UNITED ENERGY CORP /NV/
Form 10KSB
June 14, 2005

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

FORM 10-KSB

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2005 Commission file number: 000-30841

UNITED ENERGY CORP.
(Exact name of registrant as specified in its charter)

Nevada	22-3342379
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
600 Meadowlands Parkway, #20 Secaucus, New Jersey	07094
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (201) 842-0288

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $.01 per share	Over-the-Counter (OTC) Bulletin Board

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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 the filing requirements for the past 90 days. Yes [X] No ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not 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. [X]

The issuer's total consolidated revenues for the fiscal year ended March 31, 2005 were $1,850,954

The aggregate market value of the common equity held by non-affiliates of the registrant was $32,093,851 as of June 9, 2005

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Rule 12b-2). Yes ___ No [X]

The number of shares outstanding of the registrant's common equity as of June 9, 2005 was 23,652,517 shares.

UNITED ENERGY CORP.

2005 FORM 10-KSB ANNUAL REPORT

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PART I

ITEM 1. DESCRIPTION OF BUSINESS

OVERVIEW

We develop and distribute environmentally friendly specialty chemical products with applications in several industries and markets. Our current line of products includes:

- KH-30 paraffin dispersant for the oil industry and related products;
- Uniproof specialty-coated proofing paper for the printing industry; and
- following additional testing, "Slick Barrier" underwater protective coatings for use in marine applications.

Through our wholly-owned subsidiary, Green Globe Industries, Inc., we provide the U.S. military with a variety of environmentally friendly, non-hazardous, biodegradable solvents and cleaners under our trade name "Qualchem." Green Globe is a qualified supplier for the U.S. military and has sales contracts currently in place.

We have developed and patented a system referred to as our "S2 system," to work with our environmentally-friendly paraffin dispersants products. This patented technology produces high volumes of steam and heat at variable pressures and temperatures to completely dissolve most deposits of paraffin and asphaltene within oil wells, pipelines or storage tanks. The S2 system apparatus is portable, compact and easy to use. We are further developing the process to enhance and support sales of KH-30 and its related products for the oil industry and for other potential applications.

A key component of our business strategy is to pursue collaborative joint working and marketing arrangements with established international oil and oil service companies. We intend to enter into these relationships to more rapidly and economically introduce our KH-30 product line to the worldwide marketplace for refinery, tank and pipeline cleaning services. We are currently negotiating potential working arrangements with several companies.

We provide specialty chemical and graphic arts products to our customers and generated revenues of $1,850,954 for the fiscal year ended March 31, 2005 and $972,051 for the fiscal year ended March 31, 2004. As of March 31, 2005, we employed ten people and use the services of five other individuals under consulting or product/production cooperation arrangements.

Organizational History

We were originally incorporated in Nevada in 1971 as Aztec Silver Mining Co. We engaged in the manufacturing and distribution of printing equipment from 1995 through 1998. During that period, we began to develop specialty chemical products for use in the printing industry. In March 1998, we discontinued our printing equipment operations and changed our business focus to the development of specialty chemical products.

Business Operations and Principal Products

K-Product Line of Chemicals

KH-30 is a mixture of modified oils, dispersants and oil-based surfactants designed to control paraffin and asphaltene deposits in oil wells. When applied in accordance with our recommended procedures, KH-30 has resulted in substantial production increases of between two and five times in paraffin-affected oil and gas wells by allowing for a faster penetration of paraffin and asphaltene deposits. KH-30 disperses and suspends paraffin and asphaltene in a free-flowing state and prevents solids from sticking to each other or to oil well equipment. KH-30 is patented in the United States, Australia, Russia, Nigeria, Venezuela, Vietnam and the OAPI (the Africa Intellectual Property Organization, which includes the countries of Burkina-Faso, Benin, Central African Republic, Congo, Ivory Coast, Cameroon, Gabon, Guinea, Guinea-Bissau, Mali, Mauritania, Niger, Senegal, Chad and Togo). We have twelve additional country patent applications pending in most of the major oil-producing countries around the world (including the European Union and Canada).

Although we believe that the application of our K-Line of products on a continuous basis will result in higher production and lower lease operating costs in oil wells, the introduction of our K-Line of products into the oil and gas producing industry has been difficult. Many entrenched players such as the "hot oilers" and the major oil service companies who benefit from high mark-ups on their proprietary products have no incentive to promote the use of our K-Line of products. Moreover, oil production engineers are reluctant to risk damage to a well from a product that does not have the endorsement and backing of a major enterprise. Consequently, the pace of introduction of our K-line of products has been much slower than we initially anticipated. We believe that this situation has begun to change as a result of our marketing efforts with several oil service companies and well owners beginning to use our products after successful trials.

KX-91 is used for cleanup and stimulation of well bores. It works on all gravities of crudes. Penetrates and disperses faster than KH-30 and has a freeze point of -40F. KX-91 is good for tanks with buildup on the bottom and can be used on pipelines with paraffin and asphaltene blockages.

KH-30S is an outstanding flow enhancer. Used mainly on heavy crudes to reduce the viscosity and reduce drag and friction. It has been very successful in tanks with high bottoms and should be injected into the oil stream to help enhance flow.

KDR-75 is effective in reducing friction pressure of petroleum crude and related oil products due to turbulent flow through pipelines and helps restore laminar flow. As a result, an increase in flow rate and productivity with reduced energy consumption can be achieved.

KX-100 is a product where contact time is limited for removal of a plug. It is fast acting and an outstanding dispersant that can be used in temperatures as low as -25F. It can be used in nearly any application with great results.

KX-105DS-A Degreaser is a strong multi-functional, non-hazardous chemical cleaning compound designed to dissolve and remove tough heavy organic and sludge deposits. It possesses strong wetting, penetrating, dispersing and solvating properties. Hence, safe for use in oil field cleaning applications.

KX-104PDC is designed to reduce pour point, gel point, or cloud point of crude oil and improve its cold flow property and pumpability in oil field processing applications.

KX-200-A Pentrant is a proprietary chemical composition, specifically developed to handle problems with paraffin and asphaltene blockages and high viscosity crude with flow impairment.

KX-404 EB is specifically formulated to destabilize both, oil-in-water and water-in-oil type emulsions when used in low treatment dosages of 50-100 PPM with minimal contact time. It triggers kinetically and thermodynamically unstable, weaker, transient emulsion phase into a sharp clean break down of oil & water phase. The application of steam heat up to 150-200F will activate and speed up demulsification.

Additional Product Line of Chemicals

AS-12 is an acidic cleaner in liquid form, which has been formulated to aid in the removal of Iron Sulfide and mild depositions of Calcium Carbonate from down-hole equipment surfaces and any other locations where a low pH may be advisable. Due to its very low pH, it is recommended that general safety precautions be observed while handling the concentrated material, wearing suitable facial and skin precautions.

CI-95 is formulated around an oil-soluble, water-dispersible filming amine designed for use in sour gas and producing oil wells. It is a liquid compound, which has been formulated to give a very tenacious film with an extended persistency without undesirable "gunking" on the down-hole tubulars.

SCI-97 Quatemary Surfacant is designed for use in down-hole cleanups in producing oil wells. It is a quatemary ammonium chloride compound which has been successfully used to clean the down-hole surfaces in producing wells, as well as in salt water disposal and injections systems, while at the same time water-wetting the solids to assist in removing these from the produced crude oil.

SI-15 Scale Inhibitor is a broad based spectrum, high-calcium tolerant, water soluble scale inhibitor which has been formulated to inhibit the formation and deposition of Calcium Carbonate scale in oil field brines. SI-15 will complex well with the calcium cations, impeding crystal growth and subsequent scale formation and deposition.

HI-17 is an aqueous solution of an alkyl amine along with other proprietary ingredients, which is used to prevent precipitation of sodium chloride crystals from high chloride brines. It may be applied over the wide range of temperatures and pressures, which are typically found in producing oil and gas wells with little to no impact on performance.

Uniproof Proofing Paper

We have developed a photo-sensitive coating that is applied to paper to produce what is known in the printing industry as proofing paper or "blue line" paper. We developed this formulation over several years of testing. The formulation is technically in the public domain as being within the scope of an expired patent of duPont. However, other companies have not duplicated the exact formulation utilized by us, to the best of our knowledge, and we protect it as a trade secret.

We introduced our proofing paper in June 1999. Sales of Uniproof proofing paper totaled $546,096 for the fiscal year ended March 31, 2005 and $481,636 for the fiscal year ended March 31, 2004.

Slick Barrier

Slick Barrier is an underwater protective coating, which prevents the adherence of barnacles to boat hulls. The product is environmentally friendly and biodegradable, which we believe to be particularly appealing in fresh water marine applications. The product is currently being tested on pleasure boats throughout the United States and Europe. A patent application for "Slick Barrier" was filed in 2003, and we are applying for trademark protection both nationally and internationally. We expect to release this product at the end of 2005, although no specific date has been set.

GreenGlobe Industries

In November 1998, we acquired all of the outstanding shares of Green Globe in exchange for 30,000 shares of our common stock. Green Globe is operated as a separate subsidiary and sells its products under the trade name Qualchem.'TM' The acquisition of Green Globe has given us access to the chemistry and product lines of Green Globe which include environmentally friendly paint strippers and cleaners, many of which have been qualified for use by the U.S. military. Of particular note in the Green Globe line was the development of dual package cleaning and drying "wipes" which produce a clear, non-reflective coating on glasses, computer screens and instrument panels. The wipes were developed, and have received U.S. military approval, for the cleaning of the instrument panels of combat aircraft.

Manufacturing and Sales

All of the raw materials necessary for the manufacture of our products are generally available from multiple sources, although we have negotiated favorable arrangements with our current suppliers and would have to repeat the process if one or more of our current suppliers were no longer to be able to supply these raw materials to us. We do not own any special manufacturing facilities. Our chemical products are generally manufactured by contract blenders at a number of different locations. This method of manufacturing has reduced the need for us to invest in facilities and to hire the employees to staff them. Chemical blenders are relatively easy to replace and are bound by confidentiality agreements, where appropriate, which obligate them not to disclose or use our proprietary information.

We are not responsible for any environmental expenditures with respect to the manufacturing of our products. First, the chemical products that we use are generally "environmentally friendly" products in that they are low in toxicity and rank high in biodegradability. Further, any environmental issues involved in manufacturing are the responsibility of the blending facilities, provided they receive adequate and accurate information from us as to the components of the chemicals involved.

Currently, the photosensitive coating for our Uniproof proofing paper is applied by an independent coater who is bound by a confidentiality agreement that obligates it not to disclose or use our confidential information. We believe this facility has the capacity to meet our production needs for the foreseeable future and also meets all environmental manufacturing regulations now or expected to be enacted. We believe that the services of this facility can be duplicated by others. We believe the need for a contract with the coater is obviated by the coater's clear economic benefit from continuing to provide services to us. We are more concerned about a precipitous event, such as damage to the coater's facility, which could result in an interruption of Uniproof production. We believe that alternate coating sources do exist and that the coater could be replaced, although with at least some interruption in production flow.

We sell our Uniproof proofing paper to three customers. The largest, The Alameda Company of Anaheim, California, accounted for approximately 99% of our graphic arts sales and 29.5% of our total customer sales for the fiscal year ended March 31, 2005. In fiscal 2004, Alameda accounted for approximately 93% of our graphic arts sales and 46.2% of our total customer sales. Revenue from Alameda is expected to continue to decline as a percentage of our total revenues. A decision by Alameda to discontinue its relationship with us could result in a significant loss of revenue to us.

