# WESTERN SIERRA MINING CORP.

**(A Development Stage Company)**
**(Formerly Global Decs Corp.)**
**Consolidated Balance Sheets**
**Unaudited**

**ASSETS**

| | March 31, 2007 | December 31, 2006 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ 6,103 | $ 15,926 |
| Other assets | - | - |
| Total current assets | 6,103 | 15,926 |
| **PROPERTY AND EQUIPMENT,** net | 894,797 | 894,797 |
| **MINING PROPERTY** | 1,539,197 | 1,539,197 |
| Total Assets | $ 2,440,097 | $ 2,449,920 |

**LIABILITIES AND STOCKHOLDERS' EQUITY**

| | March 31, 2007 | December 31, 2006 |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Accounts payable | $ - | $ - |
| Accrued expenses | 262,500 | 210,000 |
| Loans from shareholders | 107,450 | 107,450 |
| Current maturities of notes payable | - | - |
| Total current liabilities | 369,950 | 317,450 |
| **NOTES PAYABLE** | 286,928 | 286,928 |
| **STOCKHOLDERS' EQUITY** | | |
| Common stock - par value $.001 200,000,000 shares authorized; 139,918,187 and 139,918,187 shares issued and outstanding respectively | 139,918 | 139,918 |
| Paid-in capital | 5,677,985 | 5,677,985 |
| Shares to be issued | - | - |
| Shares to be cancelled | 0 | 0 |
| Deficit accumulated during the development stage | (4,034,684) | (3,972,361) |
| Total stockholders' equity | 1,783,219 | 1,845,542 |
| Total Liabilities and Stockholders' Equity | $ 2,440,097 | $ 2,449,920 |

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

**WESTERN SIERRA MINING CORP.**
**(A Development Stage Company)**
**(Formerly Global Decs Corp.)**
**Consolidated Statement of Stockholders' Equity**
**Unaudited**

