

Edgar Filing: ICONET INC - Form 10QSB/A

ICONET INC
Form 10QSB/A
August 28, 2002

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

Form 10QSB/A

Quarterly Report Under Section 13 or 15 (d) of the
Securities Exchange Act of 1934 for
the Quarterly Period Ended June 30, 2002

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 34,757,115 shares of common stock outstanding as of June 30,
2002. The shares are traded on the OTC Bulletin Board, under the symbol
"ICON".

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL INFORMATION

ICONET, INC.
(A Company in the Development Stage)
BALANCE SHEETS

| | ASSETS | |
|---|---------------------------------------|----------------------|
| | June 30, 2002 (Unaudited) | December 31, 2001 |
| | ----- | ----- |
| Current Assets | | |
| Cash | \$ 199 | \$ 1,068 |
| Prepaid expenses | - | 81,250 |
| | ----- | ----- |
| Total current assets | 199 | 82,318 |
| | ----- | ----- |
| Deferred tax asset (net) | - | - |
| | ----- | ----- |
| ----- Total Assets | \$ 199 | \$ 82,318 |
| | ===== | ===== |
| | ----- | |
| | LIABILITIES AND STOCKHOLDERS' DEFICIT | |
| | ----- | |
| Current Liabilities | | |
| ----- | | |
| Accounts payable | \$ 355,644 | \$ 363,679 |
| Bank overdraft payable | 30,519 | 30,519 |
| Related party payable | 498,565 | 522,164 |
| Officer advances | 10,600 | - |
| Related party line of credit | 117,924 | 22,574 |
| Interest payable | 148,347 | 143,644 |
| Accrued expenses | 24,727 | 57,132 |
| Wages payable | 68,327 | 68,327 |
| Payroll tax payable | 16,338 | 16,338 |
| | ----- | ----- |
| Total current and total liabilities | 1,270,991 | 1,224,377 |
| | ----- | ----- |
| Commitments and Contingencies | | |
| ----- | | |
| Stockholders' Deficit | | |
| Common stock, \$.001 par value, 100,000,000 shares authorized, 34,757,115 and 31,257,115 shares issued and outstanding at June 30, 2002 and December 31, 2001 | 34,757 | 31,257 |
| Common stock subscribed | 8,000 | - |
| Additional paid-in capital | 2,785,406 | 2,221,906 |
| Deferred compensation costs | (340,000) | (380,000) |
| Mining rights receivable | (500,000) | - |
| Deficit accumulated during the development stage | (3,258,955) | (3,015,222) |
| | ----- | ----- |
| Total Stockholders' Equity | (1,270,792) | (1,142,059) |
| | ----- | ----- |
| Total liabilities and stockholders' equity | \$ 199 | \$ 82,318 |
| | ===== | ===== |

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See Notes to the Interim Financial Statements

ICONET, INC.
(A Company in the Development Stage)
STATEMENT OF OPERATIONS

(Unaudited)

| | Cumulative from August Inception (August 1997) through June 30, 2002 | Six Months Ended June 30, 2002 | Six Months Ended June 30, 2001 | Three Months Ended June 30, 2002 | Three Months Ended June 30, 2001 |
|--|--|--|--|--|--|
| | ----- | ----- | ----- | ----- | ----- |
| Revenue | | | | | |
| ----- | | | | | |
| Operating Costs and Expenses | | | | | |
| ----- | | | | | |
| Consulting | \$ (1,608,396) | \$ (158,915) | \$ (41,250) | \$ (70,165) | \$ - |
| Research and development | (179,027) | - | - | - | - |
| Marketing expense | (159,394) | - | (20,000) | - | - |
| Labor expense | (60,000) | (40,000) | - | (20,000) | - |
| Legal and accounting | (349,034) | (24,451) | (42,563) | (17,451) | - |
| Operating and administrative expenses | (674,198) | (9,863) | (1,671) | (2,517) | - |
| Rent expense | (83,835) | (5,800) | (600) | (5,800) | (600) |
| Depreciation expense | (5,562) | - | - | - | - |
| Amortization expense | (16,500) | - | - | - | - |
| | ----- | ----- | ----- | ----- | ----- |
| Total operating costs and expenses | (3,135,946) | (239,029) | (106,084) | (115,933) | (600) |
| | ----- | ----- | ----- | ----- | ----- |
| Non-operating Income | | | | | |
| ----- | | | | | |
| Dividend income | 1,212 | - | - | - | - |
| Gain on cancellation of contracts | 90,604 | - | - | - | - |
| Loss on disposal of assets | (59,641) | - | (59,641) | - | (59,641) |
| | ----- | ----- | ----- | ----- | ----- |
| Total non-operating income | 32,175 | - | (59,641) | - | (59,641) |
| | ----- | ----- | ----- | ----- | ----- |
| Interest expense | (155,184) | (4,704) | (43,523) | (3,471) | (22,675) |
| | ----- | ----- | ----- | ----- | ----- |
| Net loss before income taxes | (3,258,955) | (243,733) | (209,248) | (119,404) | (82,916) |
| | ----- | ----- | ----- | ----- | ----- |
| Provision for income taxes | - | - | - | - | - |
| | ----- | ----- | ----- | ----- | ----- |
| Net loss | \$ (3,258,955) | \$ (243,733) | \$ (209,248) | \$ (119,404) | \$ (82,916) |
| | ===== | ===== | ===== | ===== | ===== |

