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ARIES VENTURES INC  
Form 10QSB  
August 09, 2005

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

FORM 10-QSB

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

For the quarterly period ended June 30, 2005

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 0-14136

Aries Ventures Inc.

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

Nevada

84-0987840

-----  
(State or other jurisdiction of incorporation or organization)

-----  
(I.R.S. Employer Identification Number)

11111 Santa Monica Boulevard, Suite 1250, Los Angeles, California 90025

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

Issuer's telephone number: (310) 402-5069

Not Applicable

-----  
(Former name, former address and former fiscal year, if changed since last report.)

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes  No

As of June 30, 2005, the Company had 2,032,226 shares of common stock issued and outstanding.

Documents incorporated by reference: None.

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ARIES VENTURES INC.

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Aries Ventures Inc.  
Condensed Balance Sheets

June 30, 2005	September 30, 2004
-----	-----
(Unaudited)	

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ASSETS

CURRENT

Cash and cash equivalents	\$ 2,565,392	\$ 2,686,241
Prepaid expenses and other current assets	31,265	18,147

-----	-----
2,596,657	2,704,388
-----	-----

PROPERTY AND EQUIPMENT

	27,363	27,363
Less: accumulated depreciation	(27,363)	(26,642)

-----	-----
-	721
-----	-----

OTHER

Deposits	-	2,309
----------	---	-------

-----	-----
\$ 2,596,657	\$ 2,707,418
=====	=====

(continued)

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Aries Ventures Inc.  
Condensed Balance Sheets (continued)

	June 30, 2005	September 30, 2004
	-----	-----
	(Unaudited)	

LIABILITIES

CURRENT

Accounts payable	\$ 54,722	\$ 50,045
Accrued liabilities	18,646	10,135

-----	-----
73,368	60,180
-----	-----

COMMITMENTS AND CONTINGENCIES

SHAREHOLDERS' EQUITY

Preferred stock, \$0.01 par value		
Authorized - 10,000,000 shares		
Issued and outstanding - None	-	-
Common stock, \$0.01 par value		

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Authorized - 50,000,000 shares		
Issued - 3,311,981 shares		
(outstanding - 2,032,226 shares)	33,120	33,120
Less: securities held in		
treasury - 1,279,755 shares of		
common stock and 1,194,755 Class		
A common stock purchase warrants,		
at cost	(1,343,743)	(1,343,743)
Additional paid-in capital	1,800,859	1,800,859
Retained earnings	2,033,053	2,157,002
	-----	-----
	2,523,289	2,647,238
	-----	-----
	\$ 2,596,657	\$ 2,707,418
	=====	=====

See accompanying notes to condensed financial statements.

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### Aries Ventures Inc. Condensed Statements of Operations (Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2005	2004	2005	2004
	----	----	----	----
REVENUES	\$ -	\$ -	\$ -	\$ -
	-----	-----	-----	-----
COSTS AND EXPENSES				
General and				
administrative	35,531	84,959	135,691	268,313
Legal fees	-	-	(404)	2,000
Depreciation	-	127	721	380
Interest expense	285	231	423	523
Interest income	(6,125)	(851)	(13,282)	(3,989)
	-----	-----	-----	-----
	29,691	84,466	123,149	267,227
	-----	-----	-----	-----
Net loss before				
income taxes	(29,691)	(84,466)	(123,149)	(267,227)
State income taxes	-	-	800	800
	-----	-----	-----	-----
NET LOSS	\$ (29,691)	\$ (84,466)	\$ (123,949)	\$ (268,027)
	=====	=====	=====	=====
NET LOSS PER COMMON				
SHARE -				
BASIC AND DILUTED	\$ (0.01)	\$ (0.04)	\$ (0.06)	\$ (0.12)
	=====	=====	=====	=====

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WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	2,032,226 =====	2,032,226 =====	2,032,226 =====	2,256,417 =====
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See accompanying notes to condensed financial statements.

