

Edgar Filing: ICONET INC - Form 10KSB

ICONET INC  
Form 10KSB  
May 15, 2003

SECURITIES EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-KSB

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

For the fiscal year ended December 31, 2002

Commission file number 333 - 72660

ICONET, INC.

(Exact name of registrant as specified in its Charter)

Nevada

(State of other jurisdiction of incorporation or organization)

86-0891931

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

8 Gaucho Drive

Rolling Hills Estates, CA 90274

(Address of Principal Executive Offices)

Registrant's telephone number, including area code: 416-682-9255

Securities to be registered pursuant to Section 12(b) of the Act: None  
Securities to be registered pursuant to Section 12(g) of the Act: Common Stock

Common Stock  
(Title of Class)

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 Registrant was required to file such reports), and (2) has been subject to such filing requirements for past 90 days. Yes [X] No [ ]

Securities registered under Section 12(g) of the Exchange Act:

There are 48,445,430 shares of common stock outstanding as of December 31, 2002. The shares are traded on the OTC Bulletin Board.

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

State issuer's revenues for its most recent fiscal year: \$0

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity

## Edgar Filing: ICONET INC - Form 10KSB

was sold, or the average bid and asked price of such common equity, as of a specified date within the past 60 days. On May 14, 2003, the aggregate market value of non-affiliate shares was \$384,455.00.

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 38,445,430 shares of which 30,150,000 were restricted shares. Registrant filed a Form SB-2 on November 1, 2001, seeking to register 30,150,000 shares of issued and outstanding shares of Common Stock for selling shareholders. The Form SB-2 was withdrawn by the Company and was not declared effective.

### TABLE OF CONTENTS

#### PART I

- Item 1 Description of Business
- Item 2 Description of Property
- Item 3 Legal Proceedings
- Item 4 Submission of Matters to a Vote of Security Holders

#### PART II

- Item 5 Market for Common Equity and Related Stockholder Matters
- Item 6 Management's Discussion and Analysis of Plan of Operations.
- Item 7 Financial Statements
- Item 8 Changes in and Disagreement with Accountants on Accounting and Financial Disclosure.

#### PART III

- Item 9 Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act
- Item 10 Executive Compensation
- Item 11 Security Ownership of Certain Beneficial Owners and Management
- Item 12 Certain Relationships and Related Transactions
- Item 13 Exhibits, List and Reports on Form 8-K

## Edgar Filing: ICONET INC - Form 10KSB

### ITEM 1. DESCRIPTION OF BUSINESS

#### BACKGROUND AND REORGANIZATION

Iconet, Inc., formerly known as Digital Video Display Technology Corp. (the "Company") was incorporated under the laws of the State of Nevada on August 1, 1997, under the name Meximed Industries. On January 27, 1999, we filed an Amendment to our Articles of Incorporation changing our name to Digital Video Display Technology Corp., and on July 12, 2001, filed an Amendment to our Articles of Incorporation changing our name to Iconet, Inc.

We were initially formed to engage in the business of developing, producing and distributing a non-reusable medical syringe. In July 1998, we raised a total of \$200,000 in a public offering pursuant to an exemption provided by Rule 504 of Regulation D, promulgated under the Securities Act of 1933, as amended. The offering was approved for sale by The New York State Department of Law. After recognizing the syringe project was going to be far too expensive and difficult to pursue, we began looking for another business to acquire.

In January 1999, we completed a reorganization and change in control and acquired a License to a U.S. Patent for an audio video jukebox system from Software Control Systems International Inc., a Canadian corporation and unrelated third party (SCSI). As consideration for the License, we agreed to pay SCSI the sum of \$250,000 U.S. in cash and issued SCSI 2,000,000 shares of our restricted common stock. The License was for a term of 15 years and granted us an exclusive right to market and sell the SCSI proprietary technology and products throughout Canada and the states of Oregon, Washington, Montana, Idaho and Hawaii. Subsequently, on May 10, 1999, we entered into a Distributor Agreement with SCSI granting SCSI the right to act as a distribution agent for us. Pursuant to the Agreement, we were to supply SCSI a minimum of 500 jukebox systems at a price of \$7,500 which may be paid in full at the time of delivery or at the rate of \$150 per month for 60 months.

