ICONET INC
Form 10QSB
July 23, 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 June 30, 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 be 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 39,645,430 shares of common stock outstanding as of June 30, 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.
(A Company in the Development Stage)
BALANCE SHEET

	June 30, 2003 (Unaudited)
ASSETS	
DEFERRED TAX ASSET (NET)	$ -
Total other assets	-
Total assets	$ -
LIABILITIES AND STOCKHOLDERS' DEFICIT	
CURRENT LIABILITIES	
Accounts payable	$ 355,644
Bank overdraft payable	28,375
Related party payable	450,465
Advance payable	17,650
Interest payable to a related party	151,967
Accrued expenses	3,081
Payroll tax payable	84,665
Total current and total liabilities	1,091,847
COMMITMENTS AND CONTINGENCIES	
STOCKHOLDERS' DEFICIT	
Common stock, $.001 par value, 100,000,000 shares authorized, 39,507,115 shares issued and outstanding	39,507
Additional paid-in capital	3,380,156
Deficit accumulated during the development stage	(4,511,510)
Total stockholders' deficit	(1,091,847)
Total liabilities and stockholders' deficit	$ -

See Notes to the Interim Financial Statements

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

	CUMULATIVE FROM INCEPTION (AUGUST 1997) THROUGH JUNE 30, 2003	SIX MONTHS ENDED JUNE 30, 2003	SIX MONTHS ENDED JUNE 30, 2002	TH JU
REVENUE				
ADMINISTRATIVE AND GENERAL COSTS				
Consulting	$ (2,489,066)	(397,499)	$(158,915)	$
Research and development	(179,027)	-	-	
Marketing	(159,394)	-	-	
Exploration	(15,000)	(15,000)	-	
Deferred compensation	(300,000)	(280,000)	(40,000)	
Legal and accounting	(414,634)	(12,500)	(24,451)	
Operating and administrative	(725,786)	(15,269))	(9,863)	
Rent	(79,335)	(2,500)	(5,800)	
Depreciation	(5,562)	-	-	
Amortization	(16,500)	-	-	
Total operating costs and expenses	(4,384,304)	(722,768)	(239,029)	
NON-OPERATING INCOME				
Dividend income	1,212	-	-	
Gain on cancellation of contracts	74,104	-	-	
Gain on cancellation of amortization	16,500	-	-	
Loss on disposal of assets	(59,641)	-	-	
Total non-operating income	32,175	-	-	
INTEREST EXPENSE	(159,381)	(1,509)	(4,704)	
Net loss before income taxes	(4,511,510)	(724,277)	(243,733)	
Provision for income taxes	-	-	-	
Net loss	$ (4,511,510)	$ (724,277)	$ (243,733)	$
Loss per common share - basic	$ (0.36)	$ (0.02)	$ (0.01)	$
Weighted average common shares -basic	12,489,409	43,415,448	31,257,115	

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See Notes to the Interim Financial Statements

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

	CUMULATIVE FROM INCEPTION (AUGUST 1997) THROUGH JUNE 30, 2003	SIX MONTHS ENDED JUNE 30, 2003	SI JUN
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$(4,511,510)	$ (724,277)	$
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization and depreciation expense	22,062	-	
Deferred compensation expense	400,000	280,000	
Gain on cancellation of amortization	(16,500)	-	
Loss on disposal of assets	59,641	-	
Cancellation of mining rights	15,000	15,000	
Decrease in deposits	14,925	-	
Decrease in prepaid consulting	796,250	352,000	
Deposit paid	(14,925)	-	
Increase (decrease) in accounts payable	419,619	-	
Interest (decrease) in related party payable	516,065	-	
Increase incurred on bank overdraft	1,509	1,509	
Increase in payroll and payroll taxes payable	68,327	-	
Increase in interest payable	158,197	-	
Increase in accrued expenses	40,918	2,634	
Expenses paid by issuance of common stock	737,878	37,500	
Net cash used in operating activities	(1,292,544)	(35,634)	
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of mining rights	(15,000)	-	
Purchase of fixed assets	(65,203)	-	
Net cash used in investing activities	(80,203)	-	
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds received from issuance of stock	454,635	-	
Proceeds received from officer advances	37,374	13,300	

