

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-QSB

(Mark One)

(X) Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2000

() For the transition period from _____ to _____

Commission file number: 333-28861

NETSOL INTERNATIONAL, INC.

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

NEVADA

95-4627685

(State or other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification No.)

5000 North Parkway Calabasas, Suite 202, Calabasas, CA 91302
(Address of principal executive offices) (Zip Code)

(818) 222-9195 / (818) 222-9197

(Issuer's telephone/facsimile numbers, including area code)

Check whether the issuer: (1) 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 issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No
 --- ---

The issuer had 10,475,531 shares of its \$.001 par value Common Stock issued and outstanding as of March 31, 2000.

Transitional Small Business Disclosure Format (check one)

Yes No X
 --- ---

NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES

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NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2000

<TABLE>
<CAPTION>

<S>	ASSETS	<C>
Current Assets:		
Cash		\$ 4,402,497
Accounts receivable		1,942,094
Other current assets		1,305,810

Total Current Assets		7,650,401

Property and Equipment, at cost, net of accumulated depreciation		1,032,603

Other Assets:		
Deposits		5,285
Product license, renewals, enhancements and copyrights, net		6,124,848
Customer lists, net		1,612,304
Goodwill, net		5,008,680

Total Other Assets		12,751,117

Total Assets		\$ 21,434,121
		=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Accounts payable and accrued expenses		\$ 1,748,060
Current maturities of obligations under capital lease		57,605
Loan payable		39,461

Total Current Liabilities		1,845,126

Obligations under capitalized leases, less current maturities		230,418

Total Liabilities		2,075,544

Stockholders' Equity:		
Common stock; \$.001 par value, 25,000,000 shares authorized, 10,475,531 shares issued and outstanding		10,476
Common stock receivable		(25,000)
Additional paid-in capital		23,813,865
Accumulated deficiency		(4,440,764)

Total Stockholders' Equity		19,358,577

Total Liabilities and Stockholders' Equity		\$ 21,434,121
		=====

</TABLE>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three Months Ended March 31, 2000 & 1999
and For the Nine Months Ended March 31, 2000 & 1999

<TABLE>
<CAPTION>

Three Months Ended
MARCH 31

Nine Months Ended
MARCH 31

	2000	1999	2000	1999
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<S>	<C>	<C>	<C>	<C>
Net revenues	\$ 1,858,348	\$ 897,759	\$ 4,848,665	\$ 3,421,582
Cost of revenues	725,484	-0-	1,700,329	-0-
Gross profit	1,132,864	897,759	3,148,336	3,421,582
Operating expenses	1,919,625	980,748	5,047,798	4,062,245
Other income/(expense)	(10,842)	46,713	(39,198)	12,441
Net loss before income allocated to minority interest	(797,603)	(36,276)	(1,938,660)	(628,222)
Minority interest in subsidiaries earnings	-0-	(137,470)	-0-	(305,616)
Net loss	\$ (797,603)	\$ (173,746)	\$ (1,938,660)	\$ (933,838)
Net loss per share:				
Basic and diluted	(\$0.08)	(\$0.06)	(\$0.22)	(\$0.37)
Weighted average shares outstanding:				
Basic and diluted	9,600,865	2,809,188	8,963,798	2,521,142

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED JUNE 30, 1999 AND
THE NINE MONTHS ENDED MARCH 31, 2000