On September 1, 1999, the SCSI agreement was modified. The amendment stated that we were obligated to pay the \$250,000 in \$20,000 installments, beginning December 15, 1999, with a final payment of \$10,000 due on December 15, 2000. This amendment was never ratified by our Board. As of December 31, 1999, no payment had been made to the third party. The 2,000,000 restricted shares were to be held by SCSI for two years. SCSI had attempted to sell 230,000 shares of the stock before the two years expired, so we stopped the sale, and canceled the 2,000,000 shares.

On May 5, 2000, we received a letter from the SCSI attorneys demanding that the 2,000,000 shares be reinstated, and that we pay the \$250,000 that was originally agreed upon. The letter also demanded a distributorship for two of the officers

of SCSI to distribute our video jukeboxes at 10% commission in Canada and the Northwestern United States. Other settlement alternatives were also offered. We subsequently settled this dispute without litigation, and we retained no rights in or to the SCSI audio video juke system. The 2,000,000 shares remain cancelled and the \$250,000.000 debt was cancelled. In the fourth quarter of 2001, our management had internal disagreements regarding the company's future course of action in order to achieve its business goals of producing and distributing video jukeboxes, and was experiencing financial difficulties. This caused the company to lose momentum, put the line of credit at risk and eventually resulted in new management being installed. In May 2001, Mr. Randy Miller was appointed by the then-directors to serve as a Director and sole officer of the Company, and the other directors resigned, leaving Mr. Miller as the sole director. Mr.

## Edgar Filing: ICONET INC - Form 10KSB

Dalmata, and his group of investors, were interested in protecting their line of credit and repayment of monies drawn down on the line by the Company, and approved the appointment of Mr. Miller, and Mr. Dalmata was given the opportunity to be appointed as a director, if he chose to do so, during the two-year period commencing May 30, 2001, for a Director term of one year. To date, Mr. Dalmata has not requested that he be appointed as a director.

Subsequently, in 2001, the technology relating to the audio video jukebox industry changed significantly and we no longer require the patent held by SCSi to conduct our proposed business. We have developed a proprietary system, combining off-the-shelf components, which is not patented and may not be patentable, as we have not consulted with a patent counsel about the system we are using.

We never produced or sold any video jukeboxes, and have abandoned the jukebox business.

In May 2001, we issued shares to Mr. Kurt Dalmata in exchange for his reduction of monies we owed to him.

Subsequently, in July 2001, we effected a reverse stock split.

Subsequently, we issued an additional 30,000,000 shares in exchange for the reduction of \$637,925 in debt.

On June 12, 2002, the Company entered into an Option to Purchase 100% interest in 21 mining claims situated in Langmuir Township, Porcupine Mining Division, Ontario, Canada, from Sea Emerald Development Corp., a Canadian corporation ("Sea Emerald"). Consideration for the Option was \$10.00, and the exercise price for 100% interest in the 21 mining claims is 10,000,000 shares of the Company's restricted Common Stock.

Pursuant to the terms of the Agreement, a copy of which is included as an exhibit to this Form 8-K, the Company is required to issue 2,000,000 of the 10,000,000 shares to Sea Emerald within 5 business days from the date of the Agreement, and 2,000,000 shares at six-month intervals, commencing six months from the date of the Agreement. The Company must issue the full 10,000,000 shares in order to acquire any interest in or title to the 21 claims. In addition, the Company is obligated to pay Sea Emerald a royalty equal to 5% of

Net Smelter Returns ("NSR") from production from the claims. The Company has an option to buy back from Sea Emerald up to a maximum of 2% of the NSR, leaving Sea Emerald with a 3% NSR. The buy-back price is Cdn\$1,000,000 per 1% NSR. If the Company has not commenced production from the claims and has not exercised its buy-back right for 2% NSR on or before June 12, 2006, then the Company is obligated to commence payment of a minimum advance royalty of US\$50,000.00 per year, commencing June 13, 2006.