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Aries Ventures Inc.  
Condensed Statements of Cash Flows (Unaudited)

	Nine Months Ended June 30,	
	2005	2004
	----	----
OPERATING ACTIVITIES		
Net loss	\$ (123,949)	\$ (268,027)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	721	380
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Prepaid expenses and other current assets	(13,118)	16,394
Deposits	2,309	-
Increase (decrease) in:		
Accounts payable	4,677	(4,947)
Accrued liabilities	8,511	(12,694)
	-----	-----
Net cash used in operating activities	(120,849)	(268,894)
	-----	-----
INVESTING ACTIVITIES		
Payments from related party	16,459	47,262
Increase in amounts due from related party	(16,459)	(29,349)
Purchases of property and equipment	-	(119)
	-----	-----
Net cash provided by investing activities	-	17,794
	-----	-----

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FINANCING ACTIVITIES		
Repurchase of securities	-	(1,343,743)
	-----	-----
Net cash used in financing activities	-	(1,343,743)
	-----	-----
CASH AND CASH EQUIVALENTS:		
Net decrease	(120,849)	(1,594,843)
Balance at beginning of period	2,686,241	4,345,513
	-----	-----
Balance at end of period	\$ 2,565,392	\$ 2,750,670
	=====	=====

(continued)

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Aries Ventures Inc.  
Condensed Statements of Cash Flows (Unaudited) (continued)

Nine Months Ended June 30,

-----	-----
2005	2004
----	----

SUPPLEMENTAL DISCLOSURES OF  
CASH FLOW INFORMATION:

Cash paid for:

Interest	\$ 423	\$ 523	
	=====	=====	
Income taxes	\$ 800	\$ 800	
	=====	=====	

NON-CASH INVESTING AND  
FINANCING ACTIVITIES:

None

See accompanying notes to condensed financial statements.

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Aries Ventures Inc.  
Notes to Condensed Financial Statements (Unaudited)  
Three Months and Nine Months Ended June 30, 2005 and 2004

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### 1. Organization and Basis of Presentation

Basis of Presentation - The accompanying condensed financial statements include the operations of Aries Ventures Inc., a Nevada corporation (the "Company"). The condensed financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America.

As of June 30, 2005, the Company had no business operations. The Company's activities are focused on maintaining the corporate entity and seeking a new business opportunity. The acquisition of a new business opportunity may result in a change in name and in control of the Company.

The accompanying interim condensed financial statements are unaudited, but in the opinion of management of the Company, contain all adjustments, which include normal recurring accruals, necessary to present fairly the financial position at June 30, 2005, the results of operations for the three months and nine months ended June 30, 2005 and 2004, and cash flows for the nine months ended June 30, 2005 and 2004. The balance sheet as of September 30, 2004 is derived from the Company's audited financial statements.

Certain information and footnote disclosures normally included in financial statements that have been prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission, although management of the Company believes that the disclosures contained in these financial statements are adequate to make the information presented therein not misleading. For further information, refer to the financial statements and the notes thereto included in the Company's Annual Report on Form 10-KSB for the fiscal year ended September 30, 2004, as filed with the Securities and Exchange Commission.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The results of operations for the three months and nine months ended June 30, 2005 are not necessarily indicative of the results of operations to be expected for the full fiscal year ending September 30, 2005.

Reclassification - Certain amounts have been reclassified in 2004 to conform to the presentation in 2005.

Loss Per Share - Basic earnings (loss) per share is calculated by dividing earnings (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings per share gives effect to all potentially dilutive common shares outstanding during the period. These potentially dilutive securities were not included in the calculation of loss per share for the three months and nine months ended June 30, 2005 and 2004 because the Company incurred a loss during such periods and thus their effect would have been anti-dilutive. Accordingly, basic and diluted loss per share are the same for the three months and nine months ended June 30, 2005 and 2004.

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At June 30, 2005, potentially dilutive securities consisted of outstanding Series A common stock purchase warrants to acquire 2,056,226 shares of common stock and stock options to acquire 353,318 shares of common stock.

