FRONTERA RESOURCES CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2005

FRONTERA RESOURCES CORPORATION
CONSOLIDATED BALANCE SHEETS

	Unaudited		Audited
	June 30, 2005	June 30, 2004	December 31, 2004
ASSETS			
CURRENT ASSETS			
Cash & cash equivalents	$ 60,063,457	$ 563,881	$ 1,503,621
Trade receivables, net	-	-	507,868
Accounts receivable - other	866,075	3,471,241	637,816
Inventory	2,084,346	189,673	1,700,359
Prepaid expenses and other	109,243	40,467	138,057
TOTAL CURRENT ASSETS	63,123,121	4,265,262	4,487,721
PROPERTY AND EQUIPMENT, net	319,710	455,619	213,011
OIL AND GAS PROPERTIES, full cost method			
Properties being depleted	24,503,780	21,708,054	24,213,991
Properties not subject to depletion	144,376	144,376	144,376
	24,648,156	21,852,430	24,358,367
Less: accumulated depletion	(20,405,102)	(20,292,161)	(20,328,697)
NET OIL AND GAS PROPERTIES	4,243,054	1,560,269	4,029,670
TOTAL ASSETS	$ 67,685,885	$ 6,281,150	$ 8,730,402

	Unaudited		Audited
	June 30, 2005	June 30, 2004	December 31, 2004
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)			
CURRENT LIABILITIES			
Accounts payable	$ 176,334	$ 4,116,808	$ 576,338
Accrued liabilities	1,863,147	1,135,809	2,086,269
Accrued interest	91,619	611,277	1,586,530
Deferred gain	-	1,458,168	-
Line of credit	-	-	850,670
Current portion of notes payable, related party	-	9,259,544	12,784,011
TOTAL CURRENT LIABILITIES OTHER THAN SHARES	2,131,100	16,581,606	17,883,818
REDEEMABLE PREFERRED SHARES			
Series A1, stated at redemption value	-	4,700,074	4,804,856
Series A2, stated at redemption value	-	1,968,085	2,011,959
Series B, stated at redemption value	-	3,723,216	3,805,767
TOTAL REDEEMABLE PREFERRED SHARES	-	10,391,375	10,622,582
TOTAL CURRENT LIABILITIES	2,131,100	26,972,981	28,506,400
NOTES PAYABLE			
Related party, less current portion	403,604	5,103,049	6,403,604
Vendor	3,450,941	-	3,450,941
TOTAL NOTES PAYABLE	3,854,545	5,103,049	9,854,545
OTHER LONG-TERM LIABILITIES	2,327,367	2,419,044	2,419,044
TOTAL LIABILITIES	8,313,012	34,495,074	40,779,989
STOCKHOLDERS' EQUITY (DEFICIT)			
Convertible preferred stock - Series D	-	-	-
Convertible preferred stock - Series E	-	29	29
Common stock	2,164	242	242
Additional paid-in capital	142,595,235	48,373,535	48,382,082
Common stock warrants	31,974	36,927	36,927
Treasury stock, at cost	(567,832)	(566,332)	(567,832)
Accumulated deficit	(82,688,668)	(76,058,325)	(79,901,035)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	59,372,873	(28,213,924)	(32,049,587)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 67,685,885	$ 6,281,150	$ 8,730,402

See accompanying notes to consolidated financial statements.