The amount of the consideration for the Option was nominal and customary in the mining industry, and the amount of the consideration for exercise of the Option was determined based on what the parties believed, given the limited information and data available on the 21 mining claims, was a fair option exercise price for the claims, giving due consideration to the market price of the Company's Common Stock and the subjective estimation of the present value of the 21 claims.

### SUBSEQUENT EVENTS

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

## Edgar Filing: ICONET INC - Form 10KSB

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 will be returned to the Company's treasury.

The Company is currently seeking to acquire a new business.

### EMPLOYEES.

We currently have one employee, Randy Miller, our president and a director, who works for our corporation part-time. We have no employment contracts and our employee is not a union member or affected by labor contracts.

### REPORTS TO SECURITY HOLDERS.

We are a reporting company under the requirements of the Exchange Act and file quarterly, annual and other reports with the Securities and Exchange Commission. Our annual report contains the required audited financial statements. We are not required to deliver an annual report to security holders and will not voluntarily deliver a copy of the annual report to the security holders. The reports and other information filed by us will be available for inspection and copying at the public reference facilities of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549.

Copies of the material may be obtained by mail from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the Commission maintains a World Wide Website on the Internet at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission.

In May 2001, we issued 30,000,000 shares of our restricted Common Stock to an unrelated third party as consideration for reduction of \$210,000.00 in principal on a line of credit. This transaction involved 1 foreign purchaser and was exempt from registration pursuant to Regulation S of the Securities Act of 1933, based on offshore transactions involving a non-U.S. person in a sale that took place entirely outside the U.S.

On July 12, 2001, we effected a reverse split of our total outstanding shares on the basis of 1 for 200, leaving a total of 257, 115 shares of our Common Stock outstanding.

In July 2001, we issued 30,000,000 shares of our common stock as consideration for repayment of \$637,925.00 in principal on the line of credit issued to us by unrelated third party in 1999. This retired the entire balance due on the line of credit. This transaction involved 21 foreign purchasers and was exempt from registration pursuant to Regulation S of the Securities Act of 1933, based on offshore transactions involving all non-U.S. persons in sales that took place entirely outside the U.S.

The debts referenced above were not related in any way, except that all of the \$837,925.00 was part of the \$1.5 Million line of credit. All 22 persons to whom shares were issued were lenders under the line of credit. At the time the respective debts were exchanged for shares, the Company verbally agreed, as soon as possible, to register all of the shares under an SB-2 registration statement.

## Edgar Filing: ICONET INC - Form 10KSB

### ITEM 2. DESCRIPTION OF PROPERTY

The property held by Registrant consist of the following:

Our executive offices are located at 170 University Av. 8th Floor, Toronto, Ontario, Canada M5H3B3, where we share space in the offices our President, Randy Miller. The space is approximately 400 square feet total, of which we occupy a small portion without charge. We feel that this space is adequate for our needs at this time, and we feel that we will be able to locate adequate space in the future, if needed, on commercially reasonable terms.

### ITEM 3. LEGAL PROCEEDINGS

Merrill Lynch Canada Inc., filed suit against us on June 26, 2001, seeking damages regarding an alleged dispute related to the sale of our restricted common stock to Merrill Lynch by an unrelated third-party stockholder. The case is styled "Merrill Lynch vs. Digital Video Display Technology, and others", Action No. S-004012, in the Vancouver Law Court, Supreme Court of British Columbia. The case is still in its early stages and we are trying to reach a settlement with Merrill Lynch. At this time, we do not know if we will sustain a loss, or the amount of the loss. There has been no discovery in the case.

The Company was a defendant in an action by a former employee regarding his employment contract. The Company settled the case recently for \$55,000.00.

The Company has also entered into a settlement agreement with JP Morgan to settle an outstanding lawsuit of \$31,000.00 plus accrued interest.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the fourth quarter of the fiscal year covered by the report, no matters were submitted to a vote of security holders.

### MANAGEMENT DISCUSSION AND ANALYSIS OF OPERATIONS

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.

## Edgar Filing: ICONET INC - Form 10KSB

The Company has attained a European listing.

