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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1998

OR

[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

COMMISSION FILE NO. 0-9092

CHENIERE ENERGY, INC.
(Exact name as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation or organization)

95-4352386
(I. R. S. Identification No.)

1200 SMITH STREET, SUITE 1740
HOUSTON, TEXAS
(Address or principal place of business)

77002-4312
(Zip Code)

(713) 659-1361
(Registrant's telephone number, including area code)

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 such filing requirements for the past 90 days. Yes [X] NO [] .

As of July 9, 1998, there were 16,207,082 shares of Cheniere Energy, Inc. Common Stock, \$.003 par value, issued and outstanding.

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CHENIERE ENERGY, INC.
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CHENIERE ENERGY, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED BALANCE SHEET
(Unaudited)

<TABLE>
<CAPTION>

	June 30, 1998	December 31, 1997	
	-----	-----	
<S>	<C>	<C>	
ASSETS			
CURRENT ASSETS			
Cash	\$ 1,051,883	\$ 787,523	
Accounts Receivable	125,724	102,330	
Debt Issuance Costs, net	65,979	224,306	
Prepaid Expenses and Other Current Assets	90,306	10,543	
	-----	-----	
TOTAL CURRENT ASSETS	1,333,892	1,124,702	
OIL AND GAS PROPERTIES, full cost method			
Unevaluated	18,168,208	16,534,054	
FIXED ASSETS, net	110,966	46,871	
	-----	-----	
TOTAL ASSETS	\$ 19,613,066	\$ 17,705,627	
	=====	=====	
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts Payable and Accrued Liabilities	\$ 295,111	\$ 369,766	
Notes Payable	2,180,000	2,000,000	
Note Payable - Related Party	2,000,000	2,000,000	
Less: Cost of Detachable Warrants	(2,320)	(84,167)	
	-----	-----	
TOTAL LIABILITIES	4,472,791	4,285,599	
	-----	-----	
STOCKHOLDERS' EQUITY			
Common Stock, \$.003 par value			
Authorized: 45,000,000 shares			
Issued and Outstanding: 16,207,082 shares at June 30, 1998;			
14,457,866 at December 31, 1997	48,622	43,374	
Preferred Stock, \$.0001 par value			
Authorized: 5,000,000 shares			
Issued and Outstanding: none	-	-	
Additional Paid-in-Capital	17,897,645	15,563,330	
Deficit Accumulated During the Development Stage	(2,805,992)	(2,186,676)	
	-----	-----	
TOTAL STOCKHOLDERS' EQUITY	15,140,275	13,420,028	
	-----	-----	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 19,613,066	\$ 17,705,627	
	=====	=====	

</TABLE>

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

CHENIERE ENERGY, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)

<TABLE>
<CAPTION>

	For the Three Months Ended June 30,		For the Six Months Ended June 30,		Cumulative from the Date of Inception
	1998	1997	1998	1997	
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -
	-----	-----	-----	-----	-----
General and Administrative Expenses	436,435	379,321	631,829	754,342	2,896,127

Loss from Operations Before Other Income and Income Taxes	(436,435)	(379,321)	(631,829)	(754,342)	(2,896,127)
Interest Income	6,619	19,822	12,513	46,978	129,136
Interest Expense (39,001)	-	-	-	-	-
Loss From Operations Before Income Taxes	(429,816)	(359,499)	(619,316)	(707,364)	(2,805,992)
Provision for Income Taxes	-	-	-	-	-
Net Loss	\$ (429,816)	\$ (359,499)	\$ (619,316)	\$ (707,364)	\$ (2,805,992)
Net Loss Per Share (basic and diluted)	\$ (0.03)	\$ (0.03)	\$ (0.04)	\$ (0.06)	\$ (0.23)
Weighted Average Number of Shares Outstanding	15,865,084	13,014,691	14,891,462	12,598,564	12,395,861

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

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CHENIERE ENERGY, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Unaudited)