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| | | | | | |
|--|-----------|------------|-----------|------------|-----------|
| Loss per common share - basic | \$ (0.52) | \$ (0.01) | \$ (1.95) | \$ (0.00) | \$ (0.32) |
| Weighted average common shares - basic | 6,212,391 | 31,257,115 | 107,115 | 31,257,115 | 257,115 |
| Loss per common shares - diluted | \$ (0.46) | \$ (0.01) | \$ (0.05) | \$ (0.00) | \$ (0.01) |
| Weighted average common shares - diluted | 7,049,348 | 836,957 | 4,561,660 | 31,668,880 | 9,257,115 |

See Notes to the Interim Financial Statements

ICONET, INC.
(A Company in the Development Stage)
STATEMENTS OF CASH FLOWS

(Unaudited)

| | Cumulative From Inception (August 1997) through June 30, 2002 | Six Months Ended June 30, 2002 | Six Months Ended June 30, 2001 |
|---|--|--------------------------------------|--------------------------------------|
| | ----- | ----- | ----- |
| Cash Flows from Operating Activities | | | |
| Net loss | \$ (3,258,955) | \$ (243,733) | \$ (209,248) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Amortization and depreciation expenses | 22,062 | - | - |
| Deferred compensation expense | 60,000 | 40,000 | - |
| Gain on cancellation of amortization | (16,500) | - | - |
| Loss on disposal of assets | 59,641 | - | 59,641 |
| Decrease in deposits | 14,925 | - | 600 |
| Deposit paid | (14,925) | - | - |
| Increase in deferred tax asset | (1,135,670) | (82,870) | (74,543) |
| Increase (decrease) in accounts payable | 419,619 | (8,035) | (105,360) |
| Increase (decrease) in related party payable | 498,565 | (23,599) | 67,500 |
| Increase in wages payable | 68,327 | - | - |
| Increase in interest payable | 148,347 | 4,703 | 43,523 |
| Increase in deferred tax valuation allowance | 1,135,670 | 82,870 | 74,543 |
| Increase (decrease) in accrued expenses | 116,065 | 42,595 | - |
| Expenses paid by issuance of common stock | 736,628 | 81,250 | - |
| Net cash used in operating activities | (1,146,201) | (106,819) | (143,344) |
| Cash Flows from Investing Activities | | | |
| Purchase of fixed assets | (65,203) | - | - |

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| | | | |
|---|-----------|---------|---------|
| Net cash used in investing activities | (65,203) | - | - |
| ----- | | | |
| Cash Flows from Financing Activities | | | |
| ----- | | | |
| Proceeds received from issuance of stock | 204,635 | - | - |
| Proceeds received from officer advances | 16,074 | 10,600 | - |
| Proceeds from bank overdraft | 30,519 | - | - |
| Payment of officer advances | (5,474) | - | - |
| Proceeds received from line of credit | 847,925 | - | 143,344 |
| Proceeds received from related party line of credit | 117,924 | 95,350 | - |
| ----- | | | |
| Net cash provided by financing activities | 1,211,603 | 105,950 | 143,344 |
| ----- | | | |
| Net increase in cash | 199 | (869) | - |
| ----- | | | |
| Cash and cash equivalents at June 30, 2002 and 2001 | - | 1,068 | - |
| ----- | | | |
| Cash and cash equivalents at June 30, 2002 and 2001 | \$ 199 | \$ 199 | \$ - |
| ===== | | | |

Supplementary Information

During the six months ended June 30, 2002 and 2001, no amounts were actually paid for either interest or income taxes.

In June 2002 the Company issued 1,500,000 shares of its common stock for consulting services valued at \$75,000.

Also in June 2002 the Company issued 2,000,000 shares of its common stock as a partial payment for mining rights.

See Notes to the Interim Financial Statements

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

June 30, 2002

1. 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.