| | Common Stock Shares | Common Stock Amount | Paid-in Capital | Deficit Accumulated During the Development Stage | Stock To be Issued | Stock To be Cancelled | Subscription Receivable | Deferred Interest | Total |
|---|---|---|---|---|---|---|---|---|---|
| Issuance of stock to founders ($.001/share) | 14,238,100 | $ 14,238 | | | | | | | $ 14,238 |
| Issuance of stock for cash ($.20/share) | 4,216,165 | 4,216 | $ 839,018 | | | | $ (29,400) | | 813,834 |
| Issuance of stock for vehicles and equipment ($.20/share) | 517,165 | 517 | 102,916 | | | | | | 103,433 |
| Issuance of stock for interest ($.20/share) | 166,030 | 166 | 33,040 | | | | | | 33,206 |
| Issuance of stock for services and expenses ($.20/share) | 862,540 | 863 | 171,645 | | | | | | 172,508 |
| Stock to be issued for cash received ($.20/share) | | | | | $ 129,500 | | | | 129,500 |
| Reverse acquisition of Western Sierra, Inc. | 2,529,685 | 2,530 | (2,530) | | | | | | - |
| Cash received for subscriptions ($.20/share) | 647,500 | 647 | 128,853 | | (129,500) | | | | - |
| Issuance of stock for cash ($.20/share) | 81,580 | 81 | 16,235 | | | | | | 16,316 |
| Issuance of stock for deferred interest ($.20/share) | 1,526,667 | 1,527 | 303,806 | | | | | $ (305,333) | - |
| Amortization of deferred interest | | | | | | | | 44,101 | 44,101 |
| Net loss for period | | | | $ (998,781) | | | | | (998,781) |
| Balance, December 31, 2003 | 24,785,432 | $ 24,785 | $ 1,592,983 | $ (998,781) | $ - | $ - | $ (29,400) | $ (261,232) | $ 328,355 |
| Issuance of stock for cash, January 1 - December 31, 2004 ($.20/share) | 3,842,708 | 3,843 | 740,174 | | | | | | 744,017 |
| Issuance of stock for materials and equipment ($.20/share) | 104,240 | 104 | 20,760 | | | | | | 20,864 |
| Issuance of stock for compensation and consulting ($.20/share) | 1,359,000 | 1,359 | 270,441 | | 141,179 | | | | 412,979 |
| Issuance of replacement shares | 505,007 | 505 | | | | (505) | | | - |
| Write off uncollectible subscription receivable | | | (29,400) | | | | 29,400 | | - |
| Amortization of deferred interest | | | | | | | | 261,232 | 261,232 |
| Net loss for period | | | | (1,346,520) | | | | | (1,346,520) |
| Balance, December 31, 2004 | 30,596,387 | $ 30,596 | $ 2,594,958 | $ (2,345,301) | $ 141,179 | $ (505) | $ - | $ - | $ 420,927 |
| Issuance of stock for cash, January 1 - December 31, 2005 ($.21/share) | 932,449 | 933 | 201,803 | | | | | | 202,736 |
| Issuance of stock for acquisition of mining property, July 27, 2005 ($.15/share) | 10,261,317 | 10,261 | 1,528,936 | | | | | | 1,539,197 |
| Issuance of stock for professional fees ($.15/share) | 4,050,000 | 4,050 | 603,450 | | | | | | 607,500 |
| Issuance of stock for exploration costs ($.025/share) | 1,030,755 | 10,031 | 240,738 | | (105,884) | | | | 144,885 |
| Issuance of stock for compensation ($.025/share) | 3,343,585 | 3,343 | 80,246 | | (35,295) | | | | 48,294 |
| Effect 2-for-1 stock split, July 1, 2005 | 41,004,528 | 41,005 | (41,005) | | | | | | - |
| Net loss for period | | | | (909,074) | | | | | (909,074) |
| Balance, December 31, 2005 | 91,219,021 | $ 100,219 | $ 5,209,126 | $ (3,254,375) | $ - | $ (505) | $ - | $ - | $ 2,054,465 |
| Issuance of stock for cash, January 25, 2006 ($.02/share) | 5,850,000 | 5,850 | 106,525 | | | | | | 112,375 |
| Issuance of stock for cash, November 14, 2006 ($.02/share) | 1,250,000 | 1,250 | 23,750 | | | | | | |
| Issuance of stock for interest, December 4, 2006 ($.02/share) | 2,000,000 | 2,000 | 18,000 | | | | | | |
| Issuance of stock for professional fees ($.01/share) | 1,019,166 | 1,019 | 9,364 | | | 505 | | | 10,888 |
| Issuance of stock for exploration costs ($.01-$.025/share) | 29,580,000 | 29,580 | 311,220 | | | | | | 340,800 |
| Net loss for period | | | | (717,986) | | | | | (717,986) |
| Balance, December 31, 2006 | 130,918,187 | $ 139,918 | $ 5,677,985 | $ (3,972,361) | $ - | $ - | $ - | $ - | $ 1,845,542 |
| Net loss for period | | | | (62,323) | | | | | (62,323) |
| Balance, December 31, 2006 | 130,918,187 | $ 139,918 | $ 5,677,985 | $ (4,034,684) | $ - | $ - | $ - | $ - | $ 1,783,219 |

**WESTERN SIERRA MINING CORP.**

**(A Development Stage Company)**

**(Formerly Global Decs Corp.)**

**Consolidated Statements of Operations**

**Unaudited**

| | For the Three Months Ended March 31, 2007 | For the Year Ended Dec. 31, 2006 | From February 25, 2003 (Inception) through Mar. 31, 2007 |
|---|---|---|---|
| **REVENUES** | $ - | $ - | $ - |
| **OPERATING COSTS AND EXPENSES** | | | |
| Compensation | 11,250 | 183,702 | 1,175,686 |
| Employee expenses | - | - | 44,082 |
| Professional fees | 125 | 2,623 | 966,051 |
| Exploration expenses | 49,944 | 457,200 | 923,353 |
| Legal and professional | - | 2,000 | 98,326 |
| Vehicle and equipment expenses | - | 3,805 | 70,384 |
| Rent | - | 12,652 | 48,241 |
| Insurance | - | - | 19,753 |
| Licenses,permits, fees | - | 6,051 | 38,898 |
| Depreciation | - | 7,742 | 135,391 |
| Office expenses | 839 | 11,698 | 66,090 |
| Reporting company expenses | 165 | 3,679 | 9,884 |
| Supplies | - | - | 29,064 |
| Organization expenses | - | - | 14,181 |
| Total Expenses | 62,323 | 691,152 | 3,639,384 |
| Operating Loss | (62,323) | (691,152) | (3,639,384) |
| **OTHER INCOME (EXPENSES)** | | | |
| Loss on disposal of assets | - | (6,834) | (31,964) |
| Interest income | - | - | 18 |
| Interest expense | - | (20,000) | (363,354) |
| Income before income taxes | (62,323) | (717,986) | (4,034,684) |
| Provision for income taxes | - | - | - |
| NET INCOME (LOSS) | (62,323) | (717,986) | $ (4,034,684) |
| Earnings Per Share (see Note 2): | | | |
| Basic and diluted weighted average number of common shares outstanding | 139,918,187 | 120,068,604 | 94,569,021 |
| Basic and diluted net loss per share | $ (0.01) | $ (0.01) | $ (0.04) |

