

UNITED ENERGY CORP /NV/  
Form 10QSB  
February 14, 2008

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**Form 10-QSB**  
**(Mark One)**

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

**For the quarterly period ended December 31, 2007**

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

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

**Commission File No. 000-30841**

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**UNITED ENERGY CORP.**

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

**Nevada**  
(State or other jurisdiction of  
incorporation or organization)

**22-3342379**  
(I.R.S. Employer Identification No.)

**600 Meadowlands Parkway #20, Secaucus, N.J. 07094**  
(Address of principal executive offices)

**(800) 327-3456**  
(Issuer's telephone number, including area code)

Indicate by check mark whether the Issuer (1) 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 Registrant 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 is a shell company (as defined in rule 12b-2 of the Exchange Act). Yes  No

As of the close of business on February 14, 2008, 31,030,115 shares of common stock, par value \$.01 per share, were outstanding.

Transitional Small Business Disclosure Format (check one) Yes  No

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**Item 1. Financial Statements****UNITED ENERGY CORP. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS**

	<b>December 31, 2007 (Unaudited)</b>	<b>March 31, 2007</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 1,254,216	\$ 2,863,906
Accounts receivable, net of allowance for doubtful accounts of \$5,718 and \$5,879, respectively	64,254	64,466
Inventory	234,688	138,798
Prepaid expenses and other current assets	135,443	128,216
Assets of discontinued operations	-	4,507
<b>Total current assets</b>	<b>1,688,601</b>	<b>3,199,893</b>
<b>PROPERTY AND EQUIPMENT</b> , net of accumulated depreciation and amortization of \$430,477 and \$435,703 respectively	<b>55,765</b>	<b>88,081</b>
<b>OTHER ASSETS:</b>		
Goodwill, net	15,499	15,499
Patents, net of accumulated amortization of \$177,337 and \$150,861, respectively	374,779	345,889
Loans receivable	55,877	1,864
Deposits	1,385	1,385
<b>Total assets</b>	<b>\$ 2,191,906</b>	<b>\$ 3,652,611</b>

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

**UNITED ENERGY CORP. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	December 31, 2007 (Unaudited)	March 31, 2007
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 153,353	\$ 133,135
Accrued expenses	105,270	99,226
Due to related parties	244,141	244,141
Total current liabilities	502,764	476,502
<b>STOCKHOLDERS' EQUITY:</b>		
Series A Convertible Preferred Stock: \$8,000 stated value, 420 shares authorized; 3 shares issued and outstanding as of December 31, 2007 and March 31, 2007	24,000	24,000
Common stock: \$0.01 par value 100,000,000 shares authorized; 31,030,115 shares issued and outstanding as of December 31, 2007 and March 31, 2007	310,301	310,301
Additional paid-in capital	21,714,365	21,540,041
Accumulated deficit	(20,359,524)	(18,698,233)
Total stockholders' equity	1,689,142	3,176,109
Total liabilities and stockholders' equity	\$ 2,191,906	\$ 3,652,611

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

**UNITED ENERGY CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	For the Three Months Ended December 31,		For the Nine Months Ended December 31,	
	2007 (Unaudited)	2006 (Unaudited)	2007 (Unaudited)	2006 (Unaudited)
REVENUES, net	\$ 103,691	\$ 112,843	\$ 493,708	\$ 636,684
COST OF GOODS SOLD	67,311	67,282	256,409	276,061
Gross profit	36,380	45,561	237,299	360,623
<b>OPERATING EXPENSES:</b>				
Selling, general and administrative	629,837	716,979	1,908,864	2,190,624
Depreciation and amortization	12,372	19,473	49,894	56,881
Total operating expenses	642,209	736,452	1,958,758	2,247,505
Loss from operations	(605,829)	(690,891)	(1,721,459)	(1,886,882)
<b>OTHER INCOME (EXPENSE), net:</b>				
Interest income	11,455	41,157	63,096	134,655
Interest expense	(527)	(696)	(1,848)	(1,925)
Total other expense, net	10,928	40,461	61,248	132,730
Net loss from continuing operations	(594,901)	(650,430)	(1,660,211)	(1,754,152)
<b>DISCONTINUED OPERATIONS:</b>				
Income (loss) from discontinued operations	-	35	-	(15,900)
Net loss	(594,901)	(650,395)	(1,660,211)	(1,770,052)
Preferred dividends	(360)	(360)	(1,080)	(1,166)
Net loss applicable to common shareholders	\$ (595,261)	\$ (650,755)	\$ (1,661,291)	\$ (1,771,218)
<b>BASIC AND DILUTED LOSS PER SHARE:</b>				
Loss from continuing operations	(0.02)	(0.02)	(0.05)	(0.06)
Income (loss) from discontinued operations	0.00	0.00	0.00	0.00
Total basic and diluted loss per share	\$ (0.02)	\$ (0.02)	\$ (0.05)	\$ (0.06)
<b>WEIGHTED AVERAGE NUMBER OF SHARES, OUTSTANDING, basic and diluted</b>				
	31,030,115	31,030,115	31,030,115	31,029,070

