

SECURITIES AND EXCHANGE COMMISSION

FORM 10KSB

Annual and transition reports of small business issuers [Section 13 or 15(d), not S-B Item 405]

Filing Date: **1998-07-22** | Period of Report: **1997-12-31**
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FILER

EQUITY AU INC

CIK: **830741** | IRS No.: **752276137** | State of Incorpor.: **DE** | Fiscal Year End: **1231**
Type: **10KSB** | Act: **34** | File No.: **000-17520** | Film No.: **98669602**
SIC: **1040** Gold and silver ores

Mailing Address
EQUITY AU INC
119 GOLD LANE
MENA AR 71953

Business Address
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8174973624

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-KSB

Annual report under Section 13 or 15 (d) of the Securities
Exchange Act of 1934 (No fee required, effective October 7, 1996.)

For the fiscal year ended December 31, 1997

Transition report under Section 13 or 15(d) of the Securities
Exchange Act of 1934 (No fee required)

For the transition period from _____ to _____ .

Commission file number 33-20582

Equity AU, Inc.
(Name of Small Business Issuer in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	75-2276137 (I.R.S. Employer Identification No.)
---	---

P.O. Box 940037, Maitland, Florida (Address of Principal Executive Offices)	32794-0037 (Zip Code)
--	--------------------------

(407) 647-3952
(Issuer's Telephone Number, Including Area Code)

Securities registered under Section 12(b) of the Exchange Act:

None

Securities registered under Section 12(g) of the Exchange Act:

Class A Common Stock, par value \$.001 per share
(Title of Class)

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 No

Check if there is no disclosure of delinquent filers in response to
Item 405 of Regulation S-B is not contained in this form, and no disclosure will
be contained, to the best of registrant's knowledge, in definitive proxy or
information statements incorporated by reference in Part III of this Form 10-KSB
or any amendment to this Form 10-KSB.

The issuer's revenues for the year ended December 31, 1997 were \$0.

The aggregate market value of the voting stock held by non-affiliates
computed by reference to the price at which the stock was sold, or the average
bid and asked prices of such stock, as of July 14, 1998 was \$96,902.

The number of shares outstanding of the issuer's common equity, as of
July 14, 1998 was 3,344,760 shares.

Transitional Small Business Disclosure Format (check one): Yes
No

PART I

Item 1. Business.

GENERAL

Equity AU, Inc. ("Equity", or "the Company") is a Delaware corporation. Equity has been engaged in the exploration and mining of certain minerals in Polk County, near Mena, Arkansas. Equity's principal corporate offices are now located at the home of the president of the Company. The address is P.O. Box 940037, Maitland, FL 32794-0037, and its telephone number is (407) 647-3952. Equity ceased all mining activity in December 1996 and is presently looking for a company to merge with or acquire.

HISTORY AND CURRENT ACTIVITY

In February of 1995, the Chairman of the Company, James Arch ("Mr. Arch") reached an agreement with a shareholder and investor, Stephen Guarino, to invest significant equity capital into the Company. Mr. Arch thereafter granted full management and financial control to Mr. Guarino. The then current President, Kingman L Hitz resigned, and all operations were moved to Mena, Arkansas. Director Gail W. Holderman resigned shortly thereafter. Mr. Guarino was appointed with the official title of President in May of 1995, and was also appointed as a Director, along with William Hanlon and Roger Tichenor. Kingman Hitz had not received notice of any meetings, and subsequently resigned as a director in July of 1995. In early 1996, a partnership controlled by Mr. Arch foreclosed on the Company's property and equipment which had been pledged for loans received from the partnership.

In June of 1996, Mr. Guarino, Mr. Hanlon, and Mr. Tichenor resigned all of their positions with the Company, and Mr. Arch entered into agreements with Mr. Guarino and Mr. Tichenor to purchase all of the Class Common shares which had been previously issued to them. Also in June 1996, Charles Jones was appointed as the Company's new President.

Mr. Arch elected to resume operations at Mena, Arkansas on June 1, 1996. Mr. Arch provided the property and equipment for the start-up and the Company borrowed \$57,500 from private investors on convertible notes, at a 10% interest rate to fund the operations. At December 31, 1996 the notes carried accrued interest of \$3,403. B&D Construction was contracted to get the mill into operation, mill the ore and process the ore to a finished gold product, ready for sale.

Ore production was commenced in early September, 1996. The first 5 tons of ore production were lost due to power failures and heavy rains. Then, 2 additional tons of ore were processed yielding 1.25 oz. of gold which was sold to the Dallas Gold Exchange for \$413. Management determined that the operation could not be profitable based on the limitations of the Company's current equipment. It was determined by management to use any of the Company's remaining funds to look for additional sources of funding to purchase the necessary equipment to produce additional ore. Management has been unable to identify adequate, additional funding and can make no assurances as to its ability to find adequate funding in the future.