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

# WESTERN SIERRA MINING CORP.
**(A Development Stage Company)**
**(Formerly Global Decs Corp.)**
**Consolidated Statements of Cash Flows**
**Unaudited**

| | For the Three Months Ended March 31, 2007 | For the Year Ended Dec. 31, 2006 | From February 25, 2003 (Inception) through Mar. 31, 2007 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Net loss | $ (62,323) | $ (717,986) | $ (4,034,684) |
| Adjustments to reconcile net loss to net cash useed in operating activities: | | | |
| Depreciation and amortization | - | 7,742 | 179,492 |
| Issuance of shares to founders for organization costs | - | - | 14,238 |
| Issuance of shares for exploration, compensation and expenses | - | 351,688 | 1,737,855 |
| Issuance of shares for interest expense | - | 20,000 | 53,206 |
| Loss on disposal of assets | - | 6,834 | 31,964 |
| Amortization of deferred interest | - | - | 261,232 |
| (Increase) decrease in assets: | | | |
| Other assets | - | 1,652 | (1) |
| Increase (decrease) in liabilities: | | | |
| Accounts payable and accrued expenses | 52,500 | 199,676 | 262,500 |
| Total adjustments | 52,500 | 587,592 | 2,540,486 |
| Net cash used in operating activities | (9,823) | (130,394) | (1,494,198) |
| **Cash flows from investing activities:** | | | |
| Purchases of property and equipment | - | - | (211,944) |
| Proceeds from sales of property and equipment | - | 14,600 | 14,600 |
| Cash paid for plant development costs | - | - | (844,220) |
| Net cash used in investing activities | - | 14,600 | (1,041,564) |
| **Cash flows from financing activities:** | | | |
| Issuance of stock for cash | - | 137,375 | 2,043,778 |
| Payments on borrowings | - | (6,050) | (121,799) |
| Proceeds from borrowings | - | - | 619,886 |
| Net cash used in financing activities | - | 131,325 | 2,541,865 |
| Net increase(decrease) in cash and cash equivalents | (9,823) | 15,531 | 6,103 |
| Cash and cash equivalents at beginning of period | 15,926 | 395 | - |
| Cash and cash equivalents at end of period | $ 6,103 | $ 15,926 | $ 6,103 |
| **Supplemental cash flow information:** | | | |
| Cash paid during the period for interest | $ - | $ - | $ 4,814 |
| Cash paid during the period for income taxes | $ - | $ - | $ - |
| **Noncash investing and financing activities:** | | | |
| Acquisition of vehicles and equipment by issuance of stock | $ - | $ - | $ 124,297 |
| Acquisition of mining property by issuance of stock | $ - | $ - | $ 1,539,197 |
| Note issued for acquisition of equipment | $ - | $ - | $ 9,000 |
| Issuance of stock for deferred interest | $ - | $ - | $ 229,000 |

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

## NOTE 1 - Organization and Basis of Presentation

Western Sierra Mining Corp. ("Western Sierra", "the Company", "we" or "us")(formerly Global Decs Corp.) was formed in 1907 in the State of Utah to engage in gold and other precious mineral mining. The Company is currently a development stage enterprise.

On December 1, 2003 we entered into a Share Exchange Agreement with Western Sierra, Inc., whereby Western Sierra, Inc. became a wholly owned subsidiary of Western Sierra Mining Corp. The agreement provided for the exchange of 20,000,000 shares of the Company's common stock for 4,000,000 shares or 100% of the outstanding common stock of Western Sierra, Inc. The shareholders of Western Sierra, Inc. owned approximately 90% of the stock of Western Sierra Mining Corp. after consummation of the transaction. Western Sierra, Inc. was subsequently dissolved and all operations transferred into Western Sierra Mining Corp.

## NOTE 2 - Summary of Significant Accounting Policies

### Cash and Cash Equivalents

The Company considers those short-term, highly liquid investments with original maturities of three months or less as cash and cash equivalents.