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Stock-Based Compensation - The Company may periodically issue shares of common stock for services rendered or for financing costs. Such shares are valued based on the market price on the transaction date.

The Company may periodically issue stock options and warrants to employees and non-employees in non-capital raising transactions for services and for financing costs.

The Company has adopted Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation", which establishes a fair value method of accounting for stock-based compensation plans.

The provisions of SFAS 123 allow companies to either record an expense in the financial statements to reflect the estimated fair value of stock options or warrants to employees, or to continue to follow the intrinsic value method set forth in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", but to disclose on an annual basis the pro forma effect on net income (loss) and net income (loss) per common share had the fair value of the stock options and warrants been recorded in the financial statements. SFAS 123 was amended by SFAS 148, which now requires companies to disclose in interim financial statements the pro forma effect on net income (loss) and net income (loss) per common share of the estimated fair market value of stock options or warrants issued to employees. The Company has elected to continue to account for stock-based compensation plans utilizing the intrinsic value method. Accordingly, compensation cost for stock options and warrants is measured as the excess, if any, of the fair market price of the Company's common stock at the date of grant above the amount an employee must pay to acquire the common stock.

In accordance with SFAS 123, the cost of stock options and warrants issued to non-employees is measured at the grant date based on the fair value of the award. The fair value of the stock-based award is determined using the Black-Scholes option-pricing model. The resulting amount is charged to expense on the straight-line basis over the period in which the Company expects to receive benefit, which is generally the vesting period.

Pro Forma Financial Disclosure - The fair value of stock options granted under the Company's Employee Stock Option Plan and Management Incentive Stock Option Plan on November 1, 2000 were estimated on the grant date using the Black-Scholes option-pricing model. Had such stock options been accounted for pursuant to SFAS 123, the effect on the Company's results of operations would have been as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2005	2004	2005	2004
	----	----	----	----
Net loss:				
As reported	\$(29,691)	\$(84,466)	\$(123,949)	\$(268,027)
Pro forma	\$(29,691)	\$(84,466)	\$(123,949)	\$(269,689)
Net loss per common share:				
As reported	\$(0.01)	\$(0.04)	\$(0.06)	\$(0.12)
Pro forma	\$(0.01)	\$(0.04)	\$(0.06)	\$(0.12)

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During the nine months ended June 30, 2005 and 2004, the Company allocated certain common corporate services (consisting of rent, utilities, common area services, insurance and other office services) aggregating \$16,459 and \$29,349, respectively, to Resource Ventures, Inc. ("Resource"), a related entity with certain common officers and directors. As of June 30, 2005 and September 30, 2004, there were no amounts due from Resource. During the nine months ended June 30, 2005 and 2004, Resource paid the Company \$16,459 and \$47,262, respectively. The allocation of common corporate services between the Company and Resource ceased effective December 31, 2004.

### 3. Equity-Based Transactions

During the nine months ended June 30, 2004, the Company repurchased from an institutional shareholder 1,279,755 shares of common stock and 1,194,755 Series A common stock purchase warrants in a private transaction for an aggregate cash purchase price of \$1,343,743 effective November 17, 2003. As a result of the exercise price of the Series A common stock purchase warrants being substantially in excess of the fair market value of the Company's common stock, all of the consideration was allocated to the common shares. These securities have been classified as treasury securities and recorded at cost as a reduction to stockholders' equity in the Company's condensed balance sheets.

Effective December 31, 2004, the Company's Board of Directors approved an extension of the expiration date of a stock option to acquire 176,659 shares of common stock exercisable at \$0.25 per share previously granted to the Company's former Chairman of the Board of Directors, from March 31, 2005 to October 31, 2005. The former Chairman had resigned from the Company's Board of Directors effective December 31, 2004. The financial effect of the extension of the stock option calculated pursuant to the Black-Scholes option-pricing model was not material.