On December 12, 1996 the Company convened the annual shareholders meeting. James Arch, Charles Jones and Bruce Beckman were elected by a majority of shareholders to the Board of Directors. Additionally, a one hundred (100) down to one (1) "reverse split" of the Company's outstanding Class A Common shares was approved. Management is waiting for the certainty of ongoing operations before effecting the reverse split. There can be no assurance as to when management will determine the time to be appropriate to effect the reverse.

On August 4, 1997 Charles Jones resigned as President and Director of the Company. He will assist with the Company until a new President can be appointed.

There are many companies engaging in the exploration and development of precious metal claims. Most of these entities are more experienced, more established and financially stronger than the Company. There can be no assurance that the Company will be able to continue mining successfully, locate and mill any ores, or compete successfully against other companies.

The existence of commercial quantities of mineral bearing ore, and a method for their extraction, is crucial to the Company's realization of any return on investment. Even further, the Company faces other considerable risk factors in achieving its goals, which include, but are not necessarily limited to, financing production facilities, availability of skilled personnel, unstable

market prices for its products, and all other risks that can be customarily associated with the start-up of a new business enterprise.

Item 2. Properties.

The Company's executive offices are located at P.O. Box 940037, Maitland, FL 32794-0037, the home of the Company's president.

During 1995, the Company owned a drilling rig and mining, milling, and refining equipment that forms a pilot milling operation near the city of Mena, Polk County, Arkansas. The facility consisted of grinding equipment, flotation or leaching tanks, furnaces and other related equipment. The Company also owned a building on the site which housed a laboratory with certain testing and refining equipment. These assets had been pledged for loans made to the Company by a partnership, owned and funded in large part by the Chairman of the Company. Early in 1996 the partnership foreclosed on the property and equipment and forgave the loans and accrued interest.

Item 3. Legal Proceedings.

In July of 1996, the Company consented to a judgment obtained by the United States Securities and Exchange Commission which required the Company to bring its delinquent reporting current by August 13, 1996, which was complied with, and further permanently enjoined the Company from any failure to file required reports in a timely manner in the future. This report has been filed subsequent to the filing deadline and the subsequent quarterly reports have yet to be filed.

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

On December 12, 1996 the Company held its annual meeting of shareholders. Mr. James Arch, Mr. Charles Jones and Mr. Bruce Beckman were elected directors of the Company by a vote of 76,187,483 shares for, 1,444,511 shares against, and 12,651,006 no vote shares. Additionally, the Company approved a one hundred to one (100:1) reverse split of its outstanding Class A Common Stock by a vote of 76,187,483 shares for, 1,444,511 shares against, and 12,651,006 no vote shares. The reverse split was effected on September 24, 1997. Mr. Jones resigned as president and director of the Company on August 4, 1997.

PART II

Item 5. Market for Common Equity & Related Stockholder Matters.

The Company's common stock is currently traded in the over-the-counter market on the Electronic Bulletin Board under the symbol EQAU.

The following table represents the range of high and low bid quotations for the calendar quarters indicated since the first quarter of 1995.

Calendar Quarters	High Bid	Low Bid
1996		
1st Quarter	.000	.000
2nd Quarter	.000	.000
3rd Quarter	.500	.005
4th Quarter	.500	.005
1997		
1st Quarter	3.000	.100
2nd Quarter	.100	.800
3rd Quarter	1.380	.300
4th Quarter	.200	.090
1998		
1st Quarter	.010	.090
2nd Quarter	.010	.090

The above quotes have been restated to give effect to a 1 for 100 reverse split.

As of July 14, 1998, the Company had 3,324,615 shares of its common stock issued and outstanding, and there were 738 shareholders of record, which figures do not take into consideration those shareholders whose certificates are held in the name of broker-dealers.

As of the date hereof, the Company has not paid or declared any cash dividends. The Company can give no assurance that it will generate future

earnings from which cash dividends can be paid. Future payment of dividends by the Company, if any, is at the discretion of the Board of Directors and will depend, among other criteria, upon the Company's earnings, capital requirements, and its financial condition as well as other relative factors. Management has followed the policy of retaining any and all earnings to finance the development of its business. Such a policy is likely to be maintained as long as necessary to provide working capital for the Company's operations.