### Mining, Milling and Other Property and Equipment

Mining, milling and other property and equipment is reported at cost. It is the Company's policy to capitalize costs incurred to improve and develop the mining properties. General exploration costs and costs to maintain rights and leases are expensed as incurred. Management periodically reviews the recoverability of the capitalized mineral properties and mining equipment. Management takes into consideration various information including, but not limited to, historical production records taken from previous mine operations, results of exploration activities conducted to date, estimated future prices and reports and opinions of outside consultants. When it is determined that a project or property will be abandoned or its carrying value has been impaired, a provision is made for any expected loss on the project or property.

Depletion of mining improvements will be computed using the units of production method. The Company has made no provision for depletion for the period from February 25, 2003 (inception) to March 31, 2007 as production had not commenced.

Provision is made for depreciation of office furniture fixtures and equipment, machinery and equipment, and building. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets which are 5 to 10 years.

Impairment of Long-Lived Assets

In accordance with Statement of Financial Accounting Standards (“SFAS”) 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," the Company reviews its long-lived assets for impairments. Impairment losses on long-lived assets are recognized when events or changes in circumstances indicate that the undiscounted cash flows estimated to be generated by such assets are less than their carrying value and, accordingly, all or a portion of such carrying value may not be recoverable. Impairment losses then are measured by comparing the fair value of assets to their carrying amounts. The Company recognized no impairment loss at December 31, 2006.

Revenue Recognition

Revenues, if any, from sales of minerals will be recognized when earned.

Earnings Per Share

The weighted average number of shares used for computing earnings per share has been restated to retroactively affect the five for one exchange of stock, pursuant to the Share Exchange Agreement between Western Sierra Mining Corp. and Western Sierra, Inc. effective December 1, 2003.

Foreign Currency Translation

All assets and liabilities of the Company's Mexican subsidiary are denominated in US dollars. Amounts on the statement of operations are translated at the average exchange rates during the year. Gains and losses arising from translation of foreign currency are immaterial and are included in the determination of net loss.

Income Taxes

The Company records deferred income taxes using the liability method as prescribed under the provisions of SFAS No. 109. Under the liability method, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial statement and income tax bases of the Company's assets and liabilities. An allowance is recorded, based upon currently available information, when it is more likely than not that any or all of the deferred tax assets will not be realized. The provision for income taxes includes taxes currently payable, if any, plus the net change during the year in deferred tax assets and liabilities recorded by the Company

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures 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 these estimates.

Environmental Remediation Costs

Environmental remediation costs are accrued based on estimates of known environmental remediation exposure. Such accruals are recorded even if significant uncertainties exist over the ultimate cost of the remediation. It is reasonably possible that the Company's estimates of reclamation liabilities, if any, could change as a result of changes in regulations, extent of environmental remediation required, means of reclamation or cost estimates. Ongoing environmental compliance costs, including maintenance and monitoring costs, are expensed as incurred. There were no environmental remediation costs accrued at March 31, 2007.

Recently Issued Accounting Pronouncements

SFAS No. 149 “Amendment of Statement 133 on derivative instruments and hedging activities”. This statement amends and clarifies financial accounting and reporting for derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS 133, “Accounting for derivative instruments and hedging activities”.

SFAS No. 150 “Accounting for certain financial instruments with characteristics of both liabilities and equity”. This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity.
The Company believes that the above standards would not have a material impact on its financial position, results of operations or cash flows.

NOTE 3 - Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. This basis of accounting contemplates the recovery of the Company's assets and the satisfaction of its liabilities in the normal course of business. Through March 31, 2007, the Company had incurred cumulative losses of $4,034,684 and negative working capital of $363,847 as of March 31, 2007. The Company's successful transition from a development stage company to attaining profitable operations is dependent upon obtaining financing adequate to fulfill its exploration activities, development of its properties and achieving a level of revenues adequate to support the Company's cost structure. Management's plan of operations anticipates that the cash requirements for the next twelve months will be met by obtaining capital contributions through the sale of its common stock and cash flows from operations. There is no assurance that the company will be able to implement the plan.