### PART II

#### ITEM 5. MARKET FOR COMMON EQUITY STOCK AND OTHER SHAREHOLDER MATTERS

##### COMMON STOCK TRADING INFORMATION

The following table sets forth the high and low bid quotations for the Common Stock for the periods indicated. These quotations reflect prices between dealers, do not include retail mark-ups, mark-downs or commissions and may not necessarily represent actual transactions. The Company's shares of Common Stock are traded on the OTC Bulletin Board, under the symbol "ICON". The High/Low bid quotations for each quarter during the past two fiscal years are as follows:

Quarter Ended	High Bid	Low Bid
March 31, 2001	\$1.78	\$1.50
June 30, 2001	\$ .635	\$ .50
September 30, 2001	\$ .31	\$ .31
December 31, 2001	\$1.45	\$ .60
March 31, 2002	\$1.15	\$ .77
June 30, 2002	\$ .20	\$ .05
September 30, 2002	\$ .14	\$ .10
December 31, 2002	\$ .09	\$ .08

There are currently a total of approximately 57 shareholders of record, as of May 14, 2003.

Registrant filed a Form SB-2 on November 1, 2001, seeking to register 30,150,000 shares of issued and outstanding shares of Common Stock for selling shareholders. The Form SB-2 has subsequently been withdrawn by the Company and was never declared effective.

##### MARKET INFORMATION.

There is limited trading activity in our securities, and there can be no assurance that a regular trading market for our common stock will ever be developed or maintained.

The OTCBB securities are not listed and traded on the floor of an organized national or regional stock exchanges. Instead, OTCBB securities transactions are conducted through a telephone and computer network connecting dealers in stocks. Over-the-counter stocks are traditionally smaller companies that do not meet the financial and other listing requirements of a regional or national stock exchange.

However, broker-dealers may be discouraged from effecting transactions in our

## Edgar Filing: ICONET INC - Form 10KSB

securities because they will be considered penny stocks and will be subject to the penny stock rules.

Rules 15g-1 through 15g-9 promulgated under the Securities Exchange Act of 1934, as amended, impose sales practice and disclosure requirements on NASD brokers-dealers who make a market in a "penny stock." A penny stock generally includes any non-NASDAQ equity security that has a market price of less than \$5.00 per share. Assuming we get our shares listed for trading, purchases and sales of our shares are expected to be generally facilitated by NASD broker-dealers who will act as market makers for our shares. The additional sales practice and disclosure requirements imposed upon brokers-dealers may discourage broker-dealers from effecting transactions in our shares, which could severely limit the market liquidity of the shares and impede the sale of our shares in the secondary market, assuming one develops.

Under the penny stock regulations, a broker-dealer selling penny stock to anyone other than an established customer or "accredited investor" (generally, an individual with net worth in excess of \$1,000,000 or an annual income exceeding \$200,000, or \$300,000 together with his or her spouse) must make a special suitability determination for the purchaser and must receive the purchaser's written consent to the transaction prior to sale, unless the broker-dealer or the transactions is otherwise exempt.

In addition, the penny stock regulations require the broker-dealer to deliver, prior to any transaction involving a penny stock, a disclosure schedule prepared by the Commission relating to the penny stock market, unless the broker-dealer or the transaction is otherwise exempt. A broker-dealer is also required to disclose commissions payable to the broker-dealer and the registered representative and current quotations for the securities. Finally, a broker-dealer is required to send monthly statements disclosing recent price information with respect to the penny stock held in a customer's account and information with respect to the limited market in penny stocks.

As of December 31, 2002, there were 58 holders of record of our common stock.

### STOCK TRANSFER AGENT

Transfer Online, 227 S.W. Pine Street, Suite 300, Portland, Oregon 97204, telephone number (503) 227-2950, serves as Registrant's stock transfer agent for its securities.