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

**UNITED ENERGY CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**FOR THE NINE MONTHS ENDED DECEMBER 31, 2007 (UNAUDITED)**

	Common Stock		Preferred	Additional	Accumulated	Total
	Shares	Amount	Stock	Paid-In Capital	Deficit	
BALANCE, April 1, 2007	31,030,115	\$ 310,301	\$ 24,000	\$ 21,540,041	\$ (18,698,233)	\$ 3,176,109
Compensation expense associated with options	—	—	—	174,324	—	174,324
Dividends accrued on preferred shares	—	—	—	—	(1,080)	(1,080)
Net loss	—	—	—	—	(1,660,211)	(1,660,211)
BALANCE, December 31, 2007	31,030,115	\$ 310,301	\$ 24,000	\$ 21,714,365	\$ (20,359,524)	\$ 1,689,142

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



**UNITED ENERGY CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED DECEMBER 31, 2007 AND 2006**

	2007	2006
	(Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss from continuing operations	\$ (1,660,211)	\$ (1,754,152)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	59,685	69,821
Compensation expense associated with options	174,324	235,970
Asset transferred in legal settlement	5,003	-
Changes in operating assets and liabilities		
Decrease in accounts receivable, net	212	3,496
Increase in inventory	(95,891)	(8,066)
Increase in prepaid expenses and other current assets	(7,226)	(3,816)
Increase (decrease) in accounts payable and accrued expenses	26,263	(90,384)
Net cash used in continuing operations	(1,497,841)	(1,547,131)
<b>CASH FLOWS FROM DISCONTINUED OPERATIONS:</b>		
Net loss from discontinuing operations	-	(15,900)
Decrease in accounts receivable, net	31	-
Decrease in note receivable, net	4,476	15,000
Net cash provided by (used in) discontinuing operations	4,507	(900)
Net cash used in operating activities	(1,493,334)	(1,548,031)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Loans receivable	(54,014)	(2,340)
Payments for acquisition of property and equipment	(5,896)	(3,710)
Payments for patents	(55,366)	(40,231)
Cash used in investing activities	(115,276)	(46,281)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments of related party payable	-	(200,000)
Proceeds from the exercise of stock options	-	13,875
Preferred stock dividend	(1,080)	(1,166)
Net cash used in financing activities	(1,080)	(187,291)
Net decrease in cash and cash equivalents	(1,609,690)	(1,781,603)
CASH AND CASH EQUIVALENTS, beginning of period	2,863,906	5,194,748
CASH AND CASH EQUIVALENTS, end of period	\$ 1,254,216	\$ 3,413,145

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



**UNITED ENERGY CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE NINE MONTHS ENDED DECEMBER 31, 2007 AND 2006**

	<b>2007</b>	<b>(Unaudited)</b>	<b>2006</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>			
Cash paid during the period			
Interest	\$	1,848	\$ 1,925
Income taxes	\$	3,320	\$ 1,235

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

**UNITED ENERGY CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007 (Unaudited)**

**1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of presentation*

The accompanying unaudited consolidated financial statements of United Energy Corp. (the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB of Regulation S-B. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the unaudited interim financial statements furnished herein include all adjustments necessary for a fair presentation of the Company's financial position at December 31, 2007 (unaudited) and the results of its operations for the three months and nine months ended December 31, 2007 and 2006 (unaudited) and cash flows for the three months and nine months ended December 31, 2007 and 2006 (unaudited). All such adjustments are of a normal and recurring nature. Interim financial statements are prepared on a basis consistent with the Company's annual financial statements. Results of operations for the three months and nine months ended December 31, 2007 are not necessarily indicative of the operating results that may be expected for the year ending March 31, 2008.

The consolidated balance sheet as of March 31, 2007 has been derived from the audited financial statements at that date but does not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements.

For further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-KSB for the fiscal year ended March 31, 2007.

*Going Concern* - During the past two fiscal years ended March 31, 2007 and 2006, the Company has recorded aggregate losses from continuing operations of \$6,343,952 and has incurred total negative cash flow from continuing operations of \$3,838,682 for the same two-year period. During the nine months ended December 31, 2007 the Company experienced a net loss from continuing operations of \$1,660,211 and negative cash flow from continuing operations of \$1,497,841. These matters raise substantial doubt about the Company's ability to continue as a going concern. The Company's consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Company's continued existence is dependent upon several factors, including increased sales volume, collection of existing receivables and the ability to achieve profitability from the sale of the Company's product lines. In order to increase its cash flow, the Company is continuing its efforts to stimulate sales and cut back expenses not directly supporting its sales and marketing efforts.