<TABLE>
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	COMMON		Common stock RECEIVABLE	Additional paid-in CAPITAL
	No. of SHARES	\$0.001 par AMOUNT		
<S>	<C>	<C>	<C>	<C>
Balance at June 30, 1998	1,774,065	\$ 1,774	\$ -0-	\$ 542,061
Common stock and warrants sold through Initial public offering	251,000	251	--	987,733
Issuance of common stock in exchange for Services rendered	235,000	235	--	710,631
Common stock options granted for services	--	--	--	199,844
Exercise of common stock options	105,000	105	--	945
Sale of common stock warrants	--	--	--	5,667
Exercise of warrants to convert to common stock	397,000	397	--	294,952
Issuance of common stock relating to acquisition of subsidiaries	4,690,000	4,690	--	9,658,810
Net loss for the year ended June 30, 1999	--	--	--	--
Balance at June 30, 1999	7,452,065	7,452	-0-	12,400,643
Sale of common stock through private placement	611,333	612	(25,000)	1,907,701
Issuance of common stock in exchange for services	448,083	448	--	936,917
Exercise of common stock options	596,250	596	--	911,317
Exercise of warrants to convert to common stock	812,800	813	--	4,875,987
Issuance of common stock relating to acquisition of subsidiaries	555,000	555	--	2,781,300
Net loss for the nine months ended March 31, 2000	--	--	--	--
Balance at March 31, 2000	10,475,531	\$ 10,476	\$ (25,000)	\$ 23,813,865

<CAPTION>

	Accumulated (DEFICIENCY)	To stockholders' EQUITY/ (DEFICIENCY)
<S>	<C>	<C>
Balance at June 30, 1998	\$ (875,370)	\$ (331,535)
Common stock and warrants sold through Initial public offering	--	987,984
Issuance of common stock in exchange for Services rendered	--	710,866
Common stock options granted for services	--	199,844
Exercise of common stock options	--	1,050
Sale of common stock warrants	--	5,667
Exercise of warrants to convert to common stock	--	295,349
Issuance of common stock relating to acquisition of subsidiaries	--	9,663,500
Net loss for the year ended June 30, 1999	(1,626,734)	(1,626,734)
Balance at June 30, 1999	(2,502,104)	9,905,991
Sale of common stock through private placement	--	1,883,313
Issuance of common stock in exchange for services	--	937,365
Exercise of common stock options	--	911,913
Exercise of warrants to convert to common stock	--	4,876,800
Issuance of common stock relating to acquisition of subsidiaries	--	2,781,855
Net loss for the nine months ended March 31, 2000	(1,938,660)	(1,938,660)
Balance at March 31, 2000	\$ (4,440,764)	\$ 19,358,577

</TABLE>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Increase (Decrease) in Cash and Cash Equivalents
For the Three Months Ended March 31, 2000 & 1999 and
For the Nine Months Ended March 31, 2000 & 1999

<TABLE>

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	Three months ended MARCH 31,		Nine months ended MARCH 31,	
<S>	2000	1999	2000	1999
<C>	<C>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net (loss)	\$ (797,603)	\$ (173,746)	\$ (1,938,660)	\$ (933,838)
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Depreciation and amortization	287,360	74,640	274,560	154,331
Non-cash compensation expense	336,875	78,751	777,500	644,751
Minority interest income	-0-	137,470	-0-	305,616
(Increase) decrease in accounts receivable	636,151	(38,060)	(1,422,988)	(260,383)
(Increase) decrease other current assets	(345,845)	(66,424)	(1,138,740)	(81,584)
(Increase) decrease in deposits	2,336	(3,199)	(869)	(3,886)
Increase (decrease) in accounts payable & accrued expenses	(1,559,899)	(332,106)	748,787	(446,259)
Total adjustments	(643,022)	(148,928)	(761,750)	312,586
Net cash provided by (used for) operating activities	(1,440,625)	(322,674)	(2,700,410)	(621,252)

CASH FLOWS FROM INVESTING ACTIVITIES:				
(Purchase) sale of investments, net	-0-	-0-	-0-	(161,539)
Purchase of property, plant and equipment	(401,583)	(12,587)	(685,303)	(131,339)
<hr/>				
Net cash provided by (used for) investing activities	(401,583)	(12,587)	(685,303)	(292,878)
<hr/>				
CASH FLOWS FROM FINANCING ACTIVITIES:				
Issuance of common stock and warrants, net	5,805,335	117,150	7,696,121	1,127,139
Proceeds from (payments on) notes payable	39,461	-0-	141,788	(228,300)
Payments on loan payable, related party	-0-	-0-	(44,750)	(100,000)
Deferred offering costs	-0-	-0-	-0-	203,813
Payments on capital lease obligations	(21,462)	(871)	(36,662)	(3,629)
<hr/>				
Net cash provided by (used for) financing activities	5,823,334	116,279	7,756,497	999,023
<hr/>				
Net increase (decrease) in cash	3,981,126	(218,982)	4,370,784	84,893
Cash and equivalents, beginning of period	421,371	298,357	31,713	(5,518)
<hr/>				
Cash and equivalents, end of period	\$ 4,402,497	\$ 79,375	\$ 4,402,497	\$ 79,375
<hr/>				