RECENT SALES OF UNREGISTERED SECURITIES

On June 6, 1997 the Company issued 8,900,000 restricted shares to General Enterprises and Trading Company (Isle of Man) Ltd. for the promise to loan the Company \$100,000 and to pledge to the Company a Capital Asset Certificate for \$5,000,000. These shares were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933.

On October 3, 1997 the Company repaid indebtedness to various note holders by issuing 257,500 shares of its common stock. The shares were exempt from registration pursuant to Sections 4(2) or 3(b) under the Securities Act.

On October 3, 1997 the Company issued 1,029,500 shares to the past president of the Company for wages owed. The shares were exempt from registration pursuant to Sections 4(2) or 3(b) under the Securities Act.

On June 8, 1998 the Company issued 1,123,984 shares to the Chairman of the Company for debt and related interest owed. The shares were exempt from registration pursuant to Sections 4(2) of 3(b) under the Securities Act.

Item 6. Management's Discussion & Analysis of Financial Condition & Results of Operations.

Statements made or incorporated in this report include a number of forward-looking statements within the meaning of Section 27(a) of the Securities Act of 1933 and Section 21(e) of the Securities Exchange Act of 1934. Forward-looking statements include, without limitation, statements containing the words "anticipates", "believes", "expects", "intends", "future", and words of similar import which express management's belief, expectations or intentions regarding the Company's future performance or future events or trends. Reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements of the Company to differ materially from anticipated future results, performance or achievements expressly or implied by such forward-looking statements. In addition, the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

RESULTS OF OPERATIONS

For the Year Ended December 31, 1997 compared to the Year Ended December 31, 1996.

During the year ended December 31, 1997 the Company had no operations. General and administrative expenses included professional fees paid to keep the corporation current and dividends on preferred stock. Any changes in the profit and loss accounts are due to the terminated operations. The Company recorded a net loss of \$63,553 in 1997, compared to \$203,024 in 1996.

For the Year Ended December 31, 1996 compared to the Year Ended December 31, 1995.

During the year ended December 31, 1996 the Company briefly resumed mining operations which had been terminated in 1994. Operations yielded \$413 of gold sales to the Dallas Gold Exchange. The cost of contract labor to produce the gold was \$15,569, resulting in a gross profit of (\$15,156). During 1995 there were no mining operations.

General and administrative expenses increased \$96,770, 51%, to \$287,836 during fiscal 1996 from \$191,066 during fiscal 1995. These expenses primarily include professional fees, salary to the Company's president and accrued dividend expense.

The Company had other income of \$99,968 during fiscal 1996 compared with other expense of (\$19,048) during fiscal 1995. The difference is due primarily to the gain recognized when notes payable were called due and the pledged assets were foreclosed on. The assets had previously been written down to salvage value during prior years.

The Company experienced a net loss of \$203,024 in fiscal 1996 compared with a net loss of \$212,633 in fiscal 1995.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 1997, the Company the Company had no assets and total stockholders deficit of \$(306,020) compared with total assets of \$154 and total stockholders deficit of \$(335,967) at December 31, 1996. The Company has been able to reduce some debt by issuing common stock. The Chairman has been paying the expenses of the Company until an acquisition or merger can be made. There is no assurance that the Chairman can or will, continue to fund the company and no assurance as to when or if the company will be able to find a merger or acquisition.

At December 31,1996, the Company had total assets of \$154 and total stockholders deficit of \$(335,967) compared with total assets of \$171,928 and total stockholders deficit of \$(132,943) at December 31, 1995. The decrease in total assets of \$171,774, 99% is due to the write off of the Company's property and equipment upon foreclosure by a note holder for which the property and equipment had been pledged. Total liabilities at December 31, 1996 increased \$31,250, 10%, from \$304,871 to \$336,121. The increase is due primarily to the accrual for dividends payable of \$114,766.

Item 7. Financial Statements and Supplementary Data.

The Following financial statements and documents are filed herewith on the pages listed below, as part of Item 7 of this report. The December 31, 1995 balances were audited while the December 31, 1996 balances have not been audited as management has deemed the Company inactive, as that term is defined in Rule 3-11 of Regulation S-X.

Document	Page
Balance Sheet.....	F-1
Statement of Operations.....	F-2
Statement of Stockholder's Equity.....	F-3,4
Statement of Cash Flows.....	F-5
Notes to Financial Statements.....	F-6 to 10

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Management deems the Company and "inactive entity" as that term is understand under Rule 3-11 of Regulation S-X. The Registrant will therefore file unaudited financial statements for reports required for fiscal years 1996 and 1997, for purposes of reports required under the Securities Exchange Act of 1934. The Company will not be retaining or engaging services and has dismissed the firm of J.S. Osborn, P.C., Certified Public Accountants, as independent accountants for the Company. Management has not determined when the Company will engage a new independent accountant. (Refer to the Company's Form 8-K filed with the Commission on March 22, 1997.)