FRONTERA RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Unaudited		Audited
	Six Months Ended		Year Ended
	June 30, 2005	June 30, 2004	December 31, 2004
REVENUE			
Crude oil sales	$ 351,302	$ 301,925	$ 1,040,656
TOTAL REVENUE	351,302	301,925	1,040,656
EXPENSES			
Field operating and project costs	154,919	55,447	189,148
General and administrative	4,746,921	1,194,531	4,035,327
Depreciation, depletion and amortization	298,272	225,667	525,902
TOTAL EXPENSES	5,200,112	1,475,645	4,750,377
LOSS FROM OPERATIONS	(4,848,810)	(1,173,720)	(3,709,721)
OTHER INCOME (EXPENSE)			
Forgiveness of debt income	2,863,109	114,919	114,920
Interest income	430,819	-	-
Interest expense	(1,232,485)	(709,141)	(2,019,378)
Other, net	(266)	5,738	9,265
TOTAL OTHER INCOME (EXPENSE)	2,061,177	(588,484)	(1,895,193)
NET LOSS	$ (2,787,633)	$ (1,762,204)	$ (5,604,914)
Net loss Per Common Share:			
Basic and diluted	$ (.08)	$ (.29)	$ (0.94)
Weighted Average Common Shares Outstanding:			
Basic and diluted	35,993,168	5,990,372	5,994,276

See accompanying notes to consolidated financial statements.

FRONTERA RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
PERIODS ENDED JUNE 30, 2005 AND DECEMBER 31, 2004

	Convertible Preferred Stock Series D	Convertible Preferred Stock Series E	Common Stock	Additional Paid-in Capital	Preferred Stock Warrants	Common Stock Warrants	Treasury Stock	Accumulated Deficit	Total Stockholders' Deficit
Balance, December 31, 2003	$ -	$ 29	$ 240	$ 43,183,632	$ 5,268,936	$ 36,927	$ (495,366)	$ (74,296,121)	$ (26,301,723)
Exercise of common stock warrants	-	-	2	1,198	-	-	-	-	1,200
Repurchase of preferred stock Series E warrants	-	-	-	5,189,902	(5,268,936)	-	-	-	(79,034)
Issuance of common stock options for services	-	-	-	7,350	-	-	-	-	7,350
Purchase of treasury stock	-	-	-	-	-	-	(72,466)	-	(72,466)
Net loss	-	-	-	-	-	-	-	(5,604,914)	(5,604,914)
Balance, December 31, 2004	-	29	242	48,382,082	-	36,927	(567,832)	(79,901,035)	(32,049,587)
Exercise of common stock warrants	-	-	81	69,787	-	(4,953)	-	-	64,915
Issuance of common stock, net of offering costs	-	-	1,228	80,168,950	-	-	-	-	80,170,178
Compensation expense from repricing of stock options	-	-	-	138,948	-	-	-	-	138,948
Conversion of bridge loan to common stock	-	-	43	3,124,957	-	-	-	-	3,125,000
Conversion of Series A1, A2 & B preferred stock to common stock	-	-	172	10,710,880	-	-	-	-	10,711,052
Convert Series D & E to common stock	-	(29)	398	(369)	-	-	-	-	-
Net loss	-	-	-	-	-	-	-	(2,787,633)	(2,787,633)
Balance, June 30, 2005 (Unaudited)	$ -	$ -	$ 2,164	$ 142,595,235	$ -	$ 31,974	$ (567,832)	$ (82,688,668)	$ 59,372,873

See accompanying notes to consolidated financial statements.

FRONTERA RESOURCES CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Unaudited		Audited
	Six Months Ended		Year Ended
	June 30, 2005	June 30, 2004	December 31, 2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$ (2,787,633)	$ (1,762,204)	$ (5,604,914)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation, depletion and amortization	298,272	225,667	525,902
Interest on redeemable preferred shares	88,470	231,204	462,410
Beneficial conversion of bridge loan	625,000	-	-
Net amortization of debt discounts	-	-	(74,832)
Common stock options issued for compensation	138,948	-	7,350
Forgiveness of debt income	(2,863,109)	(114,920)	(114,920)
Changes in operating assets and liabilities:			
Receivables	279,609	(813,500)	(450,211)
Inventory	(383,987)	873	43,774
Prepaid expenses and other	28,815	-	123,035
Accounts payable	(400,004)	480,195	(1,014,335)
Accrued liabilities	(223,122)	461,650	(985,600)
Accrued interest	(1,157,401)	119,329	1,094,582
NET CASH USED IN OPERATING ACTIVITIES	(6,356,142)	(1,171,706)	(5,987,759)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in oil and gas properties	(618,356)	-	-
NET CASH USED IN INVESTING ACTIVITIES	(618,356)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Net borrowing/(repayment) from line of credit	(850,670)	-	850,670
Proceeds from related party notes	-	1,725,288	6,630,711
Repayment of other long term liability	(91,677)	-	-
Exercise of common stock warrants	-	-	1,200
Payment on related party notes	(13,693,497)	-	-
Proceeds from issuance of common stock, net of offering costs	80,170,178	-	-
Purchase of treasury stock	-	(150,000)	(151,500)
NET CASH PROVIDED BY FINANCING ACTIVITIES	65,534,334	1,575,288	7,331,081