</TABLE>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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NETSOL INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Continued)
Increase (Decrease) in Cash and Cash Equivalents
For the Three Months Ended March 31, 2000 & 1999
and For the Nine Months Ended March 31, 2000 & 1999

<TABLE>
<CAPTION>

	Three months ended MARCH 31,		Nine months ended MARCH 31,	
	2000	1999	2000	1999
<S>	<C>	<C>	<C>	<C>
Supplemental Cash Flow Information:				
Cash paid during the period for interest:	\$ 12,554	\$ 4,546	\$ 38,585	\$ 16,840
Cash paid during the period for income taxes:	\$ -0-	\$ -0-	\$ -0-	\$ -0-
<hr/>				
Supplemental disclosure of non-cash investing and financing activities:				
Issuance of 490,000 shares of common stock per stock purchase agreement	--	--	--	\$ 2,523,500
Issuance of 175,000 shares of common stock per stock purchase agreement	--	--	--	\$ 566,000
Issuance of 4,200,000 shares of common stock per stock purchase agreements	--	\$ 7,140,000	\$ 1,071,855	\$ 7,140,000
Issuance of common stock shares for services rendered	\$ 336,875	\$ 138,750	\$ 777,500	\$ 138,750
Issuance of 150,000 shares of common stock for Abraxas acquisition	\$ 1,710,000	--	\$ 1,710,000	--

</TABLE>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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PRINCIPLES OF CONSOLIDATION: The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Network Solutions PVT, Ltd., NetSol UK, Ltd., Netsol USA, Inc., (formerly Mindsources, Inc.), Network Solutions Group Limited, Abraxas Software PTY, Ltd., and Netsol eR, Inc. All material inter-company accounts have been eliminated in consolidation.

BUSINESS COMBINATIONS: During August of 1999, the Company acquired Network Solutions Group Limited, (a United Kingdom company) and Mindsources, Inc. (a United States company) in exchange for 155,000 and 250,000 Rule 144 restricted shares of the Company's common stock, respectively. On January 2, 2000, the Company acquired Abraxas Software PTY, Ltd. (Abraxas), a company organized under the laws of the Country of Australia, in exchange for 150,000 Rule 144 restricted shares of the Company's common stock. All these acquisitions have been accounted for as purchase transactions and, accordingly, the fair value of the Company's stock that was issued was allocated to assets and liabilities based on estimated fair values as of the acquisition date.

PRIVATE PLACEMENT: The Company sold 611,333 shares of its restricted Rule 144 common stock in the amount of \$1,883,313 through private placement offerings pursuant to Regulation D of the Securities and Exchange Act of 1933.

UNAUDITED PROFORMA CONDENSED STATEMENT OF OPERATIONS:

As reported on Form 8-K, the Company acquired Abraxas. The acquisition was recorded as a purchase acquisition on January 2, 2000, whereby the Company acquired 100% of the outstanding capital stock of Abraxas in exchange for 150,000 shares of the Company's restricted common shares valued at \$1,710,000. Abraxas had a negative net equity at December 31, 1999 of \$96,743, resulting in the recording of goodwill in the amount of \$1,806,743. The audited financial statements for the acquired subsidiary were filed on Form 8-K on January 14, 2000 and on Form 8-K/A on March 14, 2000. Since the acquisition did not constitute a significant acquisition and the proforma adjustments related to the acquisition are immaterial to the financial statement presentation as a whole, proforma financial information, is not presented.