### 4. Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), a revision to SFAS No. 123, "Accounting for Stock-Based Compensation". SFAS 123R supersedes Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and amends SFAS No. 95, "Statement of Cash Flows". SFAS 123R requires that the Company measure the cost of employee services received in exchange for equity awards based on the grant date fair value of the awards. The cost will be recognized as compensation expense over the vesting period of the awards. The Company is required to adopt SFAS 123R effective January 1, 2006. Under this method, the Company will begin recognizing compensation cost for equity-based compensation for all new or modified grants after the date of adoption. In addition, the Company will recognize the unvested portion of the grant date fair value of awards issued prior to adoption based on the fair values previously calculated for disclosure purposes over the remaining vesting period of the outstanding options and warrants. The Company is currently evaluating the potential effect that the adoption of SFAS 123R will have on the Company's financial statement presentation and disclosures.

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In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets, an amendment to APB Opinion No. 29" ("SFAS 153"). SFAS 153 amends Accounting Principles Board Opinion No. 29, "Accounting for Nonmonetary Transactions", to require that exchanges of nonmonetary assets be measured and accounted for at fair value, rather than at carryover basis, of the assets

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exchanged. Nonmonetary exchanges that lack commercial substance are exempt from this requirement. SFAS 153 is effective for nonmonetary exchanges entered into in fiscal periods beginning after June 15, 2005. The Company does not routinely enter into nonmonetary exchanges. Accordingly, the Company does not expect that the adoption of SFAS 153 will have a significant effect on the Company's financial statement presentation or disclosures.

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

#### Special Note Regarding Forward-Looking Statements:

This Quarterly Report on Form 10-QSB for the quarterly period ended June 30, 2005 contains "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements that include the words "believes", "expects", "anticipates", or similar expressions. These forward-looking statements include, but are not limited to, statements concerning the Company's expectations regarding its working capital requirements, financing requirements, business prospects, and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts.

The forward-looking statements in this Quarterly Report on Form 10-QSB for the quarterly period ended June 30, 2005 involve known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements of the Company to differ materially from those expressed in or implied by the forward-looking statements contained herein. Except as required by applicable law or regulation, the Company undertakes no obligation to update or revise any forward-looking statement contained in this Quarterly Report on Form 10-QSB for the quarterly period ended June 30, 2005 to reflect any future events or circumstances.

#### General Overview:

As of June 30, 2005, the Company had no business operations. The Company's activities are focused on maintaining the corporate entity and seeking a new business opportunity. The acquisition of a new business opportunity may result in a change in name and in control of the Company.

#### Critical Accounting Policies:

The Company prepared its financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Management periodically evaluates the estimates and judgments made. Management bases its estimates and judgments on historical experience and on various factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates as a result of different assumptions or conditions.

The following critical accounting policies affect the more significant judgments and estimates used in the preparation of the Company's financial statements.

#### Cash and Cash Equivalents:

Cash and cash equivalents include all highly-liquid investments with an original maturity of three months or less at the date of purchase. The Company minimizes

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its credit risk by investing its cash and cash equivalents with major banks and financial institutions located primarily in the United States. However, cash balances exceeded federally-insured levels at June 30, 2005 and September 30, 2004. Balances that exceed such limits are separately insured through the commercial insurance carrier of the financial institution. The Company believes that no risk exists with respect to its concentration of balances in cash and cash equivalents.

### Income Taxes:

The Company records a valuation allowance to reduce its deferred tax assets to the amount that is more likely than not to be realized. In the event the Company was to determine that it would be able to realize its deferred tax assets in the

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future in excess of its recorded amount, an adjustment to the deferred tax assets would be credited to operations in the period such determination was made. Likewise, should the Company determine that it would not be able to realize all or part of its deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to operations in the period such determination was made.

### Results of Operations:

#### Three Months Ended June 30, 2005 and 2004:

**General and Administrative.** General and administrative expenses were \$35,531 and \$84,959 for the three months ended June 30, 2005 and 2004, respectively. General and administrative expenses decreased by \$49,428 or 58.2% in 2005 as compared to 2004, primarily as a result of a decrease in management compensation, insurance, and office and occupancy expenses, as a result of the restructuring and relocation of the Company's corporate office as described below. Significant components of general and administrative expenses include management and directors' compensation, insurance costs, accounting fees and office and occupancy expenses.