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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 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 May 2002 the Financial Accounting Standards Board ('FASB') issued Statement of Financial Accounting Standards ('SFAS') 145 "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections". This pronouncement requires that gains or losses arising from early extinguishments of debt that are part of a company's recurring operations (i.e., a risk management strategy) would not be reported as extraordinary items. The statement also provides that modifications to a capital lease that make it an operating lease be accounted for as a sale-leaseback. Management feels that the early adoption of SFAS No. 145 has not had a material effect on the financial results.

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

June 30, 2002

1. Basis of Presentation (continued)

Statement Presentation

The June 30, 2001, Financial Statements have been reclassified to conform to the June 30, 2002, presentation. Rent expense and loss on disposal of assets have been stated separately from operating and administrative expense.

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 3). Management is attempting to raise additional capital.

2. Mining rights

In June 2002 the Company entered into an option to purchase 21 mining claims in Ontario, Canada with Sea Emerald Development Corp. (Sea Emerald) in exchange for payment of a nominal sum. A total of 10,000,000 shares of restricted common stock (valued at \$500,000 on the date that the agreement was signed) to be issued in 2,000,000 share increments every six months is due for a 100% interest in the mining claims. In June 2002 the Company issued

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the first 2,000,000 shares to Sea Emerald. The full 10,000,000 shares must be issued in order for the Company to obtain any interest in the mining claims. The Company is also obligated to pay 5% of net smelter returns from production as a royalty to Sea Emerald. The Company also has the rights to purchase back 2% of net smelter returns from production for \$1,000,000 Cdn. for each percentage point.

3. Related Party Line of Credit

In October 2001 the Company obtained an unsecured line of credit from a shareholder for \$150,000 at 12% per annum. The line of credit is due on demand on or after December 31, 2002. At June 30, 2002, the outstanding balance on this line of credit was \$ 117,924.

4. Commitments and Contingencies

There are various claims and lawsuits pending against the Company arising in the normal course of the Company's business. Although the amount of liability at June 30, 2002, cannot be ascertained, management is of the opinion that any resulting liability will not materially affect the Company's financial position.

Merrill Lynch Canada Inc., has filed suit against the Company regarding a dispute related to the sale of its restricted common stock by an unrelated third party to Merrill Lynch. The case is still in its early stages and the Company is trying to reach a settlement with Merrill Lynch. At this time the Company does not know if it will sustain a loss, or the amount of the loss.

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

June 30, 2002

4. Commitments and Contingencies continued

The Company is a defendant in an action by a bank regarding an overdraft. The bank is seeking to recover \$30, 519, which has been accrued by the Company.

5. Capital Stock

In June 2002 the Company issued 1,500,000 shares of common stock to an unrelated third party for consulting. The value of the consulting received was \$75,000.

Also in June 2002 the Company issued 2,000,000 shares of common stock as the first payment for mining rights. (See Note 2)

6. Subsequent Events

In July 2002 the Company issued 1,000,000 shares in a private placement to an unrelated third party at \$0.25 per share.

Item 2. Management Discussion and Analysis

Since the end of the last quarter the company has put its Internet kiosk business into an inactive status, pending further business

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developments. The Company, through its new personnel and resources, 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.

The Company has withdrawn its registration statement that was previously filed on Form SB-2.

The Company has acquired the option to buy 21 mining claims in The Porcupine Mining Division in the Northern Ontario, Canada. The Claims are in the Shaw Dome region in the Timmins, Canada area. This area has a history of producing major mining activity. We are looking forward to exploration and drilling of this property to try and achieve greater shareholder value. During July 2002, the Company raised US \$250,000.00 through a private placement to accredited investors and issued 1,000,000 shares of its restricted common stock, at a price of US \$0.25 per share. The proceeds from this offering are currently being used to do exploration work on our newly-acquired claims and for general working capital.

Mr. Stewart Jackson joined the Board of Directors in July 2002.

The Company has filed this amendment to its 10Q to properly reflect the transaction of its mining claims. The Company also expects to issue the balance of the stock required to complete the transaction of the mineral claims in the third quarter.

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

PART II. OTHER INFORMATION

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.

August 26, 2002

/s/ Randy Miller

Randy Miller

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY OF 2002

In connection with the Quarterly Report of Iconet, Inc. on Form 10-QSB for the period ended June 30, 2002 as filed with the Securities

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and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbannes-Oxley Act of 2002, that to the best of his knowledge:

1. The Report fully complies with the requirements of Section 13 (a) pr 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

August 26, 2002

/S/ Randy Miller

Randy Miller
Chairman and CEO