<TABLE>
<CAPTION>

EQUITY AU, INC.

BALANCE SHEET
December 31, 1997

ASSETS	December 31, 1997 (Unaudited)	December 31, 1996 (Unaudited)
CURRENT ASSETS		
<S> Cash	\$ 0	\$ 154
	-----	-----

TOTAL ASSETS	\$	0	\$	154
	=====		=====	
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable	\$	45,003	\$	54,003
Accrued expenses		40,725		34,975
Dividends payable		159,281		114,766
Notes payable (Note 5)		61,011		99,377
		-----		-----
Total current liabilities		306,020		336,121
		-----		-----
TOTAL LIABILITIES		306,020		336,121
		-----		-----
CONTINGENCIES AND COMMITMENTS: (Note 4)				
STOCKHOLDERS' (DEFICIT) (Note 6):				
Preferred stock, Series A, \$1.00 Par Value		148,000		148,000
Preferred stock, Series B, \$1.00 Par Value		272,200		288,200
Preferred stock, Series C, \$1.00 Par Value		10,200		10,200
Common stock, Class A, \$0.001 Par Value		2,201		91,123
Common stock, Class B, \$0.001 Par Value		1,000		1,000
Additional paid-in capital		11,726,372		11,527,950
Accumulated deficit		(12,465,993)		(12,402,440)
		-----		-----
Total Stockholders' (Deficit)		306,020		(335,967)
		-----		-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	154	\$	154
	=====		=====	

</TABLE>

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

F-1

<TABLE>
<CAPTION>

EQUITY AU, INC.

Statement of Operations

	For the Year Ended December 31,	
	1997 (Unaudited)	1996 (Unaudited)
INCOME:		
<S>	<C>	<C>
Revenue	\$ -	\$ 413
Direct Costs	-	(15,569)
	-----	-----
Total Income	-	(15,156)
GROSS PROFIT	-	(15,156)
	=====	=====
EXPENSES:		
General and Administrative	55,790	287,836
	-----	-----
Total Expenses	55,790	287,836
LOSS FROM OPERATIONS	55,790	(302,992)
	=====	=====
OTHER INCOME (EXPENSE):		
Gain on disposition of assets		105,482
Interest expense	(7,763)	(5,514)
	-----	-----
Total Other Income (Expense)	(7,763)	(99,968)
NET LOSS BEFORE INCOME TAXES	\$ (63,553)	\$ (203,024)
	=====	=====
Income taxes	-	-

NET LOSS	(63,553)	(203,024)
Net Loss Per Common Share	\$ (0.05)	\$ (0.22)
Weighted average common shares outstanding	1,233,582	911,232

</TABLE>

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

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<TABLE>
<CAPTION>

EQUITY AU, INC.

STATEMENT OF STOCKHOLDERS' EQUITY AND ACCUMULATED DEFICIT
Period from December 31, 1994 to December 31, 1997

<S>	Preferred Stock - A		Preferred Stock - B		Preferred Stock - C	
	Shares <C>	Amount <C>	Shares <C>	Amount <C>	Shares <C>	Amount <C>
Balance December 31, 1994	148,000	\$ 148,000	288,200	\$ 288,200	10,200	\$ 10,200
Balance December 31, 1995	148,000	\$ 148,000	288,200	\$ 288,200	10,200	\$ 10,200
Balance December 31, 1996	148,000	\$ 148,000	288,200	\$ 288,200	10,200	\$ 10,200
Class B Conversion to Common			(16,000)	\$ (16,000)		
Balance December 31, 1997	148,000	\$ 148,000	272,200	\$ 272,200	10,200	\$ 10,200

</TABLE>

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

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<TABLE>
<CAPTION>

EQUITY AU, INC.

STATEMENT OF STOCKHOLDERS' EQUITY AND ACCUMULATED DEFICIT
Period from December 31, 1994 to December 31, 1997

<S>	Class A Common		Class B Common		Paid in Capital <C>	Accumulated Deficit <C>
	Shares <C>	Amount <C>	Shares <C>	Amount <C>		
Balance, December 31, 1994	612,471	\$ 612	100,000	\$ 1,000	11,559,423	\$ (11,954,266)
Issuance of common stock:						
for cash	270,789	271			184,029	
for services	25,000	25			26,225	
1993 dividend on Preferred Series A	1,619	2			17,715	(17,717)
1994 dividend on Preferred Series A	1,353	1			14,799	(14,800)
Net loss						(212,633)
Balance December 31, 1995	911,232	\$ 911	100,000	\$ 1,000	11,618,162	\$ (12,199,416)
Net loss						(203,024)