In the fiscal year ended March 31, 2005, Bariven, S.A., purchased our KH-30 and KX-91 oil well cleaning products, which accounted for approximately 39.4% of our total customer sales. In the fiscal year ended March 31, 2004, Altena Cleaning B.V., accounted for 10.2% of our total customer sales.

Except for these current and former customers, no other single entity has accounted for more than 10% of our sales during any of the fiscal years ended March 31, 2005 and 2004.

All of our products are sold in U.S. dollars and, therefore, we have had no foreign currency fluctuation risk.

Our current operations do not require a substantial investment in inventory other than minimum commitments to our distributors. However, we anticipate that any growth in our business will require us to maintain higher levels of inventory.

Our order backlog at March 31, 2005 was insignificant as we generally ship product as orders are received.

Marketing and Distribution

We have engaged the services of independent contractors to market our K-Product Line of chemicals. These contractors work under various non-exclusive commission and distribution agreements and have substantial contacts among oil well owners and major oil companies in the United States, Mexico, South America, Africa, Europe and the Middle East. These contractors earn a commission based upon the sales value of the products that they sell. These independent contractors use our marketing materials, brochures and website to interest clients and to describe the attributes of our products.

Although we have not achieved the volume of sales we had anticipated for the oil dispersant products, there have been significant barriers to entry in this market. Most of these potential customers require substantial testing of our product to prove its efficacy at cleaning wells, tanks and flow lines. In many cases, additional laboratory testing is

required to prove that our chemical products are compatible with refinery systems and will not interfere with certain chemical processes and safety requirements of the potential clients. This process of testing has taken a great deal longer than was originally anticipated. We believe that we have made significant inroads and expect a higher volume of sales in the next fiscal year ending March 31, 2006.

Research and Development

Our K-Product Line of chemical products for the oil industry and Uniproof proofing paper are developed and ready for market. Slick Barrier is in testing. All of these products are the result of research and development expenditures paid to vendors, excluding allocation of internal costs, estimated to be $212,613 and $229,219, for the fiscal years ended March 31, 2005 and 2004 respectively. We have had available the services of one research chemist and one analytical chemist, as well as one petroleum engineer, to lead in the development of our products. A significant amount of market adaptation has taken place in the field involving the development of application procedures for products. We do not anticipate having to make significant research and development expenditures on existing products in the future. However, we do expect to continue to develop new products to complement our existing product lines.

Competition

We compete directly or indirectly with other producers of specialty chemical products with similar uses, most of which are more established companies and have greater resources than we have. Generally, we attempt to compete by offering what we hope to be lower prices and better service. However, our KH-30, KX-91 and KH-30S products for the oil industry are often more expensive, and with these products we attempt to compete by emphasizing product effectiveness and environmental safety.

For our Uniproof proofing paper, our principal competition is E.I. duPont de Nemours & Co., which controls in excess of 95% of the United States proofing paper market estimated to be $80 million to $100 million per year. Currently, we have been able to compete with duPont in terms of what we believe to be better prices and service. We believe the market will continue to welcome an alternative to duPont and we plan to continue our current marketing practices.

Proprietary Technologies

With respect to our formulations, which are proprietary, we have patented our KH-30 oil well cleaner in the United States, Australia, Russia, Nigeria, Venezuela, Vietnam and OAPI. We also have twelve additional country patent applications pending in most of the major oil-producing countries around the world (including the European Union and Canada). We believe our patent is strong and will help our competitive position. However, we are aware that others may try to imitate our product or invalidate our patents. We have in the past vigorously enforced our trade secrets such as the one relating to our Uniproof proofing paper, and intend to continue to do so in the future. However, we recognize that intellectual property rights provide less than complete protection. We believe that no other company is currently producing a product similar to KH-30.

In addition to applying for patent protection on our KH-30 product, we have also registered "KH-30" as a trademark. Trademark protection has also been obtained for the "Uniproof" name for our proofing paper. We anticipate applying for both patent and trademark protection for our other products in those jurisdictions where we deem such protection to be beneficial.

Employees

As of March 31, 2005, we employed ten people and had available the services of five other individuals under consulting or product/production cooperation arrangements. The latter arrangement is meant to include a situation where a chemist, engineer or significant marketing person is engaged by an organization under contract with us to manufacture or market one or more of our products.

None of our employees is represented by a union. We consider our relations with our employees to be good.

ITEM 2. DESCRIPTION OF PROPERTIES

We lease 9,600 square feet of office space at 600 Meadowlands Parkway, #20, Secaucus, New Jersey 07094. Under the terms of the lease, which runs through June 2007, the monthly rent was $8,635 through June 2004, then the

monthly rent increased to $9,035 for the remainder of the lease. In addition, we lease office space of approximately 1,350 square feet in Midland, Texas as a regional sales office at a rate of $759 per month. This lease runs through September 2005.

We use independent non-affiliated contract chemical blending and manufacturing facilities in various locations around the United States for the manufacture of our products. We contract the production of our products to independent manufacturers and blenders and our products are therefore produced at the manufacturing facilities of those entities. We do not own any manufacturing facilities.

ITEM 3. LEGAL PROCEEDINGS

In July 2002, an action was commenced against us in the Court of Common Pleas of South Carolina, Pickens County, brought by Quantum International Technology, LLC and Richard J. Barrett. Plaintiffs allege that they were retained as a sales representative of ours and in that capacity made sales of our products to the United States government and to commercial entities. Plaintiffs further allege that we failed to pay to plaintiffs agreed commissions at the rate of 20% of gross sales of our products made by plaintiffs. The complaint seeks an accounting, compensatory damages in the amount of all unpaid commissions plus interest thereon, punitive damages in an amount treble the compensatory damages, plus legal fees and costs. Plaintiffs maintain that they are entitled to receive an aggregate of approximately $350,000 in compensatory and punitive damages, interest and costs. In June 2003, the action was transferred from the court in Pickens County to a Master in Equity sitting in Greenville, South Carolina and was removed from the trial docket. The action, if tried, will be tried without a jury. No trial date has yet been scheduled. We believe we have meritorious defenses to the claims asserted in the action and intend to vigorously defend the case. The outcome of this matter cannot be determined at this time.

No other legal proceedings are currently pending or threatened against us.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of our fiscal year ended March 31, 2005.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

As of June 9, 2005, there were approximately 450 record holders of our common stock and there were 23,652,517 shares of our common stock outstanding. We have not previously declared or paid any dividends on our common stock and do not anticipate declaring any dividends in the foreseeable future.

The following table shows the high and low bid prices of our common stock as quoted on the OTC Bulletin Board by quarter during each of our last two fiscal years ended March 31, 2005 and 2004 and for each quarter after March 31, 2005. These quotes reflect inter-dealer prices, without retail markup, markdown or commissions and may not represent actual transactions. The information below was obtained from those organizations, for the respective periods.

Fiscal Year ended March 31	Quarter	High
2004	First Quarter (April-June 2003)	$1.43
	Second Quarter (July-September 2003)	2.30
	Third Quarter (October-December 2003)	1.75
	Fourth Quarter (January-March 2004)	1.08
2005	First Quarter (April-June 2004)	$1.08
	Second Quarter (July-September 2004)	1.43
	Third Quarter (October-December 2004)	1.25
	Fourth Quarter (January-March 2005)	1.40
2006	First Quarter (through June 9)	$1.81

The high and low bid prices for shares of our common stock on June 9, 2005 were $1.81 and $1.67 per share, respectively, based upon bids that represent prices quoted by broker-dealers on the OTC Bulletin Board. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commissions, and may not represent actual transactions. The aggregate market value of our stock held by non-affiliates on June 9, 2005 was $32,093,851 (using the closing price of $1.80 per share).

Dividend Policy

While there are no restrictions on the payment of dividends, we have not declared or paid any cash or other dividends on shares of our common stock in the last two years, and we presently have no intention of paying any cash dividends in the foreseeable future. Our current policy is to retain earnings, if any, to finance the expansion of our business. The future payment of dividends will depend on the results of operations, financial condition, capital expenditure plans and other factors that we deem relevant and will be at the sole discretion of our board of directors.

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Equity Compensation Plan Information

The following table provides information regarding the status of our existing equity compensation plans at March 31, 2005.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding option, warrants and rights
Equity compensation plans approved by security holders	3,455,000	$1.20
Equity compensation plans not approved by security holders	5,125,000	$1.63
Total	8,580,000	

Recent Sales of Unregistered Securities

On March 18, 2005, we entered into a securities purchase agreement (the "Agreement") with two private investors to issue shares of our common stock and warrants. The Agreement provides for two types of units, designated as Series A and Series B.

The Series A Units each consist of 100,000 shares of our common stock and a Series A Warrant to purchase 50,000 shares of our common stock at $1.00 per share, subject to adjustment. The Series A Warrants expire five (5) years from the date they are issued. The purchase price for each Series A Unit is $80,000. The Agreement provides for the sale of up to twenty (20) Series A Units.

The Series B Units each consist of ten (10) shares of a new class of preferred stock that are convertible into 80,000 shares of our common stock in the aggregate, subject to adjustment, and a Series B Warrant to purchase 40,000 shares of our common stock at $1.50 per share. The Series B Warrants expire five (5) years from the date they are issued. The purchase price for each Series B Unit is $80,000. The securities purchase agreement provides for the sale of up to forty-two (42) Series B Units.

On March 18, 2005, the contract date, we issued 8 Series A Units or 800,000 shares of our common stock for a purchase price of $640,000. Subsequent closings under the agreement are contingent upon orders from our customers, at the rate of one unit for each $100,000 of orders. The remaining Series A units must be purchased first, followed by Series B units. The investors have the right to purchase additional shares at any time. The obligation of the investors to purchase units expires on March 17, 2006.

The Agreement requires us to obtain shareholder approval for the authorization of the preferred stock within 75 days, or by June 1, 2005. The Agreement provides that the exercise price of the warrants is to be reduced by $0.01 for each day that approval is delayed, but not below $0.05 per share. As of June 9, 2005, we have not obtained the consent from the holders of a majority of our outstanding shares. The exercise price, as of June 9, 2005, is currently $0.92 per share.

On February 28, 2005, we entered into an Amendment and Waiver with Laurus Master Fund, Ltd., for the purpose of amending the terms of (i) the Securities Purchase Agreement dated March 24, 2004, (ii) the Secured Convertible Term Note and (iii) the Registration Rights Agreement.

Laurus waived each payment default that may have arisen under the Term Note, and we (i) paid to Laurus the interest accrued under the Term Note as of February 28, 2005 of $7,233, (ii) prepaid interest under the Term Note of $37,767 and (iii) issued a seven year warrant to Laurus to purchase 300,000 shares of our common stock with an exercise price of (x) $1.25 per share for the first 100,000 shares, (y) a price of $1.50 per share for the next 100,000 shares and (z) $1.75 per share for any additional shares acquired.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

You should read the following description of our financial condition and results of operations in conjunction with the financial statements and accompanying notes included in this Report beginning on page F-1.

Overview

We are primarily a specialty chemicals company because of our determination in fiscal 1998 to close our printing equipment division and focus on our KH-30 oil well cleaner and related products. However, a significant portion of our revenues has been related to the printing and the graphic arts industry. We believe that in the future our chemical sales will increase and that our reliance on the graphic arts segment of the company will decrease. During the past two fiscal years, we have derived additional revenues by acting as a graphic arts products distributor.