	Common Stock			Additional Paid-In Capital	Retained Deficit	Total Stockholders' Equity
	Per Share	Shares	Amount			
	<C>	<C>	<C>	<C>	<C>	<C>
Sale of Shares on April 9, 1996	\$ 0.012	6,242,422	\$ 18,727	\$ 56,276	\$ -	\$ 75,003
Sale of Shares on May 5, 1996	1.50	2,000,000	6,000	2,994,000	-	3,000,000
Issuance of Shares to an Employee on July 1, 1996	1.00	30,000	90	29,910	-	30,000
Issuance of Shares in Reorganization to Former Bexy Shareholders	-	600,945	1,803	(1,803)	-	-
Sale of Shares on July 30, 1996	2.00	50,000	150	99,850	-	100,000
Sale of Shares on August 1, 1996	2.00	508,400	1,525	1,015,275	-	1,016,800
Sale of Shares on August 30, 1996	2.00	500,000	1,500	998,500	-	1,000,000
Expenses Related to Offerings	-	-	-	(686,251)	-	(686,251)
Issuance of Warrants	-	-	-	12,750	-	12,750
Net Loss	-	-	-	-	(121,847)	(121,847)
Balance - August 31, 1996		9,931,767	29,795	4,518,507	(121,847)	4,426,455
Sale of Shares on September 12, 1996	2.00	50,000	150	99,850	-	100,000
Sale of Shares on September 16, 1996	2.00	80,250	241	160,259	-	160,500
Conversion of Debt	2.00	105,000	315	209,685	-	210,000
Sale of Shares on October 30, 1996	2.25	457,777	1,373	1,028,627	-	1,030,000
Issuance of Warrants	-	-	-	6,450	-	6,450
Sale of Shares on December 6, 1996	2.25	475,499	1,426	1,068,448	-	1,069,874
Sale of Shares on December 9, 1996	2.50	400,000	1,200	998,800	-	1,000,000
Sale of Shares on December 11, 1996	2.25	22,222	67	49,933	-	50,000
Sale of Shares on December 19, 1996	2.50	200,000	600	499,400	-	500,000
Sale of Shares on December 20, 1996	2.50	220,000	660	549,340	-	550,000
Sale of Shares on February 28, 1997	4.25	352,947	1,059	1,498,967	-	1,500,026
Sale of Shares on March 4, 1997	4.25	352,947	1,059	1,498,966	-	1,500,025
Sale of Shares on May 22, 1997	3.00	535,000	1,605	1,603,395	-	1,605,000
Issuance of Shares to Adjust Prices of Shares Sold on February 28 and March 4	-	294,124	883	(883)	-	-
Sale of Shares on June 26, 1997	3.00	33,333	100	99,900	-	100,000
Sale of Shares on July 24, 1997	3.00	250,000	750	749,250	-	750,000
Issuance of Shares in Connection with Financial Advisory Services	3.125	200,000	600	624,400	-	625,000
Sale of Shares on July 30, 1997	3.00	100,000	300	299,700	-	300,000
Sale of Shares on August 19, 1997	3.00	100,000	300	299,700	-	300,000
Expenses Related to Offerings	-	-	-	(1,153,441)	-	(1,153,441)
Net Loss	-	-	-	-	(1,676,468)	(1,676,468)
Balance - August 31, 1997		14,160,866	42,483	14,709,253	(1,798,315)	12,953,421
Sale of Shares on September 15, 1997	3.00	67,000	201	200,799	-	201,000
Sale of Shares on September 16, 1997	3.00	130,000	390	389,610	-	390,000
Expenses related to offerings	-	-	-	(74,532)	-	(74,532)
Issuance of Warrants and Shares with Bridge Notes on December 15, 1997	2.375	100,000	300	338,200	-	338,500

