

Edgar Filing: ICONET INC - Form 10QSB

ICONET INC
Form 10QSB
May 21, 2003

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10QSB

Quarterly Report Under Section 13 or 15 (d) of the Securities Exchange Act of
1934 for the Quarterly Period Ended March 31, 2003

Commission File Number: 000-28481

Iconet, Inc.

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

Nevada

86-0891931

(State or other jurisdiction of
incorporation or organization)

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

8 Gaucho Hills Drive, Rolling Hills Estates, California

90274

(Address of Principal Executive Offices)

(Zip Code)

(416) 682-9255

(Issuer's telephone number)

N/A

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

Check 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 X No

State the number of shares outstanding of each of the issuer's classes of common
equity, as of the latest practicable date.

There are 38,445,430 shares of common stock outstanding as of May 20, 2003.
The shares are traded on the OTC Bulletin Board, under the symbol "ICON".

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

ICONET, INC.

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(A Company in the Development Stage)

BALANCE SHEETS

| ASSETS | March 31, 2003 |
|---|-------------------------|
| <hr/> | |
| CURRENT ASSETS | |
| Cash | \$ 6 |
| Prepaid expenses | 90,6 |
| Total current assets | <hr/> 91,2 |
| OTHER ASSETS | |
| Mining rights | 15,0 |
| Deferred tax asset (net) | |
| Total other assets | <hr/> 15,0 |
| Total assets | <hr/> \$ 106,2 ===== |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | |
| CURRENT LIABILITIES | |
| Accounts payable | \$ 355,6 |
| Note payable | |
| Related party payable | 534,4 |
| Officer advances | |
| Related party line of credit | 28,7 |
| Interest payable to a related party | 150,4 |
| Accrued expenses | 19,7 |
| Wages payable | 68,3 |
| Payroll tax payable | 16,3 |
| Total current and total liabilities | <hr/> 1,173,7 |
| COMMITMENTS AND CONTINGENCIES | |
| STOCKHOLDERS' DEFICIT | |
| Common stock, \$.001 par value, 100,000,000 shares authorized, 46,307,115 shares issued and outstanding at March 31, 2003 | 48,3 |
| Additional paid-in capital | 3,757,8 |
| Deferred compensation costs | (260,0) |
| Deficit accumulated during the development stage | (4,113,6) |
| Total stockholders' deficit | <hr/> (567,4) |
| Total liabilities and stockholders' deficit | <hr/> \$ 606,2 ===== |

See Notes to the Interim Financial Statements

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ICONET, INC.

(A Company in the Development Stage)

STATEMENTS OF OPERATIONS (Unaudited)

For the Period from Inception (August 1997) and the Three Months Ended March 31, 2003, and 2002

| | CUMULATIVE FROM INCEPTION | MARCH 31, |
|---|---------------------------|--------------|
| REVENUE | | |
| ADMINISTRATIVE AND GENERAL COSTS | | |
| Consulting | \$ (2,281,399) | (289,000) |
| Research and development | (179,027) | (179,027) |
| Marketing expense | (159,394) | (159,394) |
| Deferred compensation expense | (140,000) | (200,000) |
| Legal and accounting | (402,134) | (402,134) |
| Operating and administrative expense | (719,093) | (819,093) |
| Rent expense | (84,835) | (84,835) |
| Depreciation expense | (5,562) | (5,562) |
| Amortization expense | (16,500) | (16,500) |
| | <hr/> | <hr/> |
| Total operating costs and expenses | (3,987,944) | (326,411) |
| | <hr/> | <hr/> |
| NON-OPERATING INCOME | | |
| Dividend income | 1,212 | 1,212 |
| Gain on cancellation of contracts | 74,104 | 74,104 |
| Gain on cancellation of amortization | 16,500 | 16,500 |
| Loss on disposal of assets | (59,641) | (59,641) |
| | <hr/> | <hr/> |
| Total non-operating income | 32,175 | 32,175 |
| | <hr/> | <hr/> |
| INTEREST EXPENSE | | |
| | (157,871) | (157,871) |
| | <hr/> | <hr/> |
| Net loss before income taxes | (4,113,640) | (326,411) |
| | <hr/> | <hr/> |
| Provision for income taxes | - | - |
| | <hr/> | <hr/> |
| Net loss | \$ (4,113,640) | \$ (326,411) |
| | ===== | ===== |
| Loss per common share - basic | \$ (0.36) | \$ (0.36) |
| | ===== | ===== |
| Weighted average common shares -basic | 11,316,569 | 47,757 |
| | ===== | ===== |
| Loss per common share - diluted | \$ (0.34) | \$ (0.34) |
| | ===== | ===== |
| Weighted average common shares- diluted | 12,053,411 | 48,493 |
| | ===== | ===== |