Proceeds from bank overdraft	30,552	32	
Proceeds received advance	17,650	17,650	
Payment made on bank overdraft	(9,915)	(453)	
Payment of officer advances	(5,474)	-	
Proceeds received from line of credit	870,499	-	
Proceeds received from related party line of credit	(22,574)	-	
Net cash provided by financing activities	1,372,747	30,529	
Net increase in cash	-	(5,105)	
Cash and cash equivalents at inception, December 31, 2002, and 2001	-	5,105	
Cash and cash equivalents at June 30, 2003, and 2002	$ -	$ -	$

SUPPLEMENTARY INFORMATION

During the six months ended June 30, 2002 and 2001, no amounts were paid for either interest or i

In May 2003, 200,000 common shares were issued in exchange for consulting expenses of $13,500.

Also in May 2003 1,000,000 shares were issued to the President of the Company pursuant to a stock agreement, to relieve $100,000 in officer advances and consulting fees payable.

In April 2003 the mining rights contract was cancelled and the 10,000,000 shares issued were canc

In June 2002 the Company issued 1,500,000 shares of its common stock for consulting services of $

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

See Notes to the Interim Financial Statements

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

June 30, 2003

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.

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 February 2003 the Financial Accounting Standards Board "FASB" issued Statement of Financial Accounting Standards "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.

In May 2003 the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity", which requires that certain financial instruments be presented as liabilities that were previously presented as equity or as temporary equity. Such instruments include mandatory redeemable preferred and common stock, and certain options and warrants. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003 and is generally effective at the beginning of the first interim period beginning after June 15, 2003. SFAS 150 will have no impact on the Company's financial position as they have no financial instruments.

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. The Company has available to them a $150,000 line of credit from a shareholder. (See Note 2) Management is attempting to raise additional capital.

2. ADVANCE PAYABLE

During the quarter an unrelated third party advanced the Company $17,650 to pay expenses. There are currently no terms for this advance.

3. RELATED PARTY TRANSACTIONS

The company rented office space on a month-to-month basis from an officer in order to perform administrative functions. For the six months ended June 30, 2003, rent of $2,500 was expensed.

During the six months ended June 30, 2003, the company incurred expense for consulting byfficers and shareholders. The total expense for the six months ended June 30, 2003, was $37,500. The total related party payable as of June 30, 2003, was $450,465.

An officer of Iconet, Inc. advanced the Company funds to pay expenses. During the six months ended June 30, 2003, travel and other office expenses of $13,300 were paid by the officer. In May 2003 the Company issued 1,000,000 shares of its common stock to the officer pursuant to a stock option dated September 1, 2001. This issuance relieved officer advances payable and consulting fees payable by $31,900 and $68,100, respectively.

The Company has a $150,000 line of credit from a shareholder. As of June 30, 2003, the line of credit was not used.

4. CAPITAL STOCK

In January 2003 the company issued 550,000 shares of its common stock to relieve the common stock subscribed.

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 were cancelled.

In May 2003 the Company issued 200,000 shares of common stock to a shareholder in exchange for accrued consulting services of $13,500.

Also in May 2003 the Company issued 1,000,000 shares of its common stock to an officer pursuant to a stock option dated September 1, 2001. This issuance relieved $100,000 payable to the officer.

5. 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, 2003, 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. At this time the Company does not know if it will sustain a loss, or the amount of the loss.

The Company settled an action by a bank regarding an overdraft. The Company paid $9,915 of the overdraft. The amount due as of June 30, 2003 is $28,343, which has been accrued by the Company. The Company paid three payments and then defaulted on this settlement.

PART II - OTHER INFORMATION

June 30, 2003

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Mr. Randy Miller resigned from the Board of Directors in June 2003.

Mr. Matthew Markin serves as the Company's sole officer and Director at this time.

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.

The Company is currently considering various business opportunities.

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.

July 21, 2003 /s/ MATTHEW MARKIN

Matthew Markin

SECTION 302 CERTIFICATION

I, Matthew Markin, 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.

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.

July 21, 2003 /s/ MATTHEW MARKIN

Matthew Markin
Chairman and CEO