Net Loss	-	-	-	(388,361)	(388,361)
Balance - December 31, 1997	14,457,866	43,374	15,563,330	(2,186,676)	13,420,028
Sale of Shares on April 8, 1998	2.00 530,000	1,590	1,058,410	-	1,060,000
Issuance of Shares in Settlement of Charges for Previous Legal Services	1.40 70,000	210	97,790	-	98,000
Sale of Shares on May 29, 1998	2.00 22,000	66	43,934	-	44,000
Sale of Shares on June 4, 1998	1.40 890,644	2,672	1,244,230	-	1,246,902
Expenses related to offerings	-	-	(113,000)	-	(113,000)
Issuance of Shares to Adjust Prices of Shares Sold on April 8 and May 29	236,572	710	(710)	-	-
Issuance of Warrants with Bridge Notes on June 4, 1998	-	-	3,661	-	3,661
Net Loss	-	-	-	(619,316)	(619,316)
Balance - June 30, 1998	16,207,082	48,622	17,897,645	(2,805,992)	15,140,275

</TABLE>

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

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CHENIERE ENERGY, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

<TABLE>
<CAPTION>

	Six Months Ended June 30,		Cumulative from the Date of Inception
	1998	1997	
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Loss	\$ (619,316)	\$ (707,364)	\$ (2,805,992)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities:			
Depreciation and Amortization	18,225	4,104	33,032
Compensation Paid in Common Stock	-	-	654,400
(Increase) in Accounts Receivable	(23,394)	-	(125,724)
Increase in Prepaid Expenses and Other Current Assets	(79,763)	(65,248)	(90,306)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(74,655)	64,645	295,111
Decrease in Advances from Officers	-	(961)	-
Non-Cash Interest Expense (Issuance of Warrants)	-	-	19,200
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	\$ (778,903)	(704,824)	(2,020,279)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of Fixed Assets	(82,320)	(7,944)	(143,998)
Proceeds from Sales of Oil and Gas Seismic Data	-	-	46,000
Oil and Gas Property Additions	(1,390,319)	(6,000,000)	(17,940,346)
NET CASH USED IN INVESTING ACTIVITIES	(1,472,639)	(6,007,944)	(18,038,344)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from Issuance of Notes with Detachable Warrants	180,000	-	4,605,000
Proceeds from Issuance of Notes	-	-	500,000
Repayment of Notes Payable	-	-	(715,000)
Sale of Common Stock	2,448,902	4,705,051	18,747,730
Offering Costs	(113,000)	(266,140)	(2,027,224)
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,515,902	4,438,911	21,110,506
NET INCREASE (DECREASE) IN CASH	264,360	(2,273,857)	1,051,883
CASH - BEGINNING OF PERIOD	787,523	2,419,264	-
CASH - END OF PERIOD	\$ 1,051,883	\$ 145,407	\$ 1,051,883
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash Paid for Interest	\$ 201,978	\$ -	\$ 224,331
Cash Paid for Income Taxes	\$ -	\$ -	\$ -

</TABLE>

SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:

The Company issued 105,000 shares of common stock upon the conversion of \$210,000 of notes payable in September 1996. In conjunction with its December 1997 Bridge Financing, the Company issued 100,000 shares of common stock, valued at \$237,500 and recorded as debt issuance costs. In the same financing, 1,333,334 warrants were issued, valued at \$101,000. The amortization of such debt issuance and warrant costs was included in interest expense which was capitalized as a cost of oil and gas properties.

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

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CHENIERE ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The unaudited consolidated financial statements of Cheniere Energy, Inc. ("Cheniere" or the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments necessary for a fair presentation, have been included.

For further information, refer to the financial statements and footnotes included in the Company's Transition Report on Form 10-K for the four months ended December 31, 1997. Interim results are not necessarily indicative of results to be expected for the full fiscal year ended December 31, 1998.

The Company is currently a development stage enterprise and reports as such under the provisions of SFAS No. 7. The Company's future business will be in the field of oil and gas exploration and exploitation.