	Unaudited		Audited
	Six Months Ended		Year Ended
	June 30, 2005	June 30, 2004	December 31, 2004
NET INCREASE IN CASH AND CASH EQUIVALENTS	58,559,836	403,582	1,343,322
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	1,503,621	160,299	160,299
CASH AND CASH EQUIVALENTS - END OF PERIOD	$ 60,063,457	$ 563,881	$ 1,503,621
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid for interest	$ 1,856,505	$ 358,709	$ 555,374

See accompanying notes to consolidated financial statements.

NOTE A - NATURE OF OPERATIONS

Frontera Resources Corporation, a Delaware corporation, and its subsidiaries (collectively "Frontera" or the “Company”) are engaged in the development of oil and gas projects in emerging marketplaces. Frontera was founded in 1996 and is headquartered in Houston, Texas. The Company emphasizes development of reserves in known hydrocarbon-bearing basins, and is attracted to exploitation projects that have significant exploration upside. Beginning in 2002, the Company has focused substantially all of its efforts on the exploration and development of oilfields within the Republic of Georgia (“Georgia”), a member of the Former Soviet Union. Prior to 2002, the Company’s other significant operating focus was on the exploration and development of an oilfield within the Azerbaijan Republic (“Azerbaijan”), which was sold during 2002 and all operating activities in Azerbaijan ceased at that time.

In June 1997, the Company entered into a 25 year production sharing agreement with the Ministry of Fuel and Energy of Georgia and State Company Georgian Oil (“Georgian Oil”), which gives the Company the exclusive right to explore, develop and produce crude oil in a 5500 square kilometer area in eastern Georgia known as Block 12, hereafter referred to as the “Block 12 PSA”. The Block 12 PSA can be extended if commercial production remains viable upon its expiration in June 2022.

Under the terms of the Block 12 PSA, the Company is entitled to conduct exploration and production activities and is entitled to recover its cumulative costs and expenses from the crude oil produced from Block 12. Following recovery of cumulative costs and expenses from Block 12 production, the remaining crude oil sales, referred to as Profit Oil, are allocated between Georgian Oil and Frontera in the proportion of 51% and 49%, respectively.

Under the terms of the Block 12 PSA, Frontera is exempt from all taxes imposed by the government of Georgia, and any taxes imposed on the Company shall be paid by Georgian Oil on behalf of the Company from Georgian Oil’s 51% share of Profit Oil. Taxes are defined by the Block 12 PSA to mean all levies, duties, payments, fees, taxes or contributions payable to or imposed by any government agency, subdivision, municipal or local authorities within the Government of Georgia.

NOTE B - BASIS OF PRESENTATION

The Frontera Resources Corporation unaudited consolidated financial statements as of, and for the period ended June 30,2005 should be read in conjunction with the Company’s audited financial statements for the years ended December 31, 2004, 2003 and 2002, which were filed in the Company’s offering memorandum in conjunction with the initial public offering in March of 2005. The unaudited consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the interim periods. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Principles of Consolidation</u>: The consolidated financial statements include the accounts of Frontera Resources Corporation ("FRC") and its wholly and majority owned subsidiaries. The wholly owned subsidiaries are Frontera International Corporation ("FIC"); Frontera Resources Caucasus Corporation ("FRCC"); Frontera Resources Georgia Corporation ("FRGC"); Frontera Resources Azerbaijan Corporation ("FRAC"); Frontera Resources Overseas Corporation ("FROC"); Frontera Azerbaijan Ventures Corporation ("FAVC") and Frontera Resources Georgia, Limited ("FRGL"). Also included are the accounts of Frontera Eastern Georgia, Limited ("FEGL"), a 50%-owned subsidiary, as control is deemed to reside with the Company. All significant inter-company transactions and accounts have been eliminated in consolidation.