Balance							
December 31, 1996	911,232	\$	911	100,000	\$	1,000	11,618,162 \$ (12,402,440)
Class B Conversion to Common	2,399		3				15,997
Stock issued for Notes payable	257,500		258				51,242
Stock issued for wages payable	1,029,500		1,029				40,971
Net loss							(63,553)
Balance							
December 31, 1997	2,200,631	\$	2,201	100,000	\$	1,000	11,726,372 \$ (12,465,993)

</TABLE>

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

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<TABLE>
<CAPTION>

EQUITY AU, INC.
STATEMENT OF CASH FLOWS
(Unaudited)

	For the Years Ended December 31,	
	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
<S> Net loss	<C> \$ (63,553)	<C> \$ (203,024)
Adjustments to reconcile net loss to net cash used by operating activities:		
Stock issued for accrued wages	42,000	-
Disposal of assets	-	(87,273)
Assets exchanged for wages & fees	-	39,540
Dividends payable	44,515	114,766
Changes in operating assets and liabilities:		
(Increase) decrease in Prepaids	-	18,966
Increase (decrease) in Accounts Payable	(42,000)	38,212
Increase (decrease) in accrued expenses	5,750	(22,082)
	-----	-----
NET CASH (USED) BY OPERATING ACTIVITIES:	(13,288)	(100,895)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long term debt	13,134	99,377
Principle payments on long term debt	-	(199,023)
Sale of common stock	-	-
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES:	13,134	99,377
	-----	-----
NET DECREASE IN CASH:	(154)	(1,518)
CASH AT BEGINNING OF PERIOD:	154	1,672
	-----	-----
CASH AT END OF PERIOD:	\$ 0	\$ 154
	=====	=====
CASH PAID DURING THE YEAR FOR:		
Interest	\$ -	\$ 2,391
Income taxes	-	-

NON-CASH FINANCING:

</TABLE>

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

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EQUITY AU, INC.
Notes to the Financial Statements
December 31, 1997

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. History

The Company was organized on March 5, 1988 as a Delaware corporation under the name Sherry Lyn Corporation. The Company was organized as a public company for the purpose of finding a suitable combination partner.

The Company engaged in research and development of a process to extract gold and other precious metals on various real properties located in Arkansas. Partnerships were formed prior to 1994 by the Company or by affiliates of the Company to raise working capital, acquire mineral claims, rights, facilities, and equipment and to explore for precious metals. In 1994, the Company was notified by general partners of the partnerships that they were terminated and dissolved.

The Company has had no significant operations since August 1994 and suspended mining operations in June 1995. During September 1996, the Company resumed operations and again suspended operations in December 1996. The Company can make no assumptions as to if, and when operations will resume again.

b. Use of Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

c. Property and Equipment

Property and equipment are carried at cost. Upon retirement or disposal, the asset cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the determination of net income.

Maintenance, repairs and renewals are charged to expense when incurred. Additions and significant improvements are capitalized and depreciated. Upon retirement or sale, the cost of the assets disposed of and related accumulated depreciation are removed from the accounts and any resulting gain or loss are included in the determination of net income.

d. Depreciation and Amortization

The Company depreciates its cost in buildings and equipment based on its estimated useful life in years using the straight-line method. No depreciation was taken in 1995 as there were no property additions and the idle equipment was written down to salvage value in 1994. During 1996, the remaining property and equipment was used to settle a note and written off.

e. Revenue Recognition

The Company recognizes revenue when sales of precious metals or other products are sold to qualified buyers. The Company currently has no operations.

f. Mining Claims

Mining claims are carried at cost. These costs will be amortized on the units of production basis when mining operations commence.

The Company assesses the value of its claims annually for impairment. Costs will be written off when a lease or claim is dropped or expires or a determination is made that ore cannot be extracted in economic quantities. During 1996, mining claims previously valued at \$7,500 were not renewed. The balance was written off.

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EQUITY AU, INC.
Notes to the Financial Statements
December 31, 1997

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

g. Long-Lived Assets

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, liabilities, revenues and expenses. Actual results could differ from these estimates.