Effective January 1, 2005, the Company restructured and relocated its corporate office to a new facility in the Los Angeles area, which is being provided by an affiliate without charge on a month-to-month basis. The fair value of the new office facility is nominal. As a result, for the three months ended March 31, 2005, the Company incurred substantially reduced office and occupancy expenses, as well as reduced personnel-related costs.

**Legal Fees.** The Company did not have any legal fees for the three months ended June 30, 2005 or 2004.

**Depreciation.** Depreciation was \$127 for the three months ended June 30, 2004. The Company did not have any depreciation for the three months ended June 30, 2005.

**Interest Expense.** Interest expense was \$285 and \$231 for the three months ended June 30, 2005 and 2004, respectively.

**Interest Income.** Interest income was \$6,125 and \$851 for the three months ended June 30, 2005 and 2004, respectively.

**Net Loss Before Income Taxes.** Net loss before income taxes was \$29,691 and \$84,466 for the three months ended June 30, 2005 and 2004, respectively.

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State Income Taxes. The Company did not have any state income taxes for the three months ended June 30, 2005 or 2004.

Net Loss. Net loss was \$29,691 and \$84,466 for the three months ended June 30, 2005 and 2004, respectively.

Nine Months Ended June 30, 2005 and 2004:

General and Administrative. General and administrative expenses were \$135,691 and \$268,313 for the nine months ended June 30, 2005 and 2004, respectively. General and administrative expenses decreased by \$132,622 or 49.4% in 2005 as compared to 2004, primarily as a result of a decrease in management compensation, insurance, and office and occupancy expenses, as a result of the restructuring and relocation of the Company's corporate office as described below. Significant components of general and administrative expenses include management and directors' compensation, insurance costs, accounting fees and office and occupancy expenses.

Effective January 1, 2005, the Company restructured and relocated its corporate office to a new facility in the Los Angeles area, which is being provided by an

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affiliate without charge on a month-to-month basis. The fair value of the new office facility is nominal. As a result, beginning January 1, 2005, the Company incurred substantially reduced office and occupancy expenses, as well as reduced personnel-related costs.

Legal Fees. Legal fees were \$(404) for the nine months ended June 30, 2005, as compared to \$2,000 for the nine months ended June 30, 2004.

Depreciation. Depreciation was \$721 and \$380 for the nine months ended June 30, 2005 and 2004, respectively. Included in depreciation for the nine months ended June 30, 2005 was a charge of \$594 to write-off the remaining net book value of the Company's property and equipment at December 31, 2004, as a result of the relocation of the Company's corporate office to a new facility effective January 1, 2005.

Interest Expense. Interest expense was \$423 and \$523 for the nine months ended June 30, 2005 and 2004, respectively.

Interest Income. Interest income was \$13,282 and \$3,989 for the nine months ended June 30, 2005 and 2004, respectively.

Net Loss Before Income Taxes. Net loss before income taxes was \$123,149 and \$267,227 for the nine months ended June 30, 2005 and 2004, respectively.

State Income Taxes. State income taxes were \$800 for the nine months ended June 30, 2005 and 2004.

Net Loss. Net loss was \$123,949 and \$268,027 for the nine months ended June 30, 2005 and 2004, respectively

Financial Condition - June 30, 2005:

Liquidity and Capital Resources:

Overview. The Company had cash and cash equivalents of \$2,565,392 at June 30, 2005, as compared to \$2,686,241 at September 30, 2004, a decrease of \$120,849. The Company had working capital of \$2,523,289 at June 30, 2005, as compared to

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working capital of \$2,644,208 at September 30, 2004, a decrease of \$120,919.