<u>Use of Estimates</u>: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

<u>Cash and cash equivalents</u>: The Company considers all highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents.

<u>Foreign Operations:</u> Frontera's future revenues depend on operating results from its operations in the Republic of Georgia. The success of Frontera's operations is subject to various contingencies beyond management control. These contingencies include general and regional economic conditions, prices for crude oil, competition and changes in regulation. Frontera is subject to various additional political and economic uncertainties in the Republic of Georgia which could include restrictions on transfer of funds, import and export duties, quotas and embargoes, domestic and international customs and tariffs, and changing taxation policies, foreign exchange restrictions, political conditions and regulations.

<u>Oil and Gas Properties</u>: The Company follows the full cost method of accounting for oil and gas properties. Accordingly, all costs associated with acquisition, exploration, and development of oil and gas reserves, including directly related overhead costs, are capitalized.

<u>Stock-Based Compensation</u>: In accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "*Accounting for Stock-Based Compensation*", the Company has elected to follow the Accounting Principles Board's Opinion No. 25, *"Accounting for Stock Issued to Employees",* ("APB 25") and related interpretations in accounting for its employee stock-based compensation plans. Under APB 25, if the exercise price of the Company's employee stock options equals or exceeds the fair value of the underlying stock on the date of grant as determined by the Company's Board of Directors, no compensation expense is recognized.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

If the Company applied the fair value provisions of SFAS No. 123, net loss would have been as follows:

	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004	Year Ended December 31, 2004
Net loss attributable to common stockholders, as reported	$ (2,787,633)	$ (1,762,204)	$ (5,604,914)
Deduct: total stock based compensation expense determined under fair value based method for all amounts, net of related income tax	(989,653)	(2,625)	(5,250)
Net loss attributable to common stockholders, pro forma	$ (3,777,286)	$ (1,764,829)	$ (5,610,164)
Basic loss per share:			
As reported	$ (0.08)	$ (0.29)	$ (0.94)
Pro forma	(0.10)	(0.29)	(0.94)
Diluted loss per share:			
As reported	$ (0.08)	$ (0.29)	$ (0.94)
Pro forma	(0.10)	(0.29)	(0.94)

The fair value for these options was estimated at the date of grant using a Black Scholes pricing model with the following weighted-average assumptions:

	Six Months Ended June 30, 2005	Six Months Ended June 30, 2004	Year Ended December 31, 2004
Risk-free interest rate	4.22%	2.64%	2.64%
Dividend yield	-	-	-
Weighted-average expected life of options (years)	10	10	10

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Earnings Per Share: Basic earnings per share amounts are calculated based on the weighted average number of shares of Common Stock outstanding during each period. Diluted earnings per share is based on the weighted average number of shares of Common Stock outstanding for the periods, including the dilutive effect of stock options, warrants granted, convertible notes, and convertible Preferred Stock. Dilutive options and warrants that are issued during a period or that expire or are canceled during a period are reflected in the computations for the time they were outstanding during the periods being reported. Options and warrants where the exercise price exceeds the average stock price for the period are considered anti-dilutive, and therefore are not included in the calculation of dilutive shares. As the Company was in a net loss position for all periods presented, no convertible instruments have been considered in the diluted earnings per share calculation as the effect would be anti-dilutive.