In 1995, the Financial Accounting Standards Board released the Statement of Financial Accounting Standards No. 121 (SFAS 121), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." SFAS 121 requires recognition of impairment of long-lived assets in the event of net book value of such assets exceeds the future undiscounted cash flows attributable to such assets. SFAS 121 is effective for fiscal years beginning after December 15, 1995 with earlier adoption encouraged. As a result, the Company recognized a loss in the amount of \$712,868 from the impairment of its advances, mining claims and partnership investments in 1994.

h. (Loss) per Common Share

(Loss) applicable to common stock is based on the weighted average number of shares of common stock and common stock equivalents outstanding during the year.

i. Income Taxes

The Company is subject to the greater of federal income taxes computed under the regular system of the alternative minimum tax system. The Company adopted Statement of Financial Accounting Standards No. 109,, "Accounting for Income Taxes." The Statement requires the use of an asset and liability approach for the accounting and financial reporting of income tax. No deferred tax asset has been recognized for the operating loss carryforward as it is more likely than not that all or a portion of the net operating los will not be realized and any valuation allowance would reduce the benefit to zero.

NOTE - 2 MINING CLAIMS

The Company held 75 mining claims as of December 31, 1995 and 1994. In 1994 the Company determined that exploring for precious metals on these claims was not economically feasible and an impairment on these claims was recognized in the amount of \$69,500. These claims are renewable in August of each year, but there has been no activity on these claims in 1995. During 1996 the Company did not renew its claims. The balance of \$7,500 for claims was written off.

NOTE - 3 OTHER ASSETS

a. Silver Statue and Precious Gems

The Company acquired a silver statue and certain precious gems from a related party in exchange for common stock. During 1996 the silver statue was exchanged for services rendered by a related party, and the gems were exchanged for fees owed.

NOTE - 4 CONTINGENCIES AND COMMITMENTS

The Company owed \$29,461 and \$38,469 as of December 31, 1996 and

1995 in state and federal payroll taxes. Penalties and interest continue to accrue and management has determined that this will have no significant or material adverse effect.

No provision or accrual has been made to cover any future remedial action or cleanup activities for mining claims since these costs, if any, cannot be determined at this time. However, the Company has determined that any costs associated with future cleanup liability will be covered by cash deposits held by the State of Arkansas.

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EQUITY AU, INC.
Notes to the Financial Statements
December 31, 1997

NOTE - 4 CONTINGENCIES AND COMMITMENTS (Continued)

Although all partnerships that the Company and its Subsidiaries served as General Partner have discontinued operations, no provision or accrual has been made to cover any future remedial action or formal dissolution since these costs, if any, cannot be determined at this time.

In July 1996, the Securities and Exchange Commission filed a default judgement against the Company for noncompliance in filing the quarterly and annual reports on a timely basis. The Company has agreed to the action and is making every effort to comply with the order. During 1996 the Company filed its 1995 annual report and the first and second quarter reports for 1996 late. The 1996 and 1997 annual reports and the quarterly reports for 1997 through June of 1998, will also be filed late. The Company cannot estimate the action that will be taken by the Securities and Exchange Commission related to these late filings.

NOTE - 5 NOTES PAYABLE
<TABLE>
<CAPTION>

Notes payable of the Company are as follows:

	December 31,	
	1997	1996
<S>	<C>	<C>
Unsecured debt for advances from a related party due upon demand	\$ 55,011	\$ 41,877
Unsecured promissory notes bearing interest at 10%. Interest payable annually in either stock or cash, or both. The lenders may earn bonus distributions based on the productivity of mining operations. Due on demand.	6,000	57,500
Total Current Notes Payable	----- \$ 61,011 =====	----- \$ 99,377 =====

</TABLE>

NOTE - 6 CAPITAL STOCK

a. Preferred Stock - Series A

The Company is authorized to issue 200,000 shares of non-voting preferred shares, at a par value of \$1.00 per share. These shares accrue a 10% dividend annually. The cumulative amount of dividend is \$44,400 and \$29,600 at December 31, 1997 and 1996, respectively. These preferred shares are convertible into Class A common stock at a conversion rate of 5.5 common shares for each preferred share. There were 148,000 shares issued and outstanding at December 31, 1997 and 1996.

Dividends paid during 1995 amounted to \$17,717 for 1993 and \$14,800 for 1994. No dividends were paid during 1996 or 1997.

b. Preferred Stock - Class B

The Company is authorized to issue 300,000 shares of non-voting preferred shares, at a par value of \$1.00 per share. These shares accrue a 10% dividend payable annually on June 30 of each year.

The cumulative amount of dividend is \$111,715 and \$83,020 at December 31, 1997 and 1996, respectively. These Preferred shares are convertible into Class A common stock at a conversion rate of 16 common shares for each Preferred share. There were 272,200 and 288,200 shares issued and outstanding at December 31, 1997 and 1996.