### DIVIDENDS

Registrant has not paid any cash dividends to any of its shareholders. The declaration of any future cash dividends will be at the sole discretion of the Board of Directors and will depend upon the earnings, if any, the capital requirements and financial position of Registrant, general economic conditions and other pertinent conditions. Unless otherwise determined by the Board of Directors, no dividends shall be paid on any share which has been purchased or redeemed by Registrant while the shares are held by Registrant. Pursuant to Registrant's Articles of Incorporation (attached hereto as Exhibit 3(I) and incorporated herein by reference), the Directors may, from time to time, capitalize any undistributed surplus on hand of Registrant and may from time to time issue shares, bonds, debentures or debt obligations of Registrant as a dividend representing such undistributed surplus on hand, or any part thereof. It is the present intention of Registrant not to pay any cash dividends in the foreseeable future, but rather to reinvest any earnings into its business operations.



## Edgar Filing: ICONET INC - Form 10KSB

The Securities and Exchange Commission has adopted regulations which generally define "penny stock" to be any equity security that has a market price of less than \$5.00 per share, subject to certain exceptions. Registrant's Common Stock may be deemed to be a penny stock and thus will become subject to rules that impose additional sales practice requirements on broker/dealers who sell such securities to persons other than established customers and accredited investors, unless the Common Stock is listed on The Nasdaq Small Cap Market. Consequently, the penny stock rules may restrict the ability of broker/ dealers to sell Registrant's securities and may adversely affect the ability of holders of Registrant's Common Stock to resell their shares in the secondary market.

### ITEM 6. PLAN OF OPERATION

The discussion contained in this prospectus contains "FORWARD-LOOKING STATEMENTS" that involve risk and uncertainties. These statements may be identified by the use of terminology such as "BELIEVES," "EXPECTS," "MAY," "WILL," "SHOULD" or "ANTICIPATES" or expressing this terminology negatively or similar expressions or by discussions of strategy. The cautionary statements made in this prospectus are applicable to all related forward-looking statements wherever they appear in this prospectus. Our actual results could differ materially from those discussed in this prospectus. Important factors that could cause or contribute to these differences include those discussed under the caption entitled "RISK FACTORS," as well as those discussed elsewhere in this registration statement.

We intend to continue seeking a business opportunity to acquire for the Company.

We currently have no line of credit, or other sources, to fund our operations.

To the extent that we may need to raise additional capital through the sale of equity and/or convertible debt securities, the issuance of the securities will likely result in substantial dilution to our shareholders.

If our company or its management receives proceeds from the sales of the securities by the selling security shareholders, which neither the company nor its management has any intent to do, those persons may be deemed underwriters. Accordingly, they will have liability for any material misrepresentations or omissions in this document and otherwise in the offer and sale of securities.

### ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

ICONET, INC.

(A EXPLORATION STAGE COMPANY)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2002,

Edgar Filing: ICONET INC - Form 10KSB

AND

DECEMBER 31, 2001,

WITH

AUDIT REPORT OF

INDEPENDENT

CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

Independent Auditors' Report.....	2
Balance Sheet.....	4
Statements of Operations.....	5
Statements of Changes in Stockholders' Deficit.....	6
Statements of Cash Flows.....	8
Notes to Financial Statements.....	10

MARK BAILEY & CO. LTD.

Certified Public Accountants  
Management Consultants

OFFICE ADDRESS:  
1495 Ridgeview Drive, Ste. 200      Phone: 775/332.4200  
Reno, Nevada 89509-6634      Fax: 775/332.4210

MAILING ADDRESS:  
P.O. Box 6060  
Reno, Nevada 89513

INDEPENDENT AUDITORS' REPORT

May 14, 2003

Board of Directors  
Iconet, Inc.

We have audited the accompanying balance sheet of Iconet, Inc. (an exploration stage Company) as of December 31, 2002, and the related statements of operations, stockholders' deficit, and cash flows for the years ended December 31, 2002, and 2001. These financial statements are

Edgar Filing: ICONET INC - Form 10KSB

the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Iconet, Inc (a Company in the exploration stage), as of December 31, 2002, and the results of its operations and its cash flows for the years ended December 31, 2002, and 2001, in conformity with accounting principles generally accepted in the United States.