NOTE 4 - Stockholders' Equity

At various stages in the Company's development we have issued shares of common stock, valued at fair market value, for services or assets with a corresponding charge to operations or property and equipment. The following equity transactions were recorded:

2003:
We issued 2,847,620 shares to founders for organization costs totaling $14,239.
We issued 843,233 shares for cash consideration totaling $843,233 of which $29,400 was subscribed but not paid as of December 31, 2003.
We issued 103,433 shares for purchase of vehicles and equipment totaling $103,433.
We issued 172,508 shares for employee compensation and expenses totaling $172,508.
On March 12, 2003 two individuals advanced us a total of $100,183. These advances were converted to common stock on August 30, 2003 at a rate of one share for each $1.00 advanced to us for a total of 100,183 shares. We also issued an additional 33,206 shares in payment of interest on the advances valued at $33,206.

On December 1, 2003 we entered into a Share Exchange Agreement with Western Sierra, Inc. whereby Western Sierra, Inc. became a wholly owned subsidiary of Western Sierra Mining Corp. (formerly Global Decs Corp.). The agreement provided for the exchange of 20,000,000 shares of the Company's common stock for 4,000,000 shares of common stock of Western Sierra, Inc. The shareholders of Western Sierra, Inc. owned approximately 90% of the stock of Western Sierra Mining Corp. after consummation of the transaction. The exchange was accounted for as a reverse acquisition. Accordingly, the combination of the two companies is recorded as a recapitalization of Western Sierra Inc., pursuant to which Western Sierra, Inc. is treated as the continuing entity. In accordance with the agreement, the board of directors of Western Sierra Mining Corp. authorized an amendment to the Articles of Incorporation to change the name of the corporation to from Global Decs Corp. to Western Sierra Mining Corp. As a result of the Share Exchange Agreement, Western Sierra, Inc. has become a wholly owned subsidiary of Western Sierra Mining Corp.

We received cash of $129,500 for 129,500 shares to be issued as of December 31, 2003.

2004:
We issued 3,842,708 shares for cash consideration totaling $708,017.
We issued 104,240 shares for purchase of equipment and materials totaling $20,864.
We issued 1,359,000 shares for employee compensation totaling $271,800.

2005:
We issued 932,449 shares for cash totaling $202,736.
We issued 10,261,317 shares for purchase of a mining property totaling $2,439,198.
We issued 4,050,000 shares for consulting fees totaling $607,500.
We issued 10,030,755 for exploration costs totaling $250,769.
We issued 3,343,585 shares for employee compensation totaling $83,589.
On July 1, 2005, the Company authorized a 2-for-1 stock split.

2006:
We issued 7,100,000 shares for cash consideration totaling $137,375.
We issued 2,000,000 shares for interest on debt totaling $20,000.
We issued 1,019,166 shares for consulting fees totaling $10,383.
We issued 29,580,000 shares for compensation totaling $340,800.

The value of shares, other than shares issued as founder’s shares, is based on the most recent market price as of the transaction date.

NOTE 5 - Joint Venture

In November 2003, Black Mountain our Mexican subsidiary, entered into a joint venture agreement with Escuadra whereby Black Mountain was granted the exclusive right to process and market minerals from approximately 35,000 tons of ore previously extracted from a mining property owned by Escuadra called the El Picacho.

The agreement provides that Escuadra will be responsible for:

- Grinding and crushing the ore
- Hauling the ore to the plant
- Disposing of the tailings

The agreement provides that Black Mountain will be responsible for:

Design and completion of the processing system
Paying Escuadra $5.00 per ton of ore processed.
Processing the ore through the plant
Transportation of the final product
Marketing of the final product

Proceeds from sale of the minerals will be split evenly between Escuadra and Black Mountain after deduction of the following expenses:

Hauling costs of the ore to the plant
Processing of the ore by Escuadra to grind and crush
Processing costs through the Black Mountain plant

The agreement further provides that additional amounts of ore may be considered for processing on the same basis. The agreement may be terminated by Black Mountain if we determine that there are insufficient gold resources to support the processing expenses.

NOTE 6 - Option To Acquire Mining Property

In November 2003 we formalized an agreement with Emilio Acuna Peralta, the owner of Escuadra, for an exclusive option, for a seven month period, to purchase a mining concession called Pirita, which is adjacent to the El Picacho. The agreement requires us to pay $30,000 for the option which is expensed as exploration costs in the accompanying statement of operations. The agreement allows us full access to the concession for exploration activities during its term and provides for a purchase price of $1,000,000 for the mining rights concession.