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EQUITY AU, INC.
Notes to the Financial Statements
December 31, 1997

NOTE - 6 CAPITAL STOCK (Continued)

c. Preferred Stock - Class C

The Company is authorized to issue 100,000 shares of non-voting preferred shares at a par value of \$1.00 per share. These shares accrue a 10% dividend annually. The cumulative amount of dividend is \$3,166 and \$2,146 at December 31, 1997 and 1996, respectively. These Preferred shares are convertible into Class A common stock at a conversion rate of 12 common shares for each Preferred share. There were 10,200 shares issued and outstanding at December 31, 1997 and 1996.

d. Preferred Stock

The Company is authorized to issue 1,400,000 shares of its non-voting preferred stock at a par value of \$1.00 per share. There were no shares issued and outstanding at December 31, 1996 and 1995.

e. Common Stock - Class A

The Company is authorized to issue 99,900,000 Class A common shares, at a par value of \$.001 per share. These shares have full voting rights. There were 91,123,183 shares outstanding as of December 31, 1996 and 1995. There were 840,183 shares paid for, but unissued as of December 31, 1996 and 1995 included in outstanding shares.

The Company issued 161,944 and 135,284 shares as dividends in 1995 for 1993 and 1994 dividends accrued.

In May 1995, the Company issued in error 9,617,000 shares to related party that were returned to the Company and canceled during 1996. There was no consideration exchanged in the issue or cancellation of these shares.

In 1994, the Company established an unqualified stock benefit plan designed to provide awards of common stock to selected employees based on certain performance/production criteria or achievement of goals. The Company has 0 and 98,375 shares at December 31, 1996 and 1995, respectively held in the name of the plan as of December 31, 1996 and 1995.

f. Common Stock - Class B

The Company is authorized to issue 100,000 shares of its Class B common shares at a par value of \$.01 per share. The Class B shares have the right to elect a majority of the Board of Directors of the Company. There were 100,000 shares issued and outstanding as of December 31, 1996 and 1995.

g. Warrants

On September 10, 1994, the Company issued warrants to Eastern Global, LLC to purchase 200,000 shares of new issue Class A common stock at an exercise price of \$0.09375 per share. The warrants expired unexercised on September 10, 1996.

NOTE - 7 RELATED PARTY TRANSACTIONS

Arkansas American Mining and Exploration, Inc. (AAME) was owned and controlled by the founders of the Company. In 1988, AAME exchanged mining claims, milling facility and a core drilling rig, for the Company's common stock. A significant amount of the

Company's property and equipment as of December 31, 1995 is from this transaction.

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EQUITY AU, INC.
Notes to the Financial Statements
December 31, 1997

NOTE - 7 RELATED PARTY TRANSACTIONS (Continued)

In 1994, a related party loaned the Company \$152,000 secured by the Company's land, buildings, and equipment. This note plus interest was due in the fourth quarter of 1996. The Company defaulted on the note. The property and equipment were claimed by the note holder and written off by the Company.

During 1995, the Company paid \$25,000 for services rendered by related parties and issued 2,500,000 shares of Class A common stock.

NOTE - 8 GOING CONCERN

The Company has limited capital resources available to meet current obligations and develop its properties and bring into production a profitable mining operation. The adverse effect on the Company's results of operation due to its limited capital resources can be expected to continue until such time as the Company is able to generate additional capital from other sources.

These conditions raise concerns about the Company's ability to continue as a going concern. Management has implemented, or developed plans to implement, a number of actions to address these conditions including: maintain the most attractive mining properties; selling the precious gems; obtaining additional financing; and investigating various joint venture opportunities.

Additional funding will be necessary for the Company's development plans. There can be no assurance that additional funding will be available when needed or, if available, that the terms of such financing will not adversely affect the Company's results from operations.

The financial statements do not include any adjustment to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

NOTE - 8 SUBSEQUENT EVENTS (UNAUDITED)

On June 6, 1997, the Company issued 8,900,000 restricted shares to General Enterprises and Trading Company (Isle of Man) Ltd. for the promise to loan the Company \$100,000 and to pledge to the Company a Capital Asset Certificate for \$5,000,000.

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PART III

Item 10. Directors, Executive Officers, Promoters and Control Persons

All directors of the Company serve a term of one (1) year until the next Annual Shareholders Meeting or until their death, resignation, retirement, removal, disqualification, or until their successors have been elected and qualified. Vacancies in the existing board are to be filled by a majority vote of the remaining directors. Officers of the Company serve at the will of the Board of Directors.

The following table sets forth the name and office held by each director and officer of the Company, followed by a brief resume of each individual.