We do devote almost all of our time and effort into selling, promoting and developing our chemical products and we are continuing to increase our marketing efforts to develop new products as extensions of our original KH-30 product. We do believe that in the future our sales will increase. We also believe that our reliance on the graphic arts segment of the company will decrease.

On March 18, 2005, we closed on the sale of eight Series A Units, which included 800,000 shares of Common Stock and Series A Warrants to purchase 400,000 shares for an aggregate purchase price of $640,000.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities.

On an ongoing basis, we evaluate our estimates, including those related to product returns, bad debts, inventories, intangible assets, long-lived assets and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Revenue Recognition

Our primary source of revenue is from sales of our products. We recognize revenue upon shipment and transfer of title.

Allowance for Doubtful Accounts

We monitor our accounts and note receivable balances on a monthly basis to ensure they are collectible. On a quarterly basis, we use our historical experience to determine our accounts receivable reserve. Our allowance for doubtful accounts is an estimate based on specifically identified accounts, as well as general reserves. We evaluate specific accounts where we have information that the customer may have an inability to meet its financial obligations. In these cases, management uses its judgment, based upon the best available facts and circumstances, and records a specific reserve for that customer against amounts due to reduce the receivable to the amount that is expected to be collected. These specific reserves are re-evaluated and adjusted as additional information is received that impacts the amount reserved. We also establish a general reserve for all customers based upon a range of percentages applied to aging categories. These percentages are based on historical collection and write-off experience. If circumstances change, our estimate of the recoverability of amounts due to us could be reduced or increased by a significant amount. A change in estimated recoverability would be accounted for in the period in which the facts that give rise to the change become known.

Results of Operations

Comparison of Fiscal Year Ended March 31, 2005 to Fiscal Year Ended March 31, 2004

Sales. Sales increased to $1,850,954 for the year ended March 31, 2005 from $972,051 for the year ended March 31, 2004. The $878,903 or 90%, increase in sales was due to higher sales of Specialty Chemicals and Uniproof proofing paper. Sales for our specialty chemical products including KH-30 and KX-91, and our Green Globe / Qualchem product line increased by 168%. The increase was primarily related to a 199% increase in sales of our KH-30 family of oil field dispersant products reflecting a higher level of orders. This was partially offset by a 61% decline in the level of U.S. Military sales during the year. We believe that last fiscal year the U.S. Government stocked up on orders and then cut its orders during the 2005 fiscal year due to other military priorities. Our three largest customers accounted for 72% of revenues for the year ended March 31, 2005 compared with 56% for the comparable period in 2004. Uniproof proofing paper sales increased by 14% due to higher level of orders from our primary customer.

Cost of Goods Sold. Cost of goods sold increased to $759,064 or 41% of sales, for the year ended March 31, 2005 from $516,647, or 53% of sales, for the year ended March 31, 2004. The increase in cost of goods sold was due to the increased sales of KH-30 products compared to the prior year and an increase in the volume of Uniproof proofing paper sales compared to the prior fiscal year.

Selling, General and Administrative Expenses. General and administrative expenses decreased to $2,581,033 or 139% of sales, for the year ended March 31, 2005 from $2,674,968, or 275% of sales, for the year ended March 31, 2004. The slight decrease in selling, general and administrative expenses are primarily related to lower salaries and benefits due to the departure of certain executives, lower travel and entertainment expenses, bad debts, laboratory expenses and insurance partially offset by an increase in professional fees.

Oil Well Operating and Maintenance Cost - net. In April 2004, we sold the oil well leases located in Laramie County, Wyoming for $15,000, and a 4.5% royalty on all future oil sales from these wells. The Company recognized no gain or loss on the sale of the oil well leases.

Impairment loss. During the year ended March 31, 2005, we tested our goodwill by estimating its fair value using a discounted cash flow analysis. As a result, we recorded a goodwill impairment charge of $2,010 related to the Green Globe segment. During the year ended March 31, 2004, we recorded a $51,310 impairment charge related to the Green Globe segment. We also recorded a $70,467 impairment loss related to the oil leases held by United Energy Oil Corp.

Depreciation, Amortization and Depletion. Depreciation, amortization and depletion decreased to $84,401 for the year ended March 31, 2005 from $127,177 for the year ended March 31, 2004 reflecting additions to fixed assets and capitalized legal costs related to patent filings, offset by the sale of the oil leases. Depletion expenses was not material.

Interest Expense. Interest expense increased to $287,118 for the year ended March 31, 2005 compared with $6,683 for the year ended March 31, 2004. The increase was due to interest on the $1,750,000 convertible term note issued March 2004.

Net Loss. For the year ended March 31, 2005, we incurred a net loss of $1,854,876, or $0.08 per share, as compared to a net loss of $2,569,098 for the year ended March 31, 2004, or $0.12 per share. The average number of shares of common stock used in calculating earnings per share increased to 22,365,901 from 22,180,270 shares.

Liquidity and Capital Resources

Since 1995, operations have been financed primarily through loans, equity contributions from directors and executive officers and from third parties supplemented by funds generated by our business. As of March 31, 2005, we had $365,610 in cash and cash equivalents.

Net Cash Used in Operating Activities. During the fiscal year ended March 31, 2005, net cash used in operating activities was $1,887,981 compared with $1,913,167 for the fiscal year ended March 31, 2004.

Net Cash Used in Investing Activities. During the fiscal year ended March 31, 2005, net cash used in investing activities decreased to $24,701 compared with $280,000 for the year ended March 31, 2004. The decrease was primarily a result of a reduced level of expenditures for purchase of fixed assets to support operations and capitalized legal fees required to file patent applications for our KH-30, KX-91 and S2 system, as well as $15,000 in proceeds from the sale of the oil wells.

Net Cash Provided by Financing Activities. Net cash generated from financing activities decreased to $760,267 resulting from $626,667 of proceeds from our private placement in March 2005, as discussed below and a loan from the Chairman of the Board of $133,600. This compares to cash provided from financing activities of $1,590,250 for the year ended March 31, 2004 resulting from the net proceeds from sale of a secured convertible term note on March 24, 2004 in the amount of $1,750,000, which was partially offset by $159,750 of financing costs.

On March 18, 2005, we entered into a securities purchase agreement with two private investors with the respect to the sale of shares of our common stock and warrants. The agreement provides for two types of units, designated as Series A and Series B.

The Series A Units each consist of 100,000 shares of our common stock and a Series A Warrant to purchase 50,000 shares of our common stock at $1.00 per share, subject to adjustment. The Series A Warrants expire five (5) years from the date they are issued. The purchase price for each Series A Unit is $80,000. the securities purchase agreement provides for the sale of up to twenty (20) Series A Units.

On March 18, 2005, the contract date, the company issued 8 Series A Units or 800,000 shares of its common stock for a purchase price of $640,000.

The Series B Units each consist of ten (10) shares of a new class of preferred stock that will be converted into 80,000 shares of our common stock in the aggregate, subject to adjustment, and Series B Warrant to purchase 40,000 shares of our stock at $1.50 per share. The Series B Warrants expire five (5) years from the date they are issued. The purchase price for each Series B Unit is $80,000. The securities purchase agreement provides for the sale of up to forty-two (42) Series B Units.

During the past two fiscal years ended March 31, 2005 and 2004, we have recorded aggregate losses from operations of $4,423,974 and have incurred total negative cash flows from operations of $3,801,148 for the same two-year period. The report of the independent registered public accounting firm with respect to our financial statements included in this Report includes a "going concern" qualification, indicating that our recurring losses and negative cash flows from operations raise substantial doubt about our ability to continue as a going concern. Our consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty.

Our continued existence is dependent upon several factors, including increased sales volumes, collection of existing receivables and the ability to achieve profitability from the sale of our product lines. In order to increase our cash flow, we are continuing our efforts to stimulate sales and cut back expenses not directly supporting our sales and marketing efforts.

Contractual Obligations

Below is a table which presents our contractual obligations commitments at March 31, 2005:

Contractual Obligation	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 Years

Convertible note	$1,600,000	$583,330	$1,016,670	$ -	$ -
Operating leases	305,432	137,028	165,922	2,482	-
Total contractual cash obligations	$1,905,432	$720,358	$1,182,592	$2,482	$ -

Reporting by Segments

We are primarily a specialty chemicals company because of our determination in fiscal 1998 to close our printing equipment division and focus on our KH-30 oil well cleaner and related products. However, a significant portion of our revenues has been related to the printing and the graphic arts industry. We believe that in the future our chemical sales will increase and that our reliance on the graphic arts segment of the company will decrease. During the past two fiscal years, we have derived additional revenues by acting as a graphic arts products distributor.

We do devote almost all of our time and effort into selling, promoting and developing our chemical products and we are continuing to increase our marketing efforts to develop new products as extensions of our original KH-30 product. We do believe that in the future our sales will increase. We also believe that our reliance on the graphic arts segment of the company will decrease.

The following table shows the proportion of total revenues by segment in each of the last two fiscal years:

Fiscal Year	Graphic Arts	Speci Chemi
2004..	$486,075	$ 48
2005..	$549,462	$1,30

Off-Balance Sheet Arrangements

We do not currently have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to our stockholders.

Inflation

We do not believe that inflation in the cost of our raw materials has had in the past or will have in the future any significant negative impact on our operations.

Recently Issued Accounting Standards

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123 (Revised 2004), "Share-Based Payment" ("SFAS No. 123R"). This revised accounting standard eliminates the ability to account for share-based compensation transactions using the intrinsic value method in accordance with APB Opinion No. 25 and requires instead that such transactions be accounted for using a fair-value-based method. SFAS No. 123R requires public entities to record noncash compensation expense related to payment for employee services by an equity award, such as stock options, in their financial statements over the requisite service period. SFAS No. 123R is effective as of the beginning of the first interim or annual period that begins after December 15, 2005 for small business issues. The Company does not plan to adopt SFAS No. 123R prior to its fourth-quarter of fiscal 2006. The Company expects that the adoption of SFAS No. 123R will have a negative impact on the Company's consolidated results of operations. The Company has historically provided pro forma disclosures pursuant to SFAS No. 123 and SFAS No. 148 as if the fair value method of accounting for stock options had been applied, assuming use of the Black-Scholes option-pricing model. Although not currently anticipated, other assumptions may be utilized when SFAS No. 123R is adopted.

Quantitative and Qualitative disclosures About Market Risk

The market risk inherent in our market risk sensitive instruments and positions are the potential losses arising from adverse changes in interest rate and foreign currency exchange rates.

Interest Rates

At March 31, 2005, the Company had a loan that had a variable interest rate. The loan, which had an outstanding balance of $1,600,000 at March 31, 2005, was obtained in March 2004 and has a three-year term. The loan accrues interest at the greater of the prime rate of interest (as published in the Wall Street Journal) or 4% per annum. A one-percentage

point increase in the prime rate of interest affecting our term loan would increase our net loss by $16,000 over the next fiscal year.