Recently Issued Accounting Pronouncements: In December 2004, the FASB issued SFAS No. 123R, SHARE-BASED PAYMENT (SFAS 123R). SFAS 123R revises SFAS No. 123, ACCOUNTING FOR STOCK-BASED COMPENSATION, and focuses on accounting for share-based payments for services by employer to employee. The statement requires companies to expense the fair value of employee stock options and other equity-based compensation at the grant date. The statement does not require a certain type of valuation model and either a binomial or Black-Scholes model may be used. The provisions of SFAS 123R are effective for financial statements for annual periods beginning after December 15, 2005. The Company is currently evaluating the method of adoption and the impact on our operating results. The Company's future cash flows will not be impacted by the adoption of this standard.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections," which is effective for the Company beginning on January 1, 2006. SFAS No. 154 requires that all voluntary changes in accounting principles are retrospectively applied to prior financial statements as if that principle had always been used, unless it is impracticable to do so. When it is impracticable to calculate the effects on all prior periods, SFAS No. 154 requires that the new principle be applied to the earliest period practicable. The adoption of SFAS No. 154 is not anticipated to have a material effect on our financial position or results of operations.

NOTE D - INITIAL PUBLIC OFFERING

In March 2005 the Company successfully completed its initial public offering (IPO) of common stock. The Company raised approximately $80,000,000 through the sale of 30,685,215 shares at a U.S. dollar equivalent price of $ 2.89. In conjunction with the IPO the Company was admitted for trading on the AIM market of the London Stock Exchange. A portion of the proceeds of the offering were used to retire $ 17,135,000 of long and short term debt. Also, immediately prior to the IPO all of the Company's Series A1, A2, B, D and E preferred shares were converted to common stock as follows:

NOTE D - INITIAL PUBLIC OFFERING (Continued)

	Number of Preferred Shares prior to IPO	Number of Common shares Upon conversion
Series A1 Redeemable Preferred Stock	322,400	1,935,913
Series A2 Redeemable Preferred Stock	135,000	810,633
Series B Redeemable Preferred Stock	254,000	1,533,313
Series D Convertible Preferred Stock	23,600	2,240,000
Series E Convertible Preferred Stock	2,889,333	13,406,505
	3,624,333	19,926,364

Also in March 2005, the Company converted $ 2,500,000 of related party debt into common stock at a pre-agreed discount to the IPO price. The Company issued 1,081,858 shares of common stock and recorded a beneficial conversion feature to interest expense and additional paid in capital in the amount of $ 625,000 in connection with the conversion.

NOTE E - STOCKHOLDERS' EQUITY

The Company has the authority to issue up to 10,000,000 shares, par value $.00001, of serial preferred stock. The Board of Directors may designate and authorize the issuance of such shares with such voting power and in such classes and series, and with such designation, preferences and relative participation, optional, or other special rights, qualifications, limitations, or restrictions as deemed appropriate by the Company's Board of Directors.

As of June 30, 2005, all previously issued and outstanding preferred shares were converted into common shares in conjunction with the Company's March 2005 IPO on the London AIM. See note D for conversion details. In conjunction with the public offering the Company authorized 10,000,000 preferred shares with a par value of .00001 each, of which zero were outstanding at June 30, 2005.

<u>Common Stock</u>: As of June 30, 2005, the Company is authorized to issue 200,000,000 shares of common stock, par value $.00004 per share. As of June 30, 2005 and December 31, 2004, the Company had 54,046,299 and 6,027,872, common shares outstanding, respectively.

<u>Treasury Stock</u>: The Company has repurchased both common stock and preferred Series E stock as treasury stock. As of June 30, 2005 and December 31, 2004, the Company had 5,739,855 and 1,265,433, shares of treasury stock, respectively. Of these amounts, 5,739,855 and 36,209 shares of treasury stock are comprised of common stock in 2005 and 2004, respectively.