NAME	AGE	POSITION HELD
James Arch	76	President, Chief Executive Officer, Secretary, Treasurer and Director
Bruce R. Beckman	47	Director

JAMES ARCH, President, Chief Executive Officer, Secretary, Treasurer and director of the Company. Mr. Arch has a respected 40 year business background as an educator and public speaker. He currently conducts seminars for banks, corporations, associations, and conventions to motivate, develop and train people to achieve greater business success. His long list of clients has included 20 years with the Professional Golfers Association and 12 years for the Professional Bowlers Association. Mr. Arch serves on the boards of several cellular and wireless cable companies, and is President of his own corporation marketing attitude development programs designed to help business and individuals achieve greater growth and financial success. Mr. Arch was born and educated in England, is a graduate of NorthWestern College, and has served as an officer in the British Merchant Navy and the Royal Air Force. He became an American citizen in 1954.

BRUCE R. BECKMAN, director of the Company since 1990, is Superintendent of Operations for the LaCygne Station of Kansas City Power & Light. He has held various engineering and management positions with Kansas City Power & Light since 1974. He has served as Plant Maintenance engineer, Air Quality Control Engineer, Superintendent of Reliability Problems and as Superintendent of Central Maintenance. Mr. Beckman is a member of the Association of Professional Engineers and is certified as a chief engineer by the National Institute for Uniform Licensing of Power Engineers. He is also a commissioned examining engineer, and a technical instructor. Mr. Beckman graduated with a Bachelor of Science degree in mechanical engineering from Southern Illinois University in 1974, where he specialized in power plant theory and design. Mr. Beckman graduated with a Masters of Business Administration degree from Avila College in Kansas City, Missouri.

Item 10. Executive Compensation.

Executive and Director Compensation

The Company does not have a bonus, profit sharing, or deferred compensation plan for the benefit of its employees, officers or directors.

The following table sets forth a summary of cash and non-cash compensation for each of the last three fiscal periods ended December 31, 1997, 1996, and 1995, with respect to the Company's Chief Executive Officer. No executive officer of the Company has earned a salary greater than \$100,000 annually for any of the periods depicted.

Summary Compensation Table

Name & Principal Position -----	Year ----	Salary -----
James Arch	1997	\$-0-
President, CEO, Secretary, Treasurer	1996	\$-0-
(from August 1997 to present)	1995	\$-0-
Charles Jones	1997	\$42,000
President & CEO	1996	\$42,000
(from June 1996 to August 1997)	1995	\$-0-

Item 11. Security Ownership of Certain Beneficial Owners and Management.

The following table sets forth information, to the best knowledge of the Company, as of July 14, 1998, with respect to the beneficial ownership of the Company's Common Stock by (i) each person known by the Company to be the beneficial owner of more than 5% of the Company's outstanding Common Stock; (ii) each director and officer; and (iii) all current directors and executive officers as a group.

<TABLE>

<CAPTION>

NAME AND ADDRESS OF BENEFICIAL OWNER	NUMBER OF SHARES OWNED	PERCENT OF CLASS
<S>	<C>	<C>
CLASS B COMMON		
Calistro and Peters James Arch, Manger P.O. Box 940037 Maitland, FL 32794	100,000	100.0%
All Officers and Directors as a Group	100,000	100.0%

CLASS A COMMON Bruce R. Beckman 16574 Glenwood Stillwell, KS 66085	201,000	6.0%
James Arch and affiliates P.O. Box 940037 Maitland, FL 32794	1,481,926	44.3%
All Officers and Directors as a Group (2 persons)	1,682,926	50.6%
Cede & Co. 55 Water Street New York, NY 10041	658,226	19.7%
Charles F. Jones 9 Oak Circle Lake Dallas, TX 75065-2924	252,190	7.5%
Myles S. Rudolph 22426 Estallans Mission Viejo, CA 92692	300,000	9.0%
Roger Shaw 3415 Indian Hills Drive Marietta, GA 30068 </TABLE>	230,000	6.9%

Item 12. Certain Relationships and Related Transactions.

In early 1996, a partnership controlled by Mr. Arch foreclosed on the Company's property and equipment that had been pledged for loans received from the partnership.

During the years ended December 31, 1997 and 1996, Mr. Arch loaned the Company \$13,134 and \$41,877 respectively for operating capital at 10% interest.

Item 13. Exhibits and Reports on Form 8-K.

(a) No exhibits have been filed with this report.

(b) The Company filed a Form 8-K with the Commission on March 22, 1997 setting forth the reasons for dismissing the Company's independent accountant.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EQUITY AU, INC.
(Registrant)

BY: /s/ James Arch

James Arch, President

Dated: July 16, 1998

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