Foreign Currency Exchange Rates

Although our business is international in scope, to date our product sales have been all U.S. dollar-denominated. As we expand, we may be affected by exchange rate fluctuations in foreign currencies relative to the U.S. dollar. We do not currently use derivative financial instruments to hedge our exposure to changes in foreign currency exchange rates

SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This Report contains forward-looking statements. These forward-looking statements are based largely on our expectations and are subject to a number of risks and uncertainties, many of which are beyond our control. Actual results could differ materially from these forward-looking statements as a result of, among other factors, risks related to the large amount of our outstanding term loan; history of net losses and accumulated deficits; reliance on third parties to market, sell and distribute our products; future capital requirements; competition and technical advances; dependence on the oil services market for pipe and well cleaners; ability to protect our patents and proprietary rights; reliance on a small number of customers for a significant percentage of our revenues; and other risks. In light of these risks and uncertainties, there can be no assurance that the forward-looking information contained in this Report will in fact occur.

ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The response to this item is submitted as a separate section of this Report beginning on page F-1.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 8A. CONTROLS AND PROCEDURES

Evaluation of the Company's Disclosure Controls

As of the end of the period covered by this report, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures ("disclosure controls"). This evaluation (the "controls evaluation") was done under the supervision and participation of the Company's management, including its chief executive officer (the "CEO") and interim chief financial officer (the "CFO"). Rules adopted by the Securities and Exchange Commission require that in this section of the report the Company present the conclusions of its CEO and CFO about the effectiveness of the Company's disclosure controls based on and as of the dated of the controls evaluation.

CEO and CFO Certifications

Appearing as exhibits 31.1 and 31.2 to this report are "Certifications" of the CEO and CFO. The certifications are required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (the "Section 302 Certifications"). This section of this report contains information concerning the controls evaluation referred to in the Section 302 Certifications and this information should be read in conjunction with the Section 302 Certifications for a more complete understanding of the topics presented.

Disclosure Controls

Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in the Company's reports filed under the Securities Exchange Act, such as this report, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to the Company's management, including, without limitation, the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Limitations on the Effectiveness of Controls

The Company's management, including, without limitation, the CEO and CFO, does not expect that the Company's disclosure controls will prevent all error and fraud. A control system no matter how well conceived and operated can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations of all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

Scope of Controls Evaluation

The CEO/CFO evaluation of the Company's disclosure controls included a review of the controls' objective and design, the controls' implementation by the Company and the effect of the controls on the information generated for use in this report. In the course of the controls evaluation, management sought to identify data errors, controls problems or acts of fraud and to confirm that appropriate corrective action, including process movements, was being undertaken. This type of evaluation will be done on a quarterly basis so that the conclusions concerning controls effectiveness can be reported in the Company's quarterly reports on Form 10-QSB and annual report on Form 10-KSB. The overall goals of these various review and evaluation activities are to monitor the Company's disclosure controls and to make modifications, as necessary. In this regard, the Company's intent is that the disclosure controls will be maintained as dynamic controls systems that change (including improvements and corrections) as conditions warrant.

Conclusions

Based upon the controls evaluation, the Company's CEO and CFO have concluded that, as of the end of the period covered by this report, the Company's disclosure controls are effective to provide reasonable assurance that information required to be disclosed in the Company's reports filed under the Securities Exchange Act such as this report, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There has been no change in the Company's internal controls over financial reporting during the fiscal quarter ended March 31, 2005 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART III

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following table shows the positions held by our board of directors and executive officers and their ages as of June 14, 2005.

Name	Age	Position
Ronald Wilen	65	Chairman of the Board and Director
Brian King	52	Chief Executive Officer
James McKeever, CPA	39	Interim Chief Financial Officer
Louis Bernstein	55	Director
Andrea Pampanini	64	Director
Martin Rappaport	68	Director

The principal occupations for the past five years (and, in some instances, for prior years) of each of our executive officers and directors are as follows:

Ronald Wilen. Mr. Wilen has served as a member of our board since October 1995. Mr. Wilen served as our Chief Executive Officer from October 1995 to September 2004, our President from October 1995 to August 2001 and has been our Chairman of the Board since August 2001.

Brian King. Mr. King was appointed as the company's Chief Executive Officer in September 2004. Prior to joining United Energy he was employed by Concord Camera Corp., a publicly traded company, from 1996 through 2004. During his tenure with Concord, Mr. King held several senior level officer positions including Chief Operating Officer and Senior Executive Vice President. Mr. King holds a BS from the University of Maryland and an MBA from Long Island

University.

James McKeever, CPA. Mr. McKeever has been our Interim Chief Financial Officer since January 2004. He also continues to be a partner in the accounting firm of Abrams & McKeever CPA's, which he joined in January 2000. Mr. McKeever has more than 15 years' experience in public accounting and financial reporting, and is a member of the American Institute of Certified Public Accountants.

Louis Bernstein. Mr. Bernstein has served as a member of our board since September 2003. Mr. Bernstein is currently the Assistant General Counsel of Pfizer Inc., one of the world's largest pharmaceutical companies, where he has served as Pfizer's corporate counsel since December 1975.

Andrea Pampanini. Mr. Pampanini has served as a member of our board since December 2001. Mr. Pampanini is an organizational advisor with extensive restructuring, marketing and strategic planning experience serving, among other industries, the chemical, petroleum, pharmaceutical, basic metals, electrical equipment, power generation and heavy industrial goods sectors. In 1989, Mr. Pampanini founded Turnaround Associates Inc., a consulting firm specializing in the financial and operational organization of medium to large-sized companies. Since 1998, Mr. Pampanini has been a member of Leadership Strategies LLC, a group of professionals specializing in strategic planning and personal leadership coaching. Mr. Pampanini has devoted a major portion of his career to the Middle East, including serving as Executive Vice President of Development Resources Corporation from 1971 to 1977, during which time he supervised the final phases of the Dez hydroelectric power and irrigation project in Iran.

Martin Rappaport. Mr. Rappaport has served as a member of our board since June 2001. Mr. Rappaport is self-employed. For more than 30 years, he has developed and managed commercial and residential real estate (including owning the building where our office is located). Mr. Rappaport is an active supporter and contributor to Blythedale Children's Hospital in Valhalla, New York.

Directors are elected annually and serve until the next annual meeting of the Company's stockholders, and until their successors have been elected and have qualified. Officers are appointed to their positions, and continue in such positions, at the discretion of the directors.

Committees of the Board

We do not currently have any formal board committees.

Director Compensation

Each non-employee director receives options for 10,000 shares of our common stock in lieu of an annual retainer and meeting fees. Other than the 10,000 options granted there are no special fees, contracts entered into, or payments made in consideration of any director's service as a director.

Indebtedness of Executive Officers and Directors

No executive officer, director or any member of these individuals' immediate families or any corporation or organization with whom any of these individuals is an affiliate is or has been indebted to us since the beginning of our last fiscal year.

Family Relationships

There are no family relationships among our executive officers and directors.

Legal Proceedings

During the past five years, none of our executive officers, directors, promoters or control persons has been involved in a legal proceeding material to an evaluation of the ability or integrity of such person.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Act of 1934, as amended, requires our directors and executive officers, and persons who own more than 10% our outstanding common stock, to file with the SEC, initial reports of ownership and reports of changes in ownership of our equity securities. These persons are required by SEC regulations to furnish us with copies of all the reports they file.

To our knowledge, based solely on a review of the copies of the reports furnished to us and written or oral representations that no other reports were required for those persons during the fiscal year ended March 31, 2005, we believe that all of our officers, directors and greater than 10% beneficial owners complied with the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934, as amended.

Code of Ethics

We are in the process of adopting a code of ethics that will apply to all of our directors, officers, employees and independent contractors. The code of ethics will also have specific provisions applicable to all employees with access to, and responsibility for, matters of finance and financial management, including our chief executive officer and interim chief financial officer. Once adopted by our board of directors, the full text of the code of ethics will be available at, and we intend to disclose any amendments to, or waivers from, any provision of the code of ethics that applies to any of our executive officers or directors by posting such information on our website at www.unitedenergycorp.net, or provide a copy of the code of ethics, free of charge, to those persons that make a request in writing (Attn: Robert M. Guinta) or by e-mail (rguinta@unitedenergycorp.net).

ITEM 10. EXECUTIVE COMPENSATION

The following Summary Compensation Table sets forth, for the years indicated, all cash compensation paid, distributed or accrued for services, including salary and bonus amounts, rendered in all capacities by our chief executive officer and all other executive officers who received or are entitled to receive remuneration in excess of $100,000 during the stated periods.

Summary Compensation Table

		Annual Compensation			Long-term Compensation		
Name and Principal Position	Fiscal year	Salary	Bonus	Other Annual Compensation	Restricted Stock Award(s)	Securities Underlying Options/SARs	L Pay
		($)	($)	(1)		(#)	(
Ronald Wilen	2005	205,547	-	18,639(2)	-	-	
Chairman	2004	196,931	-	22,266(2)	-	-	
Brian King CEO (3)	2005	60,000	-	-	-	1,250,000	
Sanford M. Kimmel (4)	2005	-	-	-	-	-	
Chief Financial Officer	2004	88,467	3,014	12,485	-	-	

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(1) We pay for medical insurance for all employees. Included in the table is the amount of the premiums paid by us dependent on the coverage provided.

(2) During the fiscal years ended March 31, 2005 and 2004, we paid for the leases on two automobiles used by Mr. Wilen under monthly lease payments. We also paid for medical insurance for Mr. Wilen at a rate of $509.59 per month.

(3) Mr. King was appointed as our Chief Executive Officer in September 2004 with an annual salary of $104,000.

(4) Mr. Kimmel resigned as our Chief Financial Officer in December 2003.

Options/SAR Grants in Fiscal Year Ended March 31, 2005

Name	Number of Securities Underlying Options/ SARs Granted	Percent of Total Options/SARs Granted to Employees in Fiscal Year	Exercise or Base Price	E
	(#)		($/Sh)	
Ronald Wilen Chairman	--	--	--	
Brian King CEO (1)	1,250,000	100%	$1.00	

(1) Mr. King was appointed as our Chief Executive Officer in September 2004.

Aggregated Option/SAR Exercises in Fiscal Year Ended March 31, 2005 and Fiscal Year End Option/SAR Values

Name	Shares Acquired on Exercise	Value Realized	Number of Securities Underlying Unexercised Options/SARs at Fiscal Year End Exercisable/Unexercisable	Value of T Options Exercisa
	(#)	($)	(#)	
Ronald Wilen Chairman	--	--	--	
Brian King CEO (1)	--	--	--	

(1) Mr. King was appointed as our Chief Executive Officer in September 2004.

Stock Option Plan

In August 2001, our stockholders approved the 2001 Equity Incentive Plan which provides for the grant of stock options to purchase up to 2,000,000 shares of common stock to any employee, non-employee director or consultant at our board's discretion. Under the 2001 Equity Incentive Plan, options may be exercised for a period up to ten years from the date of grant. Options issued to employees are exercisable upon vesting, which can range between the date of the grant to up to five years.

An amendment and restatement of the 2001 Equity Incentive Plan increasing the number of shares issuable under the plan to a total of 4,000,000 was approved by the Board of Directors on May 29, 2002 and was approved by our shareholders at the annual meeting.

Under the 2001 Plan, options are granted to non-employee directors upon election at the annual meeting of stockholders at a purchase price equal to the fair market value on the date of grant. In addition, non-employee director stock options shall be exercisable in full twelve months after the date of grant unless determined otherwise by the compensation committee.