-2-

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 1 to the financial statements, the Company is in the Exploration stage, and existing cash and available credit are insufficient to fund the Company's cash flow needs for the next year. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Mark Bailey & Company, Ltd.  
Reno, Nevada

-3-

ICONET, INC.  
(A Company in the Exploration Stage)  
BALANCE SHEET  
December 31, 2002

ASSETS

CURRENT ASSETS  
Cash

DECEMBER 31, 200

---

\$ 5,105

Edgar Filing: ICONET INC - Form 10KSB

Prepaid consulting expenses	352,000
	<hr/>
Total current assets	357,105
	<hr/>
OTHER ASSETS	
Mining rights	515,000
Deferred tax asset (net of valuation allowance of \$1,287,659)	-
	<hr/>
Total other assets	515,000
	<hr/>
Total assets	\$ 872,105
	<hr/> <hr/>
LIABILITIES AND SHAREHOLDERS' DEFICIT	
CURRENT LIABILITIES	
Accounts payable	\$ 355,644
Bank overdraft payable	28,796
Related party payable	481,065
Line of credit	-
Interest payable	150,458
Accrued expenses	13,946
Advance from stockholder	18,600
Payroll and payroll taxes payable	84,665
	<hr/>
Total current and total liabilities	1,133,174
	<hr/>
COMMITMENTS AND CONTINGENCIES	
STOCKHOLDERS' DEFICIT	
Common stock, \$.001 par value, 100,000,000 shares authorized, 47,757,115 issued and outstanding	47,757
Common stock subscribed	88,000
Additional paid-in-capital	3,670,406
Deferred compensation expense	(280,000)
Deficit accumulated during the development stage	(3,787,232)
	<hr/>
Total stockholders' deficit	(261,069)
	<hr/>
Total liabilities and stockholders' deficit	\$ 872,105
	<hr/> <hr/>

The Accompanying Notes are an Integral Part of These Financial Statements

Edgar Filing: ICONET INC - Form 10KSB

	CUMULATIVE DURING EXPLORATION STAGE	FOR THE 2002
	<hr/>	<hr/>
REVENUE		
OPERATING COSTS AND EXPENSES		
Operating and administrative expenses	\$ (3,639,474)	\$ (764
Depreciation expense	(5,562)	
Amortization expense	(16,500)	
	<hr/>	<hr/>
Total operating costs and expenses	(3,661,536)	(764
NON-OPERATING INCOME		
Dividend income	1,212	
Gain on cancellation of contracts	90,604	
Loss on disposal of assets	(59,641)	
	<hr/>	<hr/>
Total non-operating income	32,175	
INTEREST EXPENSE	(157,871)	(7
Net loss before income taxes	(3,787,232)	(772
	<hr/>	<hr/>
Provision for income taxes	-	
	<hr/>	<hr/>
Net loss	\$ (3,787,232)	\$ (772
	=====	=====
Loss per common share - basic and diluted	\$ (0.39)	\$ (
	=====	=====
Weighted average common shares - basic and diluted	9,634,697	39,535
	=====	=====

The Accompanying Notes are an Integral Part of These Financial Statements

-5-

ICONET, INC.  
(A Company in the Exploration Stage)  
STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT  
For the Period from Inception (August 1, 1997) to December 31, 2002

Edgar Filing: ICONET INC - Form 10KSB

	COMMON STOCK SHARES	AMOUNT	DEFERRED SUBSCRIBED	COMPENSATION
Issuance of shares to Company's officers and directors for cash in August 1997	105,000	\$ 105		
Net loss				
Balance at December 31, 1997	105,000	105	-	-
Issuance of shares for cash from an offering in April 1998 valued at \$200,000 (less offering costs of \$5,365)	105,000	105		
Issuance of shares to a related company for distribution rights, valued at the fair market value of \$20,000 in May 1998	10,500	10		
Net loss (as restated )				
Balance at December 31, 1998	220,500	220	-	-
Cancellation in January 1999 of the stock issued to the officers, directors, and the related company	(115,500)	(116)		
Issuance of shares for patent rights, valued at the fair market value of \$20,000 in February 1999	10,000	10		
Issuance of shares for consulting services, at the fair market value of \$2,500 in July 1999	1,250	1		
Net loss (as restated)				
Balance at December 31, 1999 (as restated)	116,250	115	-	-
Issuance of shares for consulting services valued at the fair market value of \$75,000 in January 2000	375	1		
Cancellation in February 2000 of shares issued for patent rights	(10,000)	(10)		
Issuance of shares for consulting services valued at the fair market value of \$73,500 in July 2000	490	1		
Net loss				
Balance at December 31, 2000 (as restated)	107,115	107	-	-
Issuance of shares to retire \$210,000 from the line of credit in May 2001	150,000	150		
Issuance of shares to retire \$637,925 from the line of credit in July 2001	30,000,000	30,000		
Issuance of shares for consulting & legal services with a fair value of \$650,000 in July 2001	1,000,000	1,000		
Deferred compensation cost for issuance of				