Operating. The Company's operations utilized cash resources for various general and administrative expenses of \$120,849 during the nine months ended June 30, 2005, as compared to utilizing cash resources of \$268,894 during the nine months ended June 30, 2004. The reduction in cash utilized in operations in 2005 as compared to 2004 of \$148,045 was a result of the reduction in operating expenses as described above at "Results of Operations".

As of June 30, 2005, the Company had no business operations. The Company's activities are focused on maintaining the corporate entity and seeking a new business opportunity. The acquisition of a new business opportunity may result in a change in name and in control of the Company.

The Company believes that its working capital resources are adequate to fund anticipated costs and expenses for the remainder of the fiscal year ending September 30, 2005 and beyond.

Investing. During the nine months ended June 30, 2005 and 2004, the Company allocated certain common corporate services (consisting of rent, utilities, common area services, insurance and other office services) aggregating \$16,459 and \$29,349, respectively, to Resource Ventures, Inc. ("Resource"), a related entity with certain common officers and directors. During the nine months ended June 30, 2005 and 2004, Resource paid the Company \$16,459 and \$47,262, respectively. The allocation of common corporate services between the Company and Resource ceased effective December 31, 2004.

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During the nine months ended June 30, 2004, the Company purchased \$119 of property and equipment.

Financing. During the nine months ended June 30, 2004, the Company repurchased from an institutional shareholder 1,279,755 shares of common stock and 1,194,755 Series A common stock purchase warrants in a private transaction for an aggregate cash purchase price of \$1,343,743 effective November 17, 2003.

Commitments and Contingencies. At June 30, 2005, the Company did not have any commitments for capital expenditures or other obligations.

Off-Balance Sheet Arrangements. At June 30, 2005, the Company did not have any transactions, obligations or relationships that could be considered off-balance sheet arrangements.

### Recent Accounting Pronouncements:

In December 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), a revision to SFAS No. 123, "Accounting for Stock-Based Compensation". SFAS 123R supersedes Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and amends SFAS No. 95, "Statement of Cash Flows". SFAS 123R requires that the Company measure the cost of employee services received in exchange for equity awards based on the grant date fair value of the awards. The cost will be recognized as compensation expense over the vesting period of the awards. The Company is required to adopt SFAS 123R effective January 1, 2006. Under this method, the Company will begin recognizing compensation cost for equity-based compensation for all new or modified grants after the date of adoption. In addition, the Company will recognize the unvested portion of the grant date fair value of awards issued prior to adoption based on the fair values previously calculated for disclosure purposes over the remaining vesting period of the outstanding options and warrants. The Company is currently

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evaluating the potential effect that the adoption of SFAS 123R will have on the Company's financial statement presentation and disclosures.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets, an amendment to APB Opinion No. 29" ("SFAS 153"). SFAS 153 amends Accounting Principles Board Opinion No. 29, "Accounting for Nonmonetary Transactions", to require that exchanges of nonmonetary assets be measured and accounted for at fair value, rather than at carryover basis, of the assets exchanged. Nonmonetary exchanges that lack commercial substance are exempt from this requirement. SFAS 153 is effective for nonmonetary exchanges entered into in fiscal periods beginning after June 15, 2005. The Company does not routinely enter into nonmonetary exchanges. Accordingly, the Company does not expect that the adoption of SFAS 153 will have a significant effect on the Company's financial statement presentation or disclosures.

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### ITEM 3. CONTROLS AND PROCEDURES

#### (a) Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the rules and forms of the Securities and Exchange Commission. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the reports filed under the Securities Exchange Act of 1934 is accumulated and communicated to management, including its principal executive and financial officers, as appropriate, to allow timely decisions regarding required disclosure.

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including its principal executive and financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon and as of the date of that evaluation, the Company's principal executive and financial officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports the Company files and submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

#### (b) Changes in Internal Controls

There were no changes in the Company's internal controls or in other factors that could have significantly affected those controls subsequent to the date of the Company's most recent evaluation.

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## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

Not applicable.



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INDEX TO EXHIBITS

Exhibit Number -----	Description of Document -----
31	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002