There were stock options to purchase 545,000 shares of our common stock available for future grant as of March 31, 2005 under the 2001 Equity Incentive Plan.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Beneficial Ownership Information

The following table sets forth information regarding the number of shares of our common stock beneficially owned on June 9, 2005, by each of our directors, each of our executive officers named in the Summary Compensation Table above, all of our executive officers and directors as a group, and by any person or "group," as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, known to us to own beneficially more than 5% of the outstanding shares of our common stock. Except as otherwise set forth below, the address of each of the persons listed below is c/o United Energy Corp., 600 Meadowlands Parkway, #20, Secaucus, New Jersey 07094.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership(1)	Percent of Class (1)
Ronald Wilen	4,087,000(2)	17.2%
Brian King	500,000(3)	2.1%
James McKeever, CPA	3,000	*
Louis Bernstein	--	*
Andrea Pampanini	52,500(4)	*
Martin Rappaport	3,020,100(5)	12.5%
Sanford M. Kimmel(6)	--	*
All current executive officers and directors as a group (5 persons)	7,652,600	30.8%
5% or Greater Stockholders:		
UNRG Investments LLC	1,500,000(7)	6.3%

3960 Howard Hughes Parkway, 5th Floor Las Vegas, NV 89109		
LSR Capital UNRG, LLC 50 Charles Lindbergh Blvd., Suite 500 Uniondale, NY 11553	1,500,000(7)	6.3%
Robert L. Seaman 515 Madison Ave. New York, NY 10022	1,866,359(8)	7.9%
Laurus Master Fund, Ltd. c/o Ironshore Corporate Services Ltd. P.O. Box 1234 G.T. Queensgate House, South Church Street Grand Cayman, Cayman Islands	1,742,200(9)	7.3%
Joseph J. Grano, Jr. 375 Park Avenue, Suite 2008 New York, NY 10152	2,466,667(10)	10.1%

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* Less than 1% of outstanding shares.

(1) Unless otherwise indicated in these footnotes, each stockholder has sole voting and investment power with respect to the shares beneficially owned. All share amounts reflect beneficial ownership determined pursuant to Rule 13d-3 under the Exchange Act. All information with respect to beneficial ownership has been furnished by the respective director, executive officer or stockholder, as the case may be.

(2) Includes (i) stock options to purchase 400,000 shares at an exercise price of $1.11 per share, and (ii) stock options to purchase 100,000 shares at an exercise price of $1.80 per share, which are currently exercisable.

(3) Represents stock options to purchase 1,250,000 shares at an exercise price of $1.00 per share. Of the 1,250,000 shares covered by the stock options, 500,000 shares are currently exercisable and 750,000 shares shall vest and become exercisable on September 7, 2005.

(4) Includes stock options to purchase 10,000 shares at an exercise price of $.70 per share and 10,000 shares at an exercise price of $1.80 per share, which are currently exercisable.

(5) Includes (i) stock options to purchase 10,000 shares at an exercise price of $.70 per share and 10,000 shares at an exercise price of $1.80 per share, which are currently exercisable, but are subject to reduction, on a proportional basis, if Mr. Rappaport voluntarily resigns as a director prior to November 2004; and (ii) stock options to purchase 50,000 shares at an exercise price of $1.11 per share and warrants to purchase 750,000

shares of common stock at an exercise price of $2.00 per share, which are currently exercisable.

(6) Mr. Kimmel resigned as our Chief Financial Officer in December 2003.

(7) Includes 1,000,000 shares of common stock and warrants to purchase 500,000 shares of common stock.

(8) Includes (i) 1,366,359 shares held by Mr. Seaman; (ii) 100,000 shares held by the law firm Seaman & Wehle, of which Mr. Seaman is a member; and (iii) options to purchase 400,000 shares at an exercise price of $1.11 per share, all of which are currently exercisable.

(9) Represents 1,142,200 shares which may be acquired immediately upon conversion of an outstanding secured convertible term note at a conversion price of $0.80 per share and 600,000 shares which may be purchased immediately upon exercise of an outstanding common stock purchase warrant at an average exercise price of $1.50 per share. The convertible note and warrant contain provisions which restrict Laurus from beneficially owning in excess of 4.9% of our outstanding shares of common stock. Laurus Capital Management, LLC, a Delaware limited liability company, may be deemed a control person of the shares owned by Laurus Master Fund, Ltd. David Grin and Eugene Grin are the principals of Laurus Capital Management, LLC. The address for Messrs. Grin is 825 Third Avenue, 14th Floor, New York, New York 10022.

(10) Includes 1,266,667 shares of common stock, warrants to purchase 500,000 shares of common stock and warrants to acquire 700,000 shares of common stock.

Equity Compensation Plan Information

The following table provides information regarding the status of our existing equity compensation plans at March 31, 2005.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding option, warrants and rights	N (
Equity compensation plans approved by security holders	3,455,000	$1.20	
Equity compensation plans not approved by	5,125,000	$1.63	

security holders	
Total	8,580,000

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Martin Rappaport, one of our directors, owns the building in which we lease our principal executive offices in Secaucus, New Jersey. We pay approximately $100,000 per year under the lease, excluding real estate taxes. We believe that this transaction was advantageous to us and was on terms no less favorable to us than could have been obtained from unaffiliated third parties.

ITEM 13. EXHIBITS

(a)(1) and (2): The response to this portion of Item 15 is submitted as a separate section of this Report beginning on page F-1.

(a)(3) Exhibits:

Exhibit Number and Description	
3.1	Articles of Incorporation of United Energy Corp.(1)
3.2	Amendment to the Articles of Incorporation.(2)
3.3	By-Laws of United Energy Corp.(1)
4.1	Articles of Incorporation: Articles Fourth, Fifth and Seventh.(1)
4.2	By-Laws: Article I: Sections: Six, Seven, Eight, Nine, Ten; Article II: Section Nine: Article IV: Section Two.(1)
4.3	Form of Stock Certificate of United Energy Corp.(1)
4.4	Secured Convertible Term Note dated March 24, 2004.(4)
10.1	Distribution Agreement and Option Agreement with International Research and Development, dated August 25, 1999.(1)
10.2	2001 Equity Incentive Plan, as amended on May 29, 2002.(5)
10.3	Securities Purchase Agreement, dated March 24, 2004, between United Energy Corp. and Laurus Master Fund, Ltd.(4)
10.4	Secured Convertible Term Note, dated March 24, 2004.(4)
10.5	Security Agreement, dated March 24, 2004, between United Energy Corp. and Laurus Master Fund, Ltd.(4)
10.6	Registration Rights Agreement, dated March 24, 2004, between United Energy Corp. and Laurus Master Fund, Ltd.(4)
10.7	Common Stock Purchase Warrant, dated March 24, 2004.(4)

16.1 Letter re Change in Certifying Accountant.(3)

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Exchange Act.

31.2 Certification of Interim Chief Financial Officer pursuant to Rule 13a-14(a) under the Exchange Act.

32.1 Certification of Chief Executive Officer and Interim Chief Financial Officer pursuant to Rule 13a-14(b) under the Exchange Act and 18 U.S.C. Section 1350.

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(1) Incorporated by reference from the exhibits filed with the Form 10 on June 20, 2000.

(2) Incorporated by reference from the exhibits filed with the Form 10-Q for the period ended September 30, 2001.

(3) Incorporated by reference from the exhibits filed with the Form 8-K filed on June 3, 2002.

(4) Incorporated by reference from the exhibits filed with the Form 8-K filed on March 30, 2004.

(5) Incorporated by reference from the exhibits filed with the Schedule 14A for the year ended March 31, 2003.

(6) Incorporated by reference from the exhibits filed with the Registration Statement on Form SB-2 (No. 333-115484).

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

The aggregate fees billed or expected to billed by Imowitz, Koenig & Co., LLP ("Imowitz") for professional services rendered for the audit of our annual financial statements for the fiscal year ended March 31, 2005 and 2004 and for the reviews of the interim financial statements included in our Quarterly Reports on Form 10-QSB for the fiscal years were approximately $65,800 and $47,400, respectively.

Audit-Related Fees

No fees were billed by Imowitz for audit-related services rendered for accounting consultations for the fiscal years ended March 31, 2005 and 2004.

Tax Fees

No fees were billed by Imowitz for tax services rendered for the fiscal years ended March 31, 2005 and 2004.

All Other Fees

Imowitz did not render any other services, other than the services described above under "Audit Fees," "Audit-Related Fees" and "Tax Fees" for the fiscal year ended March 31, 2005 or for the fiscal year ended March 31, 2004.

Audit Committee

Our board of directors has established a policy requiring its pre-approval of all audit services and permissible non-audit services provided by the independent auditors, along with the associated fees for those services. The policy requires the specific pre-approval of all permitted services. When considering the pre-approval of non-audit services, our board considers whether the provision of such non-audit service is consistent with the auditor's independence and the Securities and Exchange Commission rules regarding auditor independence. Additionally, our board considers whether the independent auditors are best positioned and qualified to provide the most effective and efficient service, based on factors such as the independent auditors' familiarity with our business, personnel, systems or risk profile and whether provision of the service by the independent auditors would enhance our ability to manage or control risk or improve audit quality or would otherwise be beneficial to us.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNITED ENERGY CORP.

Date: June 14, 2005

By: /s/ Brian King
Brian King
Chief Executive Officer
(principal executive officer)

By: /s/ James McKeever
James McKeever
Interim Chief Financial Officer
(principal financial and accounting officer)

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

UNITED ENERGY CORP.

Date: June 14, 2005

By: /s/ Brian King
Brian King
Chief Executive Officer

By: /s/ James McKeever
James McKeever
Interim Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Brian King Brian King	Chief Executive Officer and Director (principal executive officer)	June 14
/s/ James McKeever James McKeever	Interim Chief Financial Officer (principal financial and accounting officer)	June 14
Louis Bernstein	Director	June 14
/s/ Andrea Pampanini Andrea Pampanini	Director	June 14
/s/ Martin Rappaport Martin Rappaport	Director	June 14

UNITED ENERGY CORP. AND SUBSIDIARIES

FORM 10-KSB

ITEM 7

INDEX OF FINANCIAL STATEMENTS AND SCHEDULES

The following financial statements of United Energy Corp. and its subsidiaries required to be included in Item 7 is listed below:

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Report of independent registered public accounting firm.........................	F-2
Consolidated balance sheets as of March 31, 2005 and March 31, 2004.............	F-3-F-4
For the periods ended March 31, 2005 and 2004:	
Consolidated statements of operations.................................	F-5
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of United Energy Corporation:

We have audited the accompanying consolidated balance sheets of United Energy Corporation (a Nevada corporation) and subsidiaries as of March 31, 2005 and March 31, 2004 and the related consolidated statements of income, cash flows and stockholders' equity for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of United Energy Corporation and subsidiaries as of March 31, 2005 and March 31, 2004 and the consolidated results of their operations and their consolidated cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has incurred recurring losses and negative cash flows from operations. These matters raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ IMOWITZ, KOENIG & CO., LLP
New York, New York
June 1, 2005

UNITED ENERGY CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2005 AND 2004

	March 31, 2005	M
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 365,610	$
Accounts receivable, net of allowance for doubtful accounts of $22,192 and $45,736 respectively	783,004	
Inventory, net of allowance of $16,290 and $16,290, respectively	135,960	
Note receivable, net of reserve of $31,350 and $31,350, respectively	28,650	
Prepaid expenses and other current assets	120,574	
Total current assets	1,433,798	