**UNITED ENERGY CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**2. USE OF ESTIMATES**

The preparation of consolidated financial statements in accordance with accounting principals generally accepted in the United States of America requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities.

On an on-going basis, the Company evaluates its estimates, including those related to option and warrant values, bad debts, inventories, intangible assets, contingencies and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

**3. DISCONTINUED OPERATIONS**

During the fiscal year ended March 31, 2007, the Company discontinued the sale of its Uniproof proofing paper as a result the graphic arts segment became discontinued operations.

The financial position and results of operations described above are presented as assets and liabilities of discontinued operations in the consolidated balance sheets for all periods presented in accordance with SFAS No. 144.

A summary of discontinued operations for the nine months ended December 31, 2007 and 2006 is as follows:

	<b>2007</b>	<b>2006</b>
Revenues	\$ -	\$ 1,127
Cost of goods sold	-	1,059
Gross profit	-	68
Operating expenses	-	
Selling, general and administrative	-	15,968
Loss from discontinued operations	\$ -	\$ (15,900)

A summary of assets and liabilities of discontinued operations as of December 31, 2007 and March 31, 2007 is as follows:

	<b>December 31, 2007</b>	<b>March 31, 2007</b>
Accounts receivable	\$ -	\$ 31
Notes receivable	-	4,476
Assets of discontinued operations	\$ -	\$ 4,507

**4. INVENTORY**

Inventory consists of the following:

	<b>December 31, 2007</b>	<b>March 31, 2007</b>
Blended chemicals	\$ 175,517	\$ 93,814

Raw materials		59,171		44,984
Total inventory	\$	234,688	\$	138,798

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**UNITED ENERGY CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**5. RELATED-PARTY TRANSACTIONS**

The Company has an amount due to Robert Seaman, a shareholder and former director of the Company. Amount due to the related party as of December 31, 2007 and 2006 is \$244,141. This amount is unsecured, non-interest bearing and due upon demand.

Martin Rappaport, a major shareholder and director of the Company, owned the property through September 2007 from which the Company leases the 9,600 square foot facility it occupies in Secaucus, New Jersey. The Company pays approximately \$115,200 per year under the lease, excluding real estate taxes. The Company believes that the lease is at fair market value with leases for similar facilities.

During April 2007, the Company entered into an employment agreement with the Chief Executive Officer, President and Secretary, Ron Wilen. See note 6 for additional information.

During August 2005, Ron Wilen and the former Chief Executive Officer, Brian King, each loaned the Company \$100,000. The loans were both unsecured, non-interest bearing and due upon demand. These loans were repaid in April 2006.

**6. EMPLOYEE BENEFITS PLAN**

*Stock Option Plans*

In August 2001, the Company's stockholders approved the 2001 Equity Incentive Plan (the "2001 Plan"), which provides for the grant of stock options to purchase up to 2,000,000 shares of common stock to any employee, non-employee director, or consultant at the Board's discretion. Under the 2001 Plan, these options may be exercised for a period up to ten years from the date of grant. Options issued to employees are exercisable upon vesting, which can range between the dates of the grant to up to 5 years.

An amendment and restatement of the 2001 Equity Incentive Plan increasing the number of shares for a total of 4,000,000 was approved by the Board of Directors on May 29, 2002 and was approved by the shareholders at the annual meeting.

Under the 2001 Plan, options are granted to non-employee directors upon election at the annual meeting of stockholders at a purchase price equal to the fair market value on the date of grant. In addition, the non-employee director stock options shall be exercisable in full twelve months after the date of grant unless determined otherwise by the compensation committee.

**UNITED ENERGY CORP.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

***Fair Value of Stock Options***

For disclosure purposes under SFAS No. 123 and SFAS No. 123(R), the fair value of each option grant is estimated on the date of grant using the Black-Scholes option valuation model with the following weighted-average assumptions:

	<b>2007</b>	<b>2006</b>
Expected life (in years)	10	10
Risk-free interest rate	4.54%	4.54%
Volatility	81.4	98.5
Dividend yield	0%	0%

Utilizing these assumptions, the weighted average fair value of options granted with an exercise price equal to their fair market value at the date of the grant is \$1.16 for the nine months ended December 31, 2007.

***Summary Stock Option Activity***

The following table summarizes stock option information with respect to all stock options for the nine months ended December 31, 2007:

	<b>Number of Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Life (Years)</b>	<b>Aggregate Intrinsic Value</b>
Options outstanding April 1, 2007	3,502,500	\$ 1.17	7.16	