SUBSEQUENT EVENTS:

The Company acquired SuperNet AG (a German ISP providing high quality, low-cost Internet-access nationwide in Germany on May 3, 2000. Under the terms of the definitive agreement, valued at approximately \$20 million, the Company is acquiring all of SuperNet AG's issued and outstanding stock in exchange for 425,600 shares of the Company's restricted common stock. The required audited statements and proforma information are currently being gathered and will be filed on Form 8-K.

On April 25, 2000, the Company announced that its wholly owned subsidiary NetSol eR, Inc. (eReady) will launch NetSolCONNECT, a nationwide ISP in Pakistan with plans to commence operations in June of 2000.

On April 4, 2000, the Company named Syed Husain as its chief financial officer. Mr. Husain will report to President Najeeb Ghauri, who had been the acting CFO.

PART 1 - FINANCIAL INFORMATION

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

THE COMPANY

NetSol International, Inc. ("Company") was incorporated under the laws of the State of Nevada on March 18, 1997. The Company's address is 5000 North Parkway Calabasas, Suite 202, Calabasas, California 91302 and its telephone number is (818) 222-9195.

Effective September 15, 1998, the Company acquired 51% of the outstanding capital stock of Network Solutions PVT Limited ("NetSol PVT"), a software development company in Lahore, Pakistan. In addition, the Company purchased 43% of the outstanding capital stock of NetSol (UK) Limited, a corporation organized under the laws of the United Kingdom ("NetSol UK"), which is a sister company to NetSol PVT. The Company paid a purchase price for the increased interest in NetSol and the interest in NetSol UK of \$500,000, plus 490,000 shares of common stock of the Company. The Company already owned 10% of the outstanding capital stock of NetSol PVT.

On April 17, 1999, the Company entered into an agreement with NetSol PVT and NetSol UK to acquire the remaining 49% of NetSol PVT and 57% of NetSol UK in exchange for 4.2 million shares of restricted common stock of the Company.

NetSol PVT was incorporated in Pakistan on August 22, 1996, under the companies ordinance of 1984, as a private company limited by shares. NetSol PVT's principle business is the design and development on new software applications and designs.

NetSol PVT has developed several leasing and finance products creating a market within the finance industry. Currently, NetSol PVT has developed a fully integrated leasing and finance package, which is a series of seven products that can be marketed in an integrated system. Mercedes Benz Finance

-- Singapore, Mercedes Benz Leasing - Thailand, Mercedes Benz Finance Ltd. - United Kingdom and Mercedes Benz Finance - Australia are some of NetSol PVT's customers which account for a majority of its revenues. In addition, NetSol provides off shore development and customized Information Technology ("IT") solutions and has blue chip customers such as ICI of UK, Fuzzy Informatik of Germany, and 1st Net Technologies, Inc., USA. NetSol PVT has over 250 employees, of which approximately 90% are IT specialized. NetSol PVT is the first company in Pakistan to achieve ISO 9001 accreditation.

NetSol UK was incorporated in December 1997 under the laws of the United Kingdom. NetSol UK was established for service and support of customers in the European markets. In addition, NetSol UK was established to function as a marketing arm of the Company in Europe.

PRODUCTS AND PROJECTS IN QUARTER ENDING MARCH 31, 2000

PROJECTS:

The Company's projects in the quarter ending March 31, 2000, include NetSol USA's development and service agreement with Omnipoint Technologies, Inc. NetSol USA is to develop software applications with the ability of tracking key components in the wireless environment. The contract is valued at \$600,000 with an option to renew.

The Company also entered into a partnership with CFS Group PLC of London (CFS), whereby NetSol in Pakistan will develop and maintain software to be marketed and distributed by CFS.

Additionally, the Company broke ground on the first phase of development for its new technology campus in Lahore, Pakistan. The first phase is expected to be completed by the Fall of 2000.

PRODUCTS:

The Company launched two new products during the quarter ended March 31, 2000. The first product is a Contract Management System (CMS), which automates and manages contracts at the finance level of a company. The second, is an electronic Point of Sale system (ePos), which is a browser based point of sale system that is used by auto dealerships and other outlets. The electronic point of sale system can be used on the Intranet and is platform independent.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2000, as compared to the Three Months Ended March, 31, 1999.