NOTE 7 - Acquisition of Mining Property

On July 27, 2005, the Company entered into an agreement with ASDI, LLC, (“ASDI”), whereby the Company obtained the rights to mine barite and placer gold on certain mineral claims owned by ASDI located in Crescent Valley, Nevada, hereafter referred to as Mud Springs., in exchange for a total of 10,261,317 shares of the Company’s common stock valued at $.15 per share for a total of $1,539,137. Under the terms of the agreement, the Company will pay ASDI a royalty of $5.00 per ton for each ton of barite mined and delivered. The Company will also pay ASDI 25% of the net profits from production from all placer gold removed from the Mud Springs property.

NOTE 8 - Mining, Milling and Other Property and Equipment

Property and equipment at December 31, consists of the following:

| | 2004 | 2005 | 2006 |
|---|---|---|---|
| Mining equipment | $ 49,339 | $ 55,037 | $ 5,698 |
| Shop tools and equipment | 49,298 | 49,298 | - |
| Office equipment | 3,597 | 3,597 | - |
| Vehicles | 77,502 | 78,134 | 33,011 |
| Picacho plant development costs | 694,106 | 844,220 | 878,648 |
| | 873,842 | 1,030,286 | 917,357 |
| Less: Accumulated depreciation | (68,620) | (106,313) | (22,559) |
| | $805,222 | $923,973 | $894,798 |

NOTE 9 - Related Parties

2003:
In June, 2003, the Company acquired an RV to be used as a field office from the Company's Chairman and CEO in exchange for 7,500 shares of common stock and the assumption of $9,000 of debt payable to a bank. In November, 2003, the Company issued 19,000 shares of common stock to the Company's Chairman and CEO for expenses of $19,000 which he incurred on behalf of the Company and 97,708 shares of common stock for services and expenses totaling $97,708.

In June, 2003, the Company issued 45,433 shares of common stock to a shareholder in exchange for equipment totaling $45,433.

In September, 2003, the Company issued 50,100 shares of common stock to a shareholder in exchange for vehicles and equipment amounting to $50,100

In November, 2003, the Company issued 55,000 shares of common stock to the its officers and employees for services totaling $55,000.

2004:
In July, 2004, the Company issued 144,000 shares of common stock to each of its directors in exchange for services totaling $271,800.

2005:
In December, 2005, the Company issued 13,374,340 shares of common stock to its officers and employees in exchange for services totaling $334,358. Also in December, 2005, the Company approved two year employment contracts for the CEO, COO and CFO at their current salary levels.

2006:
In January and December, the Company issued a total of 29,580,000 shares to its officers and employees in exchange for services totaling $340,800.

NOTE 10 - Notes Payable

| | December 31, | | |
|---|---|---|---|
| | 2004 | 2005 | 2006 |
| Notes payable to shareholders, unsecured, due October 23 - November 14, 2004, interest of 100% payable in shares of the Company’s common stock | $168,500 | $113,500 | $107,450 |
| Notes payable to two shareholders, unsecured, due January 2, 2008, bearing no interest | 286,928 | 286,928 | 286,928 |
| | 455428 | 400,428 | 394,378 |
| Less: Current portion | (168,500) | (113,500) | (107,450) |
| Long-Term Debt | $ 286,298 | $286,298 | $286,928 |

Maturities of long-term debt are as follows:

| | |
|---|---|
| 2008 | 286,298 |
| Total | $286,298 |

During the period from October 23, to December 15, 2003, we received a total of $229,000 in loan proceeds from nine individuals. The loans are payable at maturity one year from the date of issuance. In lieu of interest, pursuant to the note agreements we agreed to issue 1,526,667 shares of common stock to the nine individuals at a rate of one share for each $.15 loaned to us. These shares, valued at $229,000, are considered interest on the loans. The interest expense will be recognized over the twelve month period corresponding to the due dates of the loans.

During 2004, we received a total of $286,298 in loan proceeds from two shareholders. The loans bear no interest and are payable January 2, 2007. $30,000 of these loans are convertible to 30,000,000 shares of common stock at the option of the note holder.

NOTE 11 - Income Taxes

No provision was made for income taxes since we have incurred an operating loss from inception. At March 31, 2007, we have incurred losses for federal income tax purposes of approximately $2,287,006. Differences between financial statement and tax losses consist primarily of the reduction of amounts recorded for non-cash compensation and depreciation. Net operating losses may be used to reduce taxable income through the year 2026.

We have a deferred tax asset of $914,802 at March 31, 2007 relating to our net operating losses. We recognized a valuation allowance of 100% for the net deferred tax asset of $914,802.