Edgar Filing: ICONET INC - Form 10KSB

an option for 1,000,000 shares in September 2001				(400,000)
Deferred compensation expense				20,000
Net loss				
Balance at December 31, 2001	31,257,115	31,257	-	(380,000)

The Accompanying Notes are an Integral Part of These Financial Statements

-6-

ICONET, INC.  
(A Company in the Exploration Stage)  
STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT  
For the Period from Inception (August 1, 1997) to December 31, 2002

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	SUBSCRIBED	DEFERRED COMPENSATION
Balance at December 31, 2001	31,257,115	31,257	-	(380,000)
Issuance of shares for consulting with a fair market value of \$75,000 in June 2002	1,500,000	1,500		
Issuance of shares for mining rights with a fair market value of \$100,000 in June 2002	2,000,000	2,000		
Issuance of shares for cash in July 2002	1,000,000	1,000		
Issuance of shares for consulting services with a fair market value of \$320,000 in August 2002	2,000,000	2,000		
Issuance of shares for mining rights with a fair market value of \$400,000 in September 2002	8,000,000	8,000		
Issuance of shares for consulting services with a fair market value of \$320,000 in November 2002	2,000,000	2,000		
Shares subscribed to relieve accrued liabilities in the amount of \$43,000 and legal services with a fair market value of \$45,000			88,000	
Deferred compensation cost				100,000
Net loss				
Balance at December 31, 2002	47,757,115	\$47,757	\$ 88,000	\$ (280,000) \$

The Accompanying Notes are an Integral Part of These Financial Statements

Edgar Filing: ICONET INC - Form 10KSB

-7-

ICONET, INC.  
(A Company in the Exploration Stage)  
STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2002, and 2001

	CUMULATIVE DURING EXPLORATION STAGE	FOR THE YEAR 2002
	<hr/>	<hr/>
Cash Flows from Operating Activities		
Net loss	\$ (3,787,232)	\$ (772,000)
Adjustments to reconcile net loss to net cash used in operating activities		
Amortization and depreciation expense	22,062	
Deferred compensation expense	120,000	100,000
Gain on cancellation of amortization	(16,500)	
Loss on disposal of assets	59,641	
Decrease in deposits	14,925	
Decrease in prepaid consulting	444,250	444,250
Increase (decrease) in accounts payable	419,619	(8,000)
Increase (decrease) in related party payable	516,065	(6,000)
Increase (decrease) in wages payable	68,327	
Increase in interest payable	158,197	14,500
Increase (decrease) in accrued expenses	38,284	(35,100)
Expenses paid by issuance of common stock subscribed	45,000	45,000
Expenses paid by issuance of common stock	655,378	
	<hr/>	<hr/>
Net cash used in operating activities	(1,241,984)	(217,500)
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits paid	(14,925)	
Investment in mining rights	(15,000)	(15,000)
Purchase of capital assets	(65,203)	
	<hr/>	<hr/>
Net cash used in investing activities	(95,128)	(15,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds received from issuance of stock	454,635	250,000
Proceeds received from shareholder advances	24,074	18,600
Proceeds received from bank overdraft	30,519	
Payment on bank overdraft	(9,462)	(9,400)
Payment of shareholder advances	(5,474)	
Payment on line of credit	(22,574)	(22,500)
Proceeds received from line of credit	870,499	
	<hr/>	<hr/>
Net cash provided by financing activities	1,342,217	236,500