NOTE 2 - NOTES PAYABLE

In December 1997, Cheniere completed the private placement of a \$4,000,000 bridge financing (the "December 1997 Bridge Financing"). The senior term notes payable issued by Cheniere had an initial maturity date of March 15, 1998 which has been extended to September 15, 1998. The senior term notes bear interest, which is payable quarterly, at an annual rate of 9.9% (LIBOR plus 4%). The securities purchase agreements which govern the bridge financing specify that, during the term of the notes, capital raised by the Company in excess of \$5,000,000 must be directed to the repayment of the senior term notes.

In connection with the December 1997 Bridge Financing, Cheniere issued 100,000 shares of common stock and 4-year warrants to purchase 1,333,334 shares of common stock at \$2-3/8 per share. Additional warrants to purchase 266,667 shares of Cheniere common stock will be issued for each month the notes remain outstanding during the period from March 15, 1998 through September 15, 1998. The common stock issued at closing was recorded as a debt issuance cost at the then-current market price for the shares.

In June 1998 the Company issued \$180,000 in short-term notes with detachable warrants to purchase 83,334 shares of common stock at an exercise price of \$2.00 per share on or before June 4, 2002. The notes bear interest at 9.7% (LIBOR plus 4%) and mature on August 14, 1998.

NOTE 3 - COMMON STOCK ISSUANCE

During the six months ended June 30, 1998, the Company completed four private placements of its common stock pursuant to Regulation D under the Securities Act of 1933 (the "Act"). In April 1998 Cheniere issued 530,000 shares, generating net proceeds of \$1,018,000. In May 1998 the Company issued 22,000 shares with proceeds of \$44,000 and an additional 70,000 shares in

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partial payment of legal charges related principally to previous offerings of the Company's common stock. In June 1998 Cheniere issued 890,644 shares of common stock, generating net proceeds of \$1,175,900. Because the June private placement was issued at a price of \$1.40 per share, the Company also issued in June 236,572 additional shares to the stockholders who had purchased shares in April and May at \$2.00 per share.

NOTE 4 - STOCK OPTIONS

On January 1, 1998, the Company granted options to certain employees under the Cheniere Energy, Inc. 1997 Stock Option Plan. Options covering a total of 100,000 shares of common stock were granted, exercisable at \$3.00 per share, vesting 25% at each of the first four anniversaries of the dates of grant and expiring on the fifth anniversary dates of the grants.

On April 7, 1998, the Company's Board of Directors elected a new outside director. This director was granted options to purchase 35,000 shares of the Company's Common Stock at an exercise price of \$3.00 per share, the quoted market price on the date of grant. These options vest 22,500 on April 7, 1999, and 12,500 on April 7, 2000, and will expire on April 7, 2002. All of the options described in this Note 4 were issued pursuant to an exemption from the securities registration provisions of the Securities Act of 1933 contained in Section 4(2).

NOTE 5-RELATED PARTY TRANSACTIONS

In conjunction with certain of the Company's private placements of equity, placement fees have been paid to Investors Administration Services, Limited ("IAS"), a company in which the brother of the Company's Co-Chairman, Charif Souki, is a principal. Payments to IAS totaled \$113,000 during the six months ended June 30, 1998.

On June 4, 1998 short-term advances totaling \$592,000 were received from the Company's Co-Chairman William Forster and from family members of Mr. Forster who are also shareholders of the Company. Such advances bore interest at 9.7% (LIBOR plus 4%) and were repaid during June.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL - Cheniere Energy, Inc. is currently a development stage company, which has not yet begun generating revenues, and reports as such under the provisions of SFAS No. 7. The Company's unaudited consolidated financial statements and notes thereto relate to the three-month and six-month periods ended June 30, 1998 and 1997. These statements, the notes thereto and the consolidated financial statements included in the Company's Transition Report on Form 10-K for the four-month transition period ended December 31, 1997 contain detailed information that should be referred to in conjunction with the following discussion.

