

See accountants' audit report and notes to financial statements.

BREAKTHROUGH ELECTRONICS, INC.
 (A DEVELOPMENT STAGE COMPANY)
 NOTES TO FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED JUNE 30, 1998

NOTE 2 -- COMMON STOCK PUBLIC OFFERING

On October 2 and November 2, 1987 the Company completed a public offering which raised \$ 201,500 and \$ 245,000 through the sale of 503,750 and 612,500 units respectively. Each unit consisted of 4 shares of common stock and 1 warrant to purchase common stock. on December 17, 1987, 162,500 warrants were exercised to purchase 40,625 shares of common stock for a total of \$ 6,094. Four warrants entitled the shareholders to purchase 1 share of common stock at \$.15 per share. The Company incurred approximately \$ 65,000 in costs related to this offering.

On December 28, 1987 the Company issued a Notice of Call of Warrants to the shareholders. The call price of the warrant was \$.001 per warrant. All warrants which were not exercised or tendered back to the Company by February 1, 1988 expired.

On February 1, 1988, 895,976 warrants were exercised to purchase 223,994 shares of common stock for \$30,656.

NOTE 3 -- INCOME TAXES

The company has the following net operating loss and research credit carryforwards expiring as follows:

<TABLE> <CAPTION>	Net Operating Loss	Research Credit
<S>	<C>	<C>
December 31, 2001	\$ 152	\$
2002	105,804	
2003	196,227	8,730
2004	114,047	

</TABLE>

The company has filed annual corporate tax returns through the tax year 1993 only.

See accountants' audit report and notes to financial statements.

BREAKTHROUGH ELECTRONICS, INC.
 (A DEVELOPMENT STAGE COMPANY)
 NOTES TO FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED JUNE 30, 1998

NOTE 4 -- GENERAL INFORMATION

The company entered into an agreement with Cipher Voice, Inc., (CVI) whereby it granted CVI an exclusive license to the use of the Company's Phoneguard technology. The license agreement provided for a profit sharing arrangement based on anticipated future sales of the Phoneguard. CVI also raised capital through a public offering during 1994. The intent of CVI was to attempt to complete the research and development of Phoneguard. As was the case with the Company, CVI never completed its intended task, and expended all of its capital and has ceased operations as of the reporting date. CVI has subsequently been purchased by a third party unrelated company. Both the Company and CVI were founded by Barry Rose, who at one time served as President of both CVI and the Company.

It is uncertain, as of the issuance date of these financial statements, as to the marketability or value of the research and development efforts of the Company or CVI. Management has indicated that it feels that given the rapid advancements ongoing in the technology field, as well as the passage of time, that there is limited or no value to the technology. If the Company were to be acquired by another entity, consideration should be given to any residual value of the research and development to date.

During 1995, the company and Barry Rose agreed to an arrangement whereby Rose returned 11,813,850 shares of common stock to the company in the form of Treasury Stock.

During August 1998, the Company obtained consents from a majority of stockholders authorizing a reverse split of the Company's Common Stock, on a 1 for 100 basis. The split became effective during February 1999. All references to shares outstanding and earnings per share have been adjusted to reflect the effect of the reverse split on a retroactive basis.

See accountants' audit report and notes to financial statements.

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PART I - ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
 AND RESULTS OF OPERATIONS

(1) CAUTION REGARDING FORWARD-LOOKING INFORMATION

This quarterly report contains certain forward-looking statements and information relating to the Company that are based on the beliefs of the Company or management as well as assumptions made by and information currently available to the Company or management. When used in this document, the words "anticipate," "believe," "estimate," "expect" and "intend" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the current view of the Company regarding future events and are subject to certain risks, uncertainties and assumptions, including the risks and uncertainties noted. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. In each instance, forward-looking information should be considered in light of the accompanying meaningful cautionary statements herein.

(2) RESULTS OF OPERATIONS

Breakthrough Electronics, Inc. (Company) was incorporated as "Queens Mining Company" on July 31, 1986 under the laws of the State of Nevada, primarily for the purpose of exploration, development and production of certain mining properties located in Esmerald County, Nevada. In July, 1987, the Company changed its name to "Breakthrough Electronics, Inc.," terminated its activities in the mining business, and began efforts to develop and

market electronic products, including a telephone device designed to screen telephone calls, acquired from the Company's then President.

The Company has had no operations or significant assets or liabilities over the past several years. Accordingly, the Company is dependent upon management and/or significant shareholders to provide sufficient working capital to preserve the integrity of the corporate entity during this phase. It is the intent of management and significant shareholders to provide sufficient working capital necessary to support and preserve the integrity of the corporate entity.

(3) LIQUIDITY AND CAPITAL RESOURCES

The Company has no operations, and essentially no assets or liabilities and, accordingly is fully dependent upon its controlling shareholder for operating capital. During the period(s) presented herein, the Company was dormant and no advances were made or expenses paid on the Company's behalf.

The Company has no specific plans or future capital requirements due to its dormant state. However, the Company will seek to enter into a business acquisition or reorganization with an enterprise, as yet unidentified. At such time as the Company enters into a transaction, of which there can be no assurance, the Company will require additional capital.

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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

None.

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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.

BREAKTHROUGH ELECTRONICS, INC.

August 14, 1999

/s/ Lawrence A. Sapperstein

Lawrence A. Sapperstein
President and Chief Accounting Officer

BREAKTHROUGH ELECTRONICS, INC.

August 14, 1999

/s/ Lawrence Grobstein

Lawrence Grobstein
Secretary/Treasurer

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