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See Notes to the Interim Financial Statements

ICONET, INC.
 (A Company in the Development Stage)
 STATEMENTS OF CASH FLOWS (Unaudited)
 For the Period from Inception (August 1997) and the Three Months Ended March 31, 2003, and 2002

| | CUMULATIVE FROM INCEPTION | MARCH |
|---|---------------------------|-------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss | \$ (4,113,640) | \$ |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Amortization and depreciation expense | 22,062 | |
| Deferred compensation expense | 140,000 | |
| Gain on cancellation of amortization | (16,500) | |
| Loss on disposal of assets | 59,641 | |
| Decrease in deposits | 14,925 | |
| Decrease (increase) in prepaid expenses | 705,583 | |
| Increase (decrease) in accounts payable | 419,619 | |
| Increase (decrease) in related party payable | 550,865 | |
| Interest incurred on bank overdraft | - | |
| Increase in wages payable | 68,327 | |
| Increase in interest payable | 158,197 | |
| Increase (decrease) in accrued expenses | 44,068 | |
| Expenses paid by issuance of stock subscription | 45,000 | |
| Expenses paid by issuance of common stock | 655,378 | |
| | (1,246,475) | |
| Cash Flows from Investing Activities | | |
| Deposit paid | (14,925) | |
| Purchase of mining rights | (15,000) | |
| Purchase of fixed assets | (65,203) | |
| | (95,128) | |
| Cash Flows from Financing Activities | | |
| Proceeds received from issuance of stock | 454,635 | |
| Proceeds received from officer advances | 24,074 | |
| Proceeds from bank overdraft | 30,519 | |
| Payment on bank overdraft | (9,462) | |
| Payment on related party line of credit | (22,574) | |
| Payment of officer advances | (5,474) | |

See Notes to the Interim Financial Statements

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ICONET, INC.
 (A Company in the Development Stage)
 STATEMENTS OF CASH FLOWS (Unaudited)
 For the Period from Inception (August 1997) and the Three Months Ended March 31, 2003, and 2002

| | CUMULATIVE FROM INCEPTION | MARCH |
|--|---------------------------|-------|
| Proceeds received from line of credit | 847,925 | |
| Proceeds received from related party line of credit | 22,574 | |
| | <hr/> | |
| Net cash provided by financing activities | 1,342,217 | |
| | <hr/> | |
| Net increase in cash | 614 | |
| Cash and cash equivalents at inception, December 31, 2002, and 2001 | - | |
| | <hr/> | |
| Cash and cash equivalents at March 31, 2003, and 2002 | \$ 614 | \$ |
| | ===== | ===== |

Supplementary Information

During the three months ended March 31, 2003 and 2002, the Company paid no interest of income taxes.

See Notes to the Interim Financial Statements

ICONET, INC.
 (A Company in the Development Stage)
 NOTES TO THE INTERIM FINANCIAL STATEMENTS

 March 31, 2003

- Basis of Presentation**

The accompanying unaudited interim financial statements of Iconet, Inc. (the "Company") have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America, pursuant to the Securities and Exchange Commission rules and regulations. In management's opinion all adjustments necessary for a fair presentation of the results for the interim periods have been reflected in the interim financial statements. The results of operations for any interim period are not necessarily indicative of the results for a full year. All adjustments to the financial statements are of a normal recurring nature.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. Such disclosures

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are those that would substantially duplicate information contained in the most recent audited financial statements of the Company, such as significant accounting policies and stock options. Management presumes that users of the interim statements have read or have access to the audited financial statements and notes thereto included in the Company's most recent annual report on Form 10-KSB.