RESULTS OF OPERATIONS

COMPARISON OF THREE-MONTH PERIODS ENDED JUNE 30, 1998 AND 1997 - The Company's operating results for the three months ended June 30, 1998 reflect a loss of \$429,816, or \$0.03 per share, compared to a loss of \$359,499 or \$0.03 per share a year earlier. The Company is in the development stage; accordingly, there continue to be no operating revenues. General and administrative expenses of \$436,435 in the three months ended June 30, 1998 were higher than the \$379,321 reported for the comparable period a year earlier. The increase in expenses results principally from legal expenses related to the arbitration proceedings initiated by Zydeco in April 1998. Cheniere reported interest income of \$6,619 in the current-year's quarter compared to \$19,822 a year ago, varying as a function of funds available for the Company to invest.

COMPARISON OF SIX-MONTH PERIODS ENDED JUNE 30, 1998 AND 1997 - The Company's operating results for the six months ended June 30, 1998 reflect a loss of \$619,316, or \$0.04 per share, compared to a loss of \$707,364 or \$0.06 per share a year earlier. General and administrative expenses of \$631,829 in the six months ended June 30, 1998 were lower than the \$754,342 reported for the comparable period a year earlier. The decrease in expenses results from significant legal expenses incurred in the first quarter of 1997 related to a potential acquisition of oil and gas properties which was not consummated. Cheniere reported interest income of \$12,513 in the current year to date compared to \$46,978 a year ago, varying as a function of funds available for the Company to invest.

LIQUIDITY AND CAPITAL RESOURCES

The Company anticipates that future liquidity requirements, including repayment of outstanding short-term notes payable, future commitments to the 3-D Exploration Program and other oil and gas activities, will be met by cash balances, the sale of equity, further borrowings, and/or the sale of portions of its interest in the 3-D Exploration Program or in the prospects generated thereunder. At this time, no assurance can be given that such sales of equity, future borrowings, or sales of portions of its interest in the 3-D Exploration Program will be accomplished.

Historically, the Company has funded its capital expenditures and working capital requirements through private placements of equity securities and short-term debt issuances. Since its inception in February 1996 through June 30, 1998, Cheniere has raised \$16.9 million through the sale of its common stock and another \$4.2 million (net of repayments) in private debt placements.

The Company expects drilling operations to commence on more than one prospect during the second half of 1998. The related capital needs of the

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Company will depend upon the level of participation it chooses to retain in the drilling projects. The Company expects to finance such activities through the additional placement of its equity securities, short-term debt issuances or the partial sale of its interest in the exploration projects.

At June 30, 1998, total assets had increased to \$19,613,066 compared to \$17,705,627 at December 31, 1997 due primarily to Cheniere's continued investment in oil and gas properties, funded principally by net proceeds from the sale of the Company's common stock.

OTHER

This document includes "forward looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Act of 1934, as amended. Although the Company believes that the expectations reflected in such forward looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be achieved. Certain risks and uncertainties inherent in the Company's business are set forth in the filings of the Company with the Securities and Exchange Commission.

PART II. OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

The information contained in Notes 2, 3 and 4 to the Consolidated Financial Statements is incorporated herein by reference.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Each of the following exhibits is incorporated by reference or filed herewith:

Exhibit No.	Description
27.1	Financial Data Schedule

(b) The Company filed Current Reports on Form 8-K on April 23, 1998, regarding Zydeco's filing a petition for arbitration to resolve certain disputes; and on May 22, 1998 regarding a change in accountants.

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SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CHENIERE ENERGY, INC.

/s/ Don A. Turkleson

Don A. Turkleson
Chief Financial Officer (on behalf of
the registrant and as principal
accounting officer)

Date: July 13, 1998

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EXHIBIT INDEX

Exhibit No.	Description
27.1	Financial Data Schedule

<TABLE> <S> <C>

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