NOTE E - STOCKHOLDERS EQUITY (Continued)

Stock Options: During 2003, the Company re-priced certain outstanding options downward to be more in line with the value of the Company. According to FIN 44, *Accounting for Certain Transactions Involving Stock Compensation - An Interpretation of APB Opinion No. 25*, if a fixed stock option or award is canceled or modified such that a new measurement of compensation cost or variable accounting is required, compensation cost shall be adjusted for increases or decreases in the intrinsic value of the modified award in subsequent periods until that award is exercised, is forfeited, or expires unexercised.

However, compensation cost shall not be adjusted below the intrinsic value (if any) of the modified stock option or award at the original measurement date unless the award is forfeited because the employee fails to fulfill an obligation. As of June 30, 2005, there are 631,584 remaining options subject to variable accounting. During the six months ended June 30, 2005 the Company recorded compensation expense of $138,948 related to the re-priced options.

NOTE F - COMMITMENTS AND CONTINGENCIES

SOCAR Arbitration: In June 1998, the Company, through its wholly owned subsidiary FRAC, entered into a production sharing agreement with SOCAR, hereafter referred to as the “Azerbaijan PSA”. The Azerbaijan PSA covered onshore oilfields in an area of Azerbaijan known as the K&K Block. The Company and an operating partner undertook an exploration and development program on the K&K Block.

In October 2003, FRAC initiated arbitration proceedings against SOCAR to recoup funds due to FRAC for oil deliveries made between 1999 and 2002. The Azerbaijan PSA provided that arbitration shall be governed by the United National Commission on International Trade Law rules on arbitration and a hearing was held in March 2005 in Stockholm, Sweden. A ruling from the tribunal is expected in the third quarter of 2005. FRAC is seeking damages from SOCAR for three separate breaches for non-payment totaling approximately $15.7 million, plus interest and certain costs. At this point, the outcome of the claim against SOCAR cannot be reasonably determined and no gain has been recognized by the Company with respect to any potential outcome of the arbitration hearing or subsequent rulings.

SOCAR has alleged a counter-claim against FRAC for up to $11.2 million, arguing that FRAC underpaid SOCAR the difference between local market obligation value and the world market value of the oil which SOCAR alleges should have been delivered in 1999 and 2000. Frontera management believes the counter-claim is without merit and no reserve has been made in the accounts of the Company.

NOTE G - NON-CASH INVESTING AND FINANCING ACTIVITIES

The following non-cash transactions took place during the period ended June 30, 2004:

During 2004, the Company transferred a vendor account payable of $1,607,214 to long-term liabilities upon the negotiation of a settlement agreement which will not be recognized as income from forgiveness of debt until 2008.

The following non-cash transactions took place during the year ended December 31, 2004:

The Company converted a vendor account payable of $3,450,941 into a note payable which matures in 2007.

During 2004, the Company transferred a vendor account payable of $1,607,214 to long-term liabilities upon the negotiation of a settlement agreement which will not be recognized as income from forgiveness of debt until 2008.

During 2004, the Company reacquired oil & gas properties of $2,532,598 by agreeing to forgive a $1,962,268 payable with the operator and by assuming the payables and accrued liabilities of the operator. Included in this transaction was the assumption of $3,802,712 in current liabilities and the acquisition of current assets of $1,270,114. At the time this transaction closed, the Company reversed the existing $1,458,168 deferred gain associated with the 2003 sale of an interest in the property which was never recognized.

The following non-cash transactions took place during the six months ended June 30, 2005:

During 2005, a 12% Convertible $ 2,500,000 Note Payable to a related party was converted to common stock at a 20% discount. In conjunction with this transaction the Company recorded a beneficial conversion feature to interest expense and additional paid in capital of $625,000 and the related note payable was retired. This transaction is discussed in further detail in Note D.

During 2005 a Note Payable to a related party for $3,825,000 and related accrued interest of $370,164 was settled for $1,332,055 resulting in forgiveness of debt income of $ 2,863,109.

During 2005, Related Party Notes Payable of $64,915 were utilized by note holders to fund the exercise of common stock warrants with a total exercise price of $64,915.