PROPERTY AND EQUIPMENT, net	165,587
OTHER ASSETS:	
Goodwill, net	15,499
Patents, net of accumulated amortization of $92,486 and $67,032, respectively	295,603
Loans receivable	137
Deposits	1,385
Deferred financing costs, net of accumulated amortization of $104,303 and $2,000, respectively	206,590
Total assets	$2,118,599

The accompanying notes are an integral part of these consolidated statements

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UNITED ENERGY CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2005 AND 2004

	March 31, 2005
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES:	
Accounts payable	$ 258,940
Accrued expenses	96,106
Convertible term note payable	583,330
Due to related parties	377,741
Total current liabilities	1,316,117
LONG TERM LIABILITIES:	
Convertible term note payable	672,268
Total liabilities	1,988,385
STOCKHOLDERS' EQUITY:	
Common stock: $0.01 par value 100,000,000 shares	

authorized; 23,255,267 and 22,180,270 shares issued and outstanding as of March 31, 2005 and March 31, 2004	232,552
Additional paid-in capital	12,308,963
Stock subscription receivable	(13,333)
Accumulated deficit	(12,397,968)
Total stockholders' equity	130,214
Total liabilities and stockholders' equity	$ 2,118,599

The accompanying notes are an integral part of these consolidated statements

UNITED ENERGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004

	2005	
REVENUES, net	$ 1,850,954	$
COST OF GOODS SOLD	759,064	
Gross profit	1,091,890	
OPERATING EXPENSES:		
Selling, general and administrative	2,581,033	
Oil well operating and maintenance cost-net	-	
Impairment loss	2,010	
Depreciation, amortization and depletion	84,401	
Total operating expenses	2,667,444	
Loss from operations	(1,575,554)	(
OTHER INCOME (EXPENSE), net:		
Interest income	7,796	
Interest expense	(287,118)	
Total other (expense) income, net	(279,322)	
Net loss	$(1,854,876)	$(

BASIC AND DILUTED LOSS PER SHARE:		
Total basic and diluted loss per share	$ (0.08)	$
WEIGHTED AVERAGE NUMBER OF SHARES, OUTSTANDING, basic and diluted	22,365,901	2

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

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UNITED ENERGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004

	Common Stock		Additional	
	Shares	Amount	Paid-In Capital	Accumulated Deficit
BALANCE, April 1, 2003	22,180,270	221,802	10,698,752	(7,973,994)
Options granted in consideration for services	--	--	9,700	--
Warrants granted in consideration for convertible term note	--	--	281,670	--
Warrants granted in consideration for finance services	--	--	153,144	--
Net loss	--	--	--	(2,569,098)
BALANCE, March 31, 2004	22,180,270	221,802	11,143,266	(10,543,092)
Warrants granted in lieu of accrued expenses	--	--	75,000	--
Common stock issued in consideration for services	112,500	1,125	84,375	--
Warrants granted in consideration for services	--	--	48,240	--
Common stock issued in conversion of note payable	150,000	1,500	148,500	--
Common stock issued in consideration for interest expense	12,497	125	12,372	--
Warrants granted in consideration for convertible term note	--	--	165,210	--
Common stock issued for private placement	800,000	8,000	632,000	--
Net loss	--	--	--	(1,854,876)

BALANCE, March 31, 2005	23,255,267	232,552	12,308,963	(12,397,968)

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

UNITED ENERGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(1,854,876)	$(2,569,098)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation, amortization and depletion	322,630	159,241
Impairment loss	2,010	121,777
Stock granted in consideration for services	85,500	--
Warrants granted in consideration for services	48,240	--
Stock granted in consideration for interest expense	12,497	--
Options granted in consideration for services	--	9,700
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable, net	(389,063)	102,774
Decrease in inventory	40,527	34,857
Decrease in note receivable	35,000	85,384
(Increase) decrease in prepaid expenses	(40,279)	24,231
Decrease (increase) in deposits	75,000	(45,000)
(Decrease) increase in accounts payable and accrued expenses	(225,167)	162,967
Net cash used in operating activities	(1,887,981)	(1,913,167)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Receipts from loans receivable-net	1,401	538
Proceeds from sale of fixed asset	15,000	--
Payments for acquisition of property and equipment-net	(29,469)	(177,843)
Payments for patent	(11,633)	(102,695)
Net cash used in investing activities	(24,701)	(280,000)

CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from convertible term note	--	1,750,000
Proceeds from related party payable	133,600	
Payments of finance costs	--	(159,750)
Proceeds from issuance of common stock	626,667	--
Net cash provided by financing activities	760,267	1,590,250
Net decrease in cash and cash equivalents	(1,152,415)	(602,917)
CASH AND CASH EQUIVALENTS, beginning of period	1,518,025	2,120,942
CASH AND CASH EQUIVALENTS, end of period	$ 365,610	$ 1,518,025

The accompanying notes are an integral part of these consolidated statements

UNITED ENERGY CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2005 AND 2004

	2005	2004
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period		
Interest	$ 92,885	$ 2,882
Income taxes	$ 1,520	$ 2,154
Discount on convertible term loan	$ 165,210	$281,670
Debt financing costs	$ --	$153,143
Conversion of note payable into common stock	$ 150,000	$ --
Conversion of accrued expenses due to a former employee into warrants	$ 75,000	$ --

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

UNITED ENERGY CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005 AND 2004

1. DESCRIPTION OF BUSINESS AND BUSINESS PLAN

United Energy Corp. ("United Energy" or the "Company") considers its primary business focus to be the development, manufacture and sale of environmentally friendly specialty K-Product Line of Chemicals.

Green Globe is operated as a separate subsidiary of United Energy and sells its products under the tradename Qualchem'TM'. Green Globe gives United Energy access to the chemistry and product lines of Green Globe which include environmentally friendly paint strippers and cleaners, many of which have been qualified for use by the U.S. Military. Green Globe developed a dual package of cleaning and drying "wipes" which produce a clear, non-reflective coating on glasses, computer screens and instrument panels. The "wipes" were developed for, and have received U.S. Military approval for, the cleaning of the instrument panels of combat aircraft.

United Energy's chemists have also developed an environmentally friendly fire-retardant agent named FR-15. FR-15 begins as a concentrate which can be mixed with varying amounts of water, depending on the anticipated use. FR-15 mixture also resists re-ignition once a fire has been extinguished. This product can also be used to reduce odors, such as those from decomposing garbage, and for soil remediation following petroleum-based contamination. Our FR-15 product has been developed and successfully tested by several municipal fire departments. Underwriters Laboratories ("UL") did not have an approved test for FR-15 as a dispersant. A reformulation of FR-15 was developed to pass the UL fire extinguisher test. The reformulated product is being resubmitted for testing and certification by Underwriters Laboratories ("UL"). We expect that sales of FR-15 will commence when the product receives UL certification.

United Energy also produces a specialty chemical product called UNIPROOF'r', which is a photosensitive coating that is applied to paper to produce what is known in the printing industry as proofing paper or "blue line" paper.

Slick Barrier is an underwater protective coating which prevents the adherence of barnacles to boat hulls. The product is another in the Company's line of environmental products in that it is environmentally friendly and biodegradable, which the Company believes to be particularly appealing in fresh water marine applications. The product is still being tested on pleasure boats throughout the United States and Europe. We expect to begin sales of the product by the end of 2005. A patent application on this product is in process.

During the past two fiscal years ended March 31, 2005 and 2004, we have recorded aggregate losses from operations of $4,423,974 and have incurred total negative cash flows from operations of $3,801,148 for the same two-year period. These matters raise substantial doubt about the Company's ability to continue as a going concern. The Company's consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our continued existence is dependent upon several factors, including increased sales volumes, collection of existing receivables and the ability to achieve profitability from the sale of our product lines. In order to increase our cash flow, we are continuing our efforts to stimulate sales and cut back expenses not directly supporting our sales and marketing efforts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of United Energy Corp. and its wholly-owned subsidiary Green Globe Industries, Inc. and currently inactive subsidiary, Nor-Graphic Industries. All intercompany transactions and accounts have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in accordance with accounting principals generally accepted in the United States of America requires United Energy to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities.

On an on-going basis, United Energy evaluates its estimates, including those related to bad debts, inventories, intangible assets, contingencies and litigation. United Energy bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Revenue Recognition

The Company's primary source of revenue is from the sales of its products. The Company recognizes revenue upon shipment and transfer of title.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly liquid investments with original maturities of three months or less.

Inventories

Inventories consist predominately of finished goods. Inventories are valued at the lower of cost (first-in, first-out method) or market.

Allowance for Doubtful Accounts

The Company monitors its accounts and note receivable balances on a monthly basis to ensure they are collectible. On a quarterly basis, the Company uses its historical experience to determine its accounts receivable reserve. The Company's allowance for doubtful accounts is an estimate based on specifically identified accounts as well as general reserves. The Company evaluates specific accounts where it has information that the customer may have an inability to meet its financial obligations. In these cases, management uses its judgment, based upon the best available facts and circumstances, and records a specific reserve for that customer against amounts due to reduce the receivable to the amount that is expected to be collected . These specific reserves are reevaluated and adjusted as additional information is received that impacts the amount reserved. The company also establishes a general reserve based upon a range of percentages applied to aging categories. These percentages are based on historical collection and write-off experience. If circumstances change, the Company's estimate of the recoverability of amounts due the company could be reduced or increased by a material amount. Such a change in estimated recoverability would be accounted for in the period in which the facts that give rise to the change become known.

Property and Equipment

Property and equipment are stated at cost. Depreciation has been calculated over the estimated useful lives of the assets ranging from 3 to 15 years. Leasehold improvements are amortized over the lives of the respective leases (15 years), which are shorter than the useful life. The cost of maintenance and repairs is expensed as incurred. Depreciation and amortization expense for the years ended March 31, 2005 and 2004 was $92,196 and $132,660, respectively.

Property and equipment consists of the following at March 31, 2005 and 2004:

	2005
Furniture and fixtures	$ 74,379
Machinery and equipment	288,450
Vehicles	82,139
Leasehold improvements	26,203

....	471,171
Less- Impairment loss...	--
Less- Accumulated depreciation and amortization........................	(305,584
Property and equipment, net..	$ 165,587

Goodwill

The Company capitalized goodwill related to the acquisition of Green Globe in September of 1998. Goodwill represents cost in excess of fair value on the net assets acquired. Goodwill was amortized over a 15 year period using a straight line amortization method until the adoption of SFAS No. 142 "Goodwill and Other Intangible Assets," on April 1, 2002. Under SFAS No. 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. Separable intangible assets that are not deemed to have indefinite lives will continue to be amortized over their useful lives (but with no maximum life). Effective April 1, 2002, the Company adopted the provisions of SFAS No. 142, which had no material effect on its results of operations and financial position.

As required by SFAS 142, the Company completed its transitional impairment testing of intangible assets. Under SFAS 142, the goodwill impairment exists if the net book value of a reporting unit exceeds its estimated fair value. The impairment testing is performed in two steps: (i) the Company determines impairment by comparing fair value of a reporting unit with its carrying value, and (ii) if there is an impairment the Company measures the amount of impairment loss by comparing the implied fair value of goodwill with the carrying amount of that goodwill.