New Pronouncements

In February 2003 the FASB issued SFAS No. 149, "Accounting for Certain Financial Instruments with Characteristics of Liabilities and Equity," which is effective at the beginning of the first interim period beginning after March 15, 2003. SFAS No. 149 establishes standards for the Company's classification of liabilities in the financial statements that have characteristics of both liabilities and equity. The Company believes the adoption of SFAS No. 149 will not have a material effect on the Company's consolidated financial position or results of operations.

Going Concern

These financial statements have been prepared assuming that the Company will continue as a going concern. The Company is currently in the development stage, and existing cash, other material assets, and available credit are insufficient to fund the Company's cash flow needs for the next year. In October 2001 a related party extended the Company a line of credit for \$150,000 (see Note 2). Management is attempting to raise additional capital.

2. Related Party Transactions

The company rents office space on a month-to-month basis in order to perform administrative functions. The rent is due to an officer of the Company. At September 30, 2002, rent expense of \$8,500 was payable as part of officer advances. For the three months ended March 31, 2003, rent of \$1,500 was expensed, respectively.

The President of Iconet, Inc. has advanced the Company funds to pay expenses. The advance is due upon demand and carries no interest. As of March 31, 2003, the outstanding advance balance was \$30,900.

During the three months ended March 31, 2003, the company incurred expense for consulting to officers and shareholders. The total expense for the three months ended March 31, 2003 was \$22,500. The total related party payable as of March 31, 2003, was \$503,565.

The Company has a \$150,000 line of credit from a shareholder, as of March 31, 2003, the line of credit was not used.

3. Subsequent Events

In April 2003 the Company and Sea Emerald Development Corp., rescinded their agreement for the purchase and sale of the mining claims situated in Porcupine Mining Division, Canada. The 10,000,000 shares of the Company's restricted Common Stock issued to Sea Emerald will be returned to the Company's treasury.

Item 2. Management's Discussion of Operations and Financial Condition

PART II - OTHER INFORMATION

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PART II. OTHER INFORMATION

March 31, 2003 Management Discussion and Analysis

MD&A Mar/31/03

The Company, has reviewed, and continues to review, its corporate files, books and records, and based thereon, it has not been able to conclusively identify a basis for a certain undetermined amount of its current Accounts Payable and for the Related Parties payable to previous management. We have been unable, at this point, to locate back up documentation or back up invoices for some of such payables. Our review continues in this regard.

On April 3, 2003, based on further due diligence by the parties, the Company and Sea Emerald Development Corp., a Canadian corporation ("Sea Emerald"), mutually agreed to rescind their agreement for the purchase and sale of 100% interest in 21 mining claims situated in Langmuir Township, Porcupine Mining Division, Ontario, Canada. The 10,000,000 shares of the Company's restricted Common Stock issued to Sea Emerald have been returned to the Company's treasury for cancellation.

The company has entered into two option agreements with Starfire Minerals for various mining claims that it has not, nor does it intend to complete on.

Dr. Stewart Jackson has resigned from the Board of Directors in April 2003.

Mr. Ron Shorr has resigned from the Board of Directors in April 2003.

The Company has also adopted an Option Plan for Directors, Officers and Employees, subject to shareholder approval.

The Company has defaulted on settlement agreement for the lawsuit with JP Morgan after having made three payments totalling \$9962.37.

The Company has attained a Berlin Stock Exchange listing.

Item 7. Signatures

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.

ICONET, INC.

May 20, 2003

/S/ Randy Miller

Randy Miller

SECTION 302 CERTIFICATION

I, Randy Miller, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Iconet, Inc.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report.

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3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared.

b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 20, 2003

/s/ Randy Miller

Randy Miller
Chairman and CEO