NET SALES

Net sales of \$1,858,348 for the third quarter ended March 31, 2000, were greater than the sales of the same quarter, for the previous year of \$897,759, by \$960,589. Likewise, net sales of \$4,848,665 for the nine months ended March 31, 2000, were greater than net sales for same nine month period of the prior year of \$3,421,582, by \$1,427,083. The augmented sales levels are due to the acquisitions of the subsidiaries centralized in Europe and Asia.

COST OF SALES AND GROSS PROFIT

The gross profit was \$1,132,864 in the quarter ending March 31, 2000. This favorably compares to a gross profit level of \$897,759 for the corresponding quarter of the previous fiscal year. Additionally, the gross profit for the current quarter illustrates a consistent gross profit level for each quarter of this fiscal year. Again, this increase is substantially due to the subsidiaries operations in Europe and Asia.

OPERATING EXPENSES

Operating expenses were \$1,919,625 during the quarter ended March 31, 2000. This is \$938,877 greater than the operating expenses for the same quarter of the previous fiscal year ended March 31, 1999, of \$980,748. This increase was due to additional acquisition expenses during the quarter and stock issued for services amounting to \$336,875.

The overall net loss per share for the quarter ended March 31, 2000, was \$0.08. This represented an increase of \$0.02 per share from the net loss per share in the same quarter of the previous year.

INTEREST

Net interest expenses paid were \$12,554, during the quarter ended March 31, 2000. This compares with \$4,546 for the same period in the previous fiscal year, and is due to an increase in capital lease obligations entered into by the subsidiaries in Europe and Asia.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary cash requirements are for operating expenses, including the funding of accounts receivable, labor costs, and raw material purchases. The Company also has cash requirements for capital expenditures and for the funding of additional business acquisitions. The Company's primary sources of cash from operations are from the operations in the United Kingdom, Pakistan, United

States, and Australia.

For the quarter ended March 31, 2000, the overall increase in cash totaled \$3,981,126. This increase was attributable to sales of common shares and exercising of warrants amounting to \$5,805,335, which was in excess of the cash used for operating and investing activities. The net cash used for operating activities of \$1,440,625, resulted in large part from a decrease in payables of \$1,559,899. The net cash used for investing activities of \$401,583 was solely due to the purchases of property, plant and equipment.

For comparative purposes, the quarter ended March 31, 1999, resulted in a decrease in cash of \$218,982, which was substantially due to the net cash used by operations of \$322,674.

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)

The Company's current plans require additional capital expenditures for the remainder of the year of approximately \$2,000,000 to support additional acquisitions and fund additional increases in accounts receivable of the subsidiaries. During the quarter ended March 31, 2000, the Company had cash of \$5,823,334 provided by financing activities and expects similar capital infusions in the remaining quarters of this fiscal year.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

To the best knowledge of management and the Company's counsel, there is no material litigation pending or threatened against the Company.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

The Company did not receive any additional proceeds from its Public Offering since its Annual Report.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

(27) Financial Data Schedule

(b) Reports on Form 8-K

Form 8-K filed on January 14, 2000, for the acquisition of Abraxas Software (PTY) Ltd.

Form 8-K/A filed on March 14, 2000, for the acquisition of Abraxas Software (PTY) Ltd. filing audited financial statements for Abraxas.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NetSol International, Inc.
Registrant

Date: May 11, 2000

/s/ Najeeb U. Ghauri

NAJEEB U. GHAURI
PRESIDENT

/s/ Syed Husain

SYED HUSAIN
CHIEF FINANCIAL OFFICER

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<PERIOD-END>	MAR-31-2000	MAR-31-1999	MAR-31-2000	MAR-31-1999
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<CGS>	725,484	0	1,700,329	0
<TOTAL-COSTS>	1,919,625	980,748	5,047,798	4,062,245
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<NET-INCOME>	(797,603)	(173,746)	(1,938,660)	(933,838)
<EPS-BASIC>	(0.08)	(0.06)	(0.22)	(0.37)
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