As of March 31, 2005 the Company completed its annual impairment testing of goodwill. The Company estimated the fair value of its goodwill by using discounted cash flow analysis. As a result of the impairment tests, the Company recorded a goodwill impairment charge of $2,010 related to the Green Globe segment, during the year ended March 31, 2005. During the year ended March 31, 2004, the Company recorded a goodwill impairment charge of $51,310.

Goodwill consists of the following at March 31, 2005 and 2004:

	2005
Goodwill..	$ 86,523
Less: Impairment loss...	53,320
Less: Accumulated amortization..	17,704
Goodwill, net...	$ 15,499

Patents

The Company capitalizes legal costs incurred to obtain patents. Amortization begins when the patent is approved using the straight-line basis over the estimated useful life of 15 years.

Oil Well Leases

On April 4, 2003, the Company purchased oil leases for six oil wells in Laramie County, Wyoming (the "Wyoming Wells") for an aggregate purchase price of $97,616. In addition to operating the wells, the Company used the wells to test its products. During the year ended March 31, 2004, the Wyoming Wells produced oil which generated $34,636 in revenues and incurred operating costs and start-up maintenance and repair costs of $137,298.

The Company capitalized $17,352 for the oil leases and $68,571 for equipment, net of depreciation, amortization and depletion at March 31, 2004. The Company recorded an asset retirement obligation of $30,000 to cover the cost of capping the wells in accordance with SFAS No. 143, "Accounting for Asset Retirement Obligations."

As of March 31, 2004 the company reviewed the carrying value of the oil well leases held by United Oil Corp. The Company estimated that the carrying value of the oil leases should be adjusted due to the sale of the oil well leases in April 2004. As a result the Company recorded an oil leases' impairment loss of $70,467.

In April 2004, the Company sold their oil well leases located in Laramie County, Wyoming for $15,000 and a 4.5% royalty on all future oil sales from these wells. The company recognized no gain or loss on the sale of the oil well leases. In May 2004, the state of Wyoming returned the $75,000 deposit made by the company at the time the oil leases were purchased. There were no royalty payments received during the year ended March 31, 2005.

Accounting for Long-Lived Assets

The Company's long-lived assets include property and equipment and patents.

In accordance with SFAS 144, long-lived assets other than goodwill are reviewed on a periodic basis for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are determined based on the temporary differences between the financial statement and the income tax bases of assets and liabilities and for net operating loss carry forwards existing at the balance sheet date using enacted tax rates in effect for the years in which the taxes are expected to be paid or recovered. A valuation allowance is established when it is considered more likely than not that such assets will not be realizable. The effect on deferred tax assets or liabilities of a change in tax rates is recognized in the period in which the tax change occurs.

Stock-Based Compensation

At March 31, 2005, the Company has stock based compensation plans, which are described more fully in Note 10. As permitted by SFAS No.123, Accounting for Stock Based Compensation, the Company accounts for stock-based compensation arrangements with employees in accordance with provisions of Account Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees. Compensation expense for stock options issued to employees is based on the difference on the date of grant, between the fair value of the Company's stock and the exercise price of the option. There was no stock based employee compensation cost for the years ended March 31, 2005 and 2004. The Company accounts for equity instruments issued to non-employees in accordance with the provisions of SFAS No.123 and Emerging Issues Task Force (EITF) Issue No.96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services." All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. Stock based compensation for non-employees was $208,740 and $9,700 for the years ended March 31, 2005 and 2004.

The following table illustrates the effect on net loss and loss per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to all stock based compensation:

	2005	2004
Net loss as reported	$ (1,854,876)	$ (2,569,098)
Add:		
Stock based compensation expenses included in reported net loss	208,740	9,700
Deduct:		
Total stock based employee compensation expense determined under fair value based method for all awards	(690,488)	(1,361,668)
Pro forma	$ (2,336,624)	$ (3,921,066)
Basic and diluted loss per common share		
As reported	$ (0.08)	$ (0.12)
Pro forma	$ (0.10)	$ (0.18)

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Recently Issued Accounting Standards

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123 (Revised 2004), "Share-Based Payment" ("SFAS No. 123R"). This revised accounting standard eliminates the ability to account for share-based compensation transactions using the intrinsic value method in accordance with APB Opinion No. 25 and requires instead that such transactions be accounted for using a fair-value-based method. SFAS No. 123R requires public entities to record noncash compensation expense related to payment for employee services by an equity award, such as stock options, in their financial statements over the requisite service period. SFAS No. 123R is effective as of the beginning of the first interim or annual period that begins after December 15, 2005 for small business issues. The Company does not plan to adopt SFAS No. 123R prior to its fourth-quarter of fiscal 2006. The Company expects that the adoption of SFAS No. 123R will have a negative impact on the Company's consolidated results of operations. The company has historically provided pro forma disclosures pursuant to SFAS No. 123 and SFAS No. 148 as if the fair value method of accounting for stock options had been applied, assuming use of the Black-Scholes option-pricing model. Although not currently anticipated, other assumptions may be utilized when SFAS No. 123R is adopted.

Per Share Data

SFAS No. 128 establishes standards for computing and presenting earnings per share ("EPS"). The standard requires the presentation of basic EPS and diluted EPS. Basic EPS is calculated by dividing income/loss available to common shareholders by the weighted average number of shares of common stock outstanding during the period. Diluted EPS is calculated by dividing income/loss available to common shareholders by the weighted average number of common shares outstanding adjusted to reflect potentially dilutive securities. Diluted loss per share for the years ended March 31, 2005 and 2004 does not include 8,580,000, and 6,430,000 stock options and warrants since the inclusion of the outstanding stock options and warrants would be antidilutive.

Concentrations of Risk

Cash and Cash Equivalents

The Company maintains cash balances at financial institutions insured up to $100,000 by the Federal Deposit Insurance Corporation. Balances exceeded these insured amounts during the year.

Accounts and Notes Receivable

The Company had three customers which accounted for 87% and 50% of the total accounts receivable at March 31, 2005 and 2004 respectively. One company accounted for 14% and 50%, the second accounted for 56% and 0%, and the last accounted for 17% and 0% at March 31, 2005 and 2004 respectively. Credit losses, if any, have been provided for in the consolidated financial statements and are based on management's expectations.

At March 31, 2003, the Company converted an accounts receivable balance of $179,034 to a one year note receivable. The note accrues interest at the rate of 4.5%, was to be paid in 12 monthly installments and provides for a security interest in the inventory held by this customer. During the year ended March 31, 2004, the customer returned goods in the amount of $30,226, which reduced the note. Principal payments in the amount of $53,808 have also been received. In addition, the Company increased the reserve by $1,350 to $31,350. No interest has been paid to date. On March 28, 2004, the customer agreed to a balance of $95,000, which was to be paid $5,000 per month. During the year ended March 31, 2005, the customer made seven monthly payments. The balance at March 31, 2005 is $60,000, prior to the reserve of $31,350.

Significant Customers

The Company's revenues from major customers, as a percentage of revenues, for the years ended March 31, 2005 and 2004, are as follows:

	2005	2004
Customer A	3%	10%
Customer B	30%	46%
Customer C	39%	0%

Vendors

The Company purchased supplies from major venders for the years ended March 31, 2005 and 2004, as follows:

	2005	2004
Vendor A	21%	27%
Vendor B	12%	8%
Vendor C	11%	0%

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, note and loan receivable, inventory, accounts payable and accrued expenses approximate their fair values due to the short-term maturity of these instruments.

Reclassification

Certain amounts from the prior year consolidated financial statement have been reclassified to conform to current year presentation with no effect on net income.

3. INVENTORY

Inventory consists of the following as of March 31, 2005 and 2004:

	2005	2004
Paper	$ -	$ 4
Blended chemical	80,380	104
Raw materials	55,580	67
Total inventory	$ 135,960	$ 176

4. RELATED PARTY TRANSACTIONS

The Company had an amount due to Robert Seaman, a major shareholder and former director of the Company. The amount due as of March 31, 2005 and 2004 is $244,141. This amount is unsecured, non-interest bearing and due upon demand.

Martin Rappaport, a major shareholder and director of the Company, owns the property from which United Energy leases the 9,600 square foot facility it occupies in Secaucus, New Jersey. The Company pays approximately $108,000 per year under the lease, excluding real estate taxes. The Company believes that the lease is at fair market value with leases for similar facilities.

During January and February 2005, the Companies Chairman of the Board, Ron Wilen, loaned the Company $133,600. The loan was unsecured, non interest bearing and due upon demand. This loan was repaid in April 2005.

5. CONVERTIBLE DEBT

On March 24, 2004, the Company issued a secured convertible term note (the "Term Note") in the amount of $1,750,000, which has a term of three years and accrues interest at the greater of the prime rate of interest, currently 5.75% per year at March 31, 2005 (as published in the Wall Street Journal), or 4% per year. Interest is payable monthly in arrears commencing on May 1, 2004, and on the first day of each consecutive calendar month after that date. Monthly amortization payments commenced on October 1, 2004, at the rate of $58,333.

The holder of the Term Note has the option to convert all or a portion of the note (including principal, interest and penalties) into shares of common stock at any time, subject to specified limitations, at a fixed conversion price of $1.00 per share. The conversion price is subject to adjustment for stock splits, stock dividends and similar events. On March 18, 2005, in connection with the financing discussed in Note 7, the fixed conversion price was adjusted to $0.80. The Company's obligations under the Term Note are secured by a first priority security interest in the Company's assets. As of March 31, 2005, the holder of the Term Note converted $150,000 in principal into 150,000 shares of common stock. In addition, the holder of the Term Note received $12,497 of interest in shares of common stock. Between April 1 and June 1, 2005, the holder of the Term Note converted $117,800 in principal into 147,250 shares of common stock.

During December 2004, the Company defaulted on the Term Note by failing to pay principal of $24,999. The Company also failed to pay principal of $116,666 for January and February 2005. On February 28, 2005, the Company entered into an Amendment and Waiver agreement (the "Amendment") with the holder of the Term Note. The amendment included a waiver by the holder of the Term Note of all Events of Default. In consideration for the waiver the Company, (i) paid the holder unpaid interest, (ii) prepaid $37,777 of additional interest and (iii) issued a seven year warrant to purchase 300,000 shares of Common Stock with an exercise price ranging from $1.25 to $1.75. In addition, the holder agreed to defer the principal payments scheduled to be paid from December 2004 through May 2005 until the date of Maturity. (see note 7)

Convertible term note	$1,600,000
Discount on convertible term note	(344,402)
	1,255,598
Current portion	(583,330)
Long-Term Debt	$ 672,268

Estimated maturities on long-term debt are as follows:

2005	$ 583,330
2006	$ 672,268

6. COMMITMENTS AND CONTINGENCIES

Litigation

Sales Commission Claim

In July 2002, an action was commenced against us in the Court of Common Pleas of South Carolina, Pickens County, brought by Quantum International Technology, LLC and Richard J. Barrett. Plaintiffs allege that they were retained as a sales representative of ours and in that capacity made sales of our products to the United States government and to commercial entities. Plaintiffs further allege that we failed to pay to plaintiffs agreed commissions at the rate of 20% of gross sales of our products made by plaintiffs. The complaint seeks an accounting, compensatory damages in the amount of all unpaid commissions plus interest thereon, punitive damages in an amount treble the compensatory damages, plus legal fees and costs. Plaintiffs maintain that they are entitled to receive an aggregate of approximately $350,000 in compensatory and punitive damages, interest and costs. In June 2003, the action was transferred from the court in Pickens County to a Master in Equity sitting in Greenville, South Carolina and was removed from the trial docket. The action, if tried, will be tried without a jury. No trial date has yet been scheduled. We believe we have meritorious defenses to the claims asserted in the action and intend to vigorously defend the case. The outcome of this matter cannot be determined at this time.

Lease Commitments

The Company leases office facilities, equipment and autos under operating leases expiring on various dates through 2009. Certain leases contain renewal options. The following is a schedule of future minimum lease payments under operating leases having remaining terms in excess of one year as of March 31, 2005.

Year	Operating Leases
2006	137,028
2007	119,956
2008	45,966
2009	2,482
Total minimum lease payments	$ 305,432

Operating lease expense was $129,806 and $131,509 for the years ended March 31, 2005 and 2004, respectively.

7. STOCKHOLDERS' EQUITY

On February 28, 2005, we entered into an amended agreement on the convertible term note (see note 5). The Company issued warrants to purchase up to 300,000 shares of the Company's common stock at an exercise price per share ranging from $1.25 to $1.75. The warrants are fully exercisable for seven years from the date of issuance. The estimated fair value of the warrants of $165,210 was recorded as a discount to the convertible term note and is being amortized to interest expense over the life of the note. The unamortized amount as of March 31, 2005 was $158,423. As of March 31, 2005, these warrants were unexercised and outstanding.

On March 18, 2005, we entered into a securities purchase agreement (the "Agreement") with two private investors to issue shares of our common stock and warrants. The Agreement provides for two types of units, designated as Series A and Series B. The Series A Units each consist of 100,000 shares of our common stock and a Series A Warrant to purchase 50,000 shares of our common stock at $1.00 per share, subject to adjustment. The Series A Warrants expire five (5) years from the date they are issued. The purchase price for each Series A Unit is $80,000. The Agreement provides for the sale of up to twenty (20) Series A Units.

The Series B Units each consist of ten (10) shares of a new class of preferred stock that will be converted into 80,000 shares of our common stock in the aggregate, subject to adjustment, and Series B Warrant to purchase 40,000 shares of our stock at $1.50 per share. The Series B Warrants expire five (5) years from the date they are issued. The purchase price for each Series B Unit is $80,000. The Agreement provides for the sale of up to forty-two (42) Series B Units.

On March 18, 2005, the contract date, we issued 8 Series A Units or 800,000 shares of our common stock for a purchase price of $640,000. Subsequent closings under the agreement are contingent upon orders from our customers, at the rate of one unit for each $100,000 of orders. The remaining Series A units must be purchased first, followed by Series B units. The investors have the right to purchase additional shares at any time. The obligation of the investors to purchase units expires on March 17, 2006.

The Agreement requires us to obtain shareholder approval for the authorization of the preferred stock within 75 days, or by June 1, 2005. The Agreement provides that the exercise price of the warrants is to be reduced by $0.01 for each day that approval is delayed, but not below $0.05 per share. As of June 1, 2005, we have not obtained the consent from the holders of a majority of our outstanding shares.

During the year ended March 31, 2005, the Company issued an aggregate of 112,500 shares of common stock in exchange for consulting and legal services. These issuances were recorded as an increase to equity and consulting and legal expenses for the fair value of the shares of common stock on their respective grant dates.

During the year ended March 31, 2004, in connection with the convertible term note (see note 5), the Company issued warrants to purchase up to 300,000 shares of the Company's common stock at an exercise price per share ranging from $1.00 to $1.50. The warrants are fully exercisable for seven years from the date of issuance. The estimated fair value of the warrants of $281,670 was recorded as a discount to the convertible term note and is being amortized to interest expense over the life of the note. The unamortized amount as of March 31, 2005 was $185,979. As of March 31, 2005, these warrants were unexercised and outstanding.

During the year ended March 31, 2004, the Company issued warrants in exchange for services provided in connection with the issuance of the convertible term note to purchase up to 175,000 shares of the Company's common stock at an exercise price per share of $1.50. The warrants are fully exercisable for five years from the date of issuance. The estimated fair value of $153,144 was recorded as a deferred financing cost and is being amortized over the life of the note. The unamortized amount as of March 31, 2005 was $101,116. As of March 31, 2005, these warrants were unexercised and outstanding.

8. INCOME TAXES

Deferred income taxes are provided for the temporary difference between the financial reporting basis and tax basis of the Company's assets and liabilities including those assets and liabilities recorded in connection with acquisitions. Deferred tax assets and liabilities result principally from recording certain expenses or income in the financial statements in a different period from recognition for income tax purposes. As of March 31, 2005, the Company had a net operating loss carryforward for tax purposes of approximately $10,429,000, which is available to reduce its future taxable income, and expires at various dates through 2024. $106,000 is expiring in 2015, $820,000 expiring in 2016, $889,000 expiring in 2017, $736,000 expiring in 2018, $100,000 expiring in 2020, $782,000 expiring in 2021, $2,692,000 expiring in 2022, $2,404,000 expiring in 2023 and $1,900,000 expiring in 2024. A full valuation allowance has been established against the deferred tax assets, which are mainly related to the net loss carryforward, due to the uncertainties surrounding the utilization of the carryforward and limitations resulting from a change in control. There are no other significant timing differences.

Utilization of the net operating loss carryforwards may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. The annual limitation may result in the expiration of net operating loss carryforwards before utilization.

9. EMPLOYEE BENEFITS PLAN

Stock Option Plans

In August 2001, the Company's stockholders approved, the 2001 Equity Incentive Plan (the "2001 Plan"), which provides for the grant of stock options to purchase up to 2,000,000 shares of common stock to any employee, non-employee director, or consultant at the Board's discretion. Under the 2001 Plan, these options may be exercised for a period up to ten years from the date of grant. Options issued to employees are exercisable upon vesting, which can range between the dates of the grant to up to 5 years.

An amendment and restatement of the 2001 Equity Incentive Plan increasing the number of shares for a total of 4,000,000 was approved by the Board of Directors on May 29, 2002 and was approved by the shareholders at the annual meeting.

Under the 2001 Plan, options are granted to non-employee directors upon election at the annual meeting of stockholders at a purchase price equal to the fair market value on the date of grant. In addition, the non-employee director stock options shall be exercisable in full twelve months after the date of grant unless determined otherwise by the compensation committee.

There were stock options to purchase 545,000 shares of common stock for future grant as of March 31, 2005 under the 2001 equity incentive plan.

Fair Value of Stock Options

For disclosure purposes under SFAS No. 123, the fair value of each option grant is estimated on the date of grant using the Black-Scholes option valuation model with the following weighted-average assumptions:

	2005	
Expected life (in years)...	10	
Risk-free interest rate..	4.54%	
Volatility...	135.00	13
Dividend yield...	0%	

Utilizing these assumptions, the weighted average fair value of options granted with an exercise price equal to their fair market value at the date of the grant is $1.20 and $1.32 for the years ended March 31, 2005 and 2004, respectively.

Summary Stock Option Activity

The following table summarizes stock option information with respect to all stock options for the year ended March 31, 2005 and 2004:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years
Options outstanding March 31, 2003..................	2,445,020	$1.38	
Granted....................................	475,000	$1.10	
Cancelled	(715,020)	$1.28	
Options outstanding March 31, 2004................	2,205,000	$1.32	8.32
Granted....................................	1,250,000	$1.00	
Options outstanding March 31, 2005................	3,455,000	$1.20	7.98

As of March 31, 2005, there were 2,921,442 options exercisable with weighted average exercise price of $1.20 per share. Options outstanding at March 31, 2005 have an exercise price ranging between $0.70 to $2.00.

10. SEGMENT REPORTING

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," establishes standards for the way that public companies report information about operating segments in annual financial statements and requires reporting of selected information about operating segments in interim financial statements issued to the public. It also establishes standards for disclosures regarding products and services, geographic areas and major customers. SFAS No. 131 defines operating segments as components of a company about which separate financial information is available that is evaluated regularly by management in deciding how to allocate resources and in assessing performance.

The Company's total revenues, income from operations and identifiable assets by segment for the year ended March 31, 2005 are as follows:

	Graphic Arts	Specialty Chemicals	Corpor
Revenues	$549,462	$1,301,492	$
Gross profit	$238,146	$ 853,744	$
Sales, general and administrative expenses	143,942	1,431,225	1,005
Depreciation, amortization and depletion	--	74,535	9
Impairment loss	--	2,010	
Interest expense (income)	--	--	279
Income (loss) from continuing operations	$ 94,204	$ (654,026)	$ (1,295
Cash and cash equivalents	$ --	$ --	$ 365
Accounts receivable	140,617	642,387	
Inventory	20,080	115,880	
Note receivable	28,650	--	
Loan receivable	--	--	
Prepaid expenses	--	--	120
Fixed assets	--	143,633	21
Goodwill	--	15,499	
Patent	--	295,603	
Deferred financing costs	--	--	206
Deposits	--	--	1
Total assets	$189,347	$1,213,002	$ 716
Capital expenditures	$ --	$ 23,018	$ 6

The Company's total revenues, income from operations and identifiable assets by segment for the year ended March 31, 2004, are as follows:

	Graphic Arts	Specialty Chemicals	Corpor
Revenues	$486,075	$ 485,976	$
Gross profit..................................	$244,328	$ 211,076	$
Sales, general and administrative expenses.......	146,351	1,270,148	1,258
Oil well operating and maintenance costs-net.....	--	102,662	
Depreciation, amortization and depletion.........	--	109,627	17
Impairment loss................................	--	121,777	
Interest expense (income)......................	6,683	--	(8
Income (loss) from continuing operations.........	$ 91,294	$(1,393,138)	$(1,267
Cash and cash equivalents......................	$ --	$ --	$ 1,518
Accounts receivable............................	229,997	163,944	
Inventory......................................	42,452	134,035	
Note receivable................................	63,650	--	
Loan receivable................................	--	--	1
Prepaid expenses...............................	--	--	80
Fixed assets...................................	--	211,492	31
Goodwill	--	17,509	
Patent	--	309,424	
Deferred financing costs.......................	--	--	310
Deposits	--	75,000	1
Total assets...................................	$336,099	$ 911,404	$ 1,943
Capital expenditures...........................	$ --	$ 175,953	$ 1

Geographic Information

	2005	2004

	----	----
U.S.	$ 938,504	$850,021
Venezuela	729,575	--
Netherlands	50,200	98,850
Other	132,675	23,180
Totals	$1,850,954	$972,051

11. Subsequent Events

On April 27, 2005, the Company entered into a consulting agreement to provide advisory and business development services. In consideration for these services, the Company issued warrants to purchase 500,000 shares of our common stock at an exercise price of $1.34. The Company also issued warrants to purchase an additional 500,000 shares of our common stock at an exercise price of $2.00 per share. The warrants are fully exercisable for ten years. The initial 100,000 warrants vest immediately. The estimated fair value of the warrants of $129,720 will be recorded as consulting expense during the first quarter of the year ended March 31, 2006. The remainder of the warrants will vest, if it all, in increments of 100,000 warrants for each $5,000,000 of net revenues recognized as a result of business generated through contacts that the consultant brings to us.

STATEMENT OF DIFFERENCES

The trademark symbol shall be expressed as...................'TM'
The registered trademark symbol shall be expressed as........'r'
The section symbol shall be expressed as.....................'SS'