Edgar Filing: ICONET INC - Form 10KSB

Net increase in cash	5,105	4,0
Cash and cash equivalents at beginning of period	-	1,0
Cash and cash equivalents at end of period	<u>\$ 5,105</u>	<u>\$ 5,1</u>

The Accompanying Notes are an Integral Part of These Financial Statements

-8-

ICONET, INC.  
(A Company in the Exploration Stage)  
STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2002, and 2001

SUPPLEMENTARY INFORMATION AND NON CASH TRANSACTIONS

During the year ended December 31, 2002, and 2001, the Company paid \$577 and \$0 in interest, respectively. The Company paid no income taxes during the years ended December 31, 2002, and 2001, respectively.

During 2002 the Company issued 5,500,000 shares of its common stock for future consulting fees and the Company subscribed 550,000 shares of its common stock to relieve \$35,000 in related party payables, \$8,000 in accrued expense and for legal expenses valued at \$45,000.

During 2001 the Company issued 150,000 shares of its common stock to retire \$210,000 of the line of credit, 30,000,000 shares of its common stock to retire an additional \$637,925 of the line of credit, and the Company issued 1,000,000 shares of its common stock for consulting and legal services valued at \$650,000. Also in 2001 the Company issued an option to purchase 1,000,000 shares of its common stock at \$0.10 per share to a director, resulting in deferred compensation expense of \$400,000.

The Accompanying Notes are an Integral Part of These Financial Statements

- 9 -

ICONET, INC.  
(A Company in the Exploration Stage)  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES  
Iconet, Inc. (the "Company") was incorporated in the State of Nevada in August 1997, under the name Meximed Industries, Inc.. The Company is in

## Edgar Filing: ICONET INC - Form 10KSB

the exploration stage as its operations principally involve research and exploration, market analysis, and other business planning activities, and no revenue has been generated from its business activities. In January 1999 the Company changed its name to Digital Video Display Technology Corporation. The Company intended to create a Digital Video Display jukebox system for distribution in Canada and the United States. In July 2001 the Company changed its name to Iconet, Inc., plans to expand its activities to Europe. In June 2002 the company purchased the mining rights on 21 claims and has started exploration of the claims.

These financial statements have been prepared assuming that the Company will continue as a going concern. The Company is currently in the exploration stage and existing cash 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 4). The Company plans to raise additional capital through private placements, ranging from \$6,000,000 to \$8,000,000.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. As of December 31, 2002, and 2001, the Company held no cash equivalents.

-10-

ICONET, INC.  
(A Company in the Exploration Stage)  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002

### OPERATING AND ADMINISTRATIVE EXPENSES

The major components of the operating and administrative expenses for the years ending December 31, 2002, and 2001 are:

	2002	2001
	----	----
Consulting	\$642,086	\$504,073
Salaries and wages and benefits	-0-	20,000
Marketing and investor relations	-0-	20,000
Legal and accounting	77,551	198,424
Rent expense	(1,200)	-0-
Other expenses		
	46,182	13,452
Total operating and administrative	<u>\$764,619</u>	<u>\$755,949</u>
	=====	=====

### RENT EXPENSE

For the years ended December 31, 2002, and 2001, the total rent (credit) expense was \$(1,200) and \$-0-, respectively.

### RESEARCH AND DEVELOPMENT COSTS

## Edgar Filing: ICONET INC - Form 10KSB

Research and development costs are expensed as incurred. There were no research and development costs during 2002 or 2001.

### LOSS PER SHARE

Net loss per share is provided in accordance with Statement of Financial Accounting Standards (SFAS) No. 128 "Earnings Per Share". Basic loss per share for each period is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted loss per share is computed in a manner consistent with that of basic loss per share while giving effect to all potentially dilutive common shares that were outstanding during the period. The number of additional shares is calculated by assuming that outstanding stock options were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting period. The weighted averages for the years ended December 31, 2002, and 2001, and from inception reflect the reverse stock split of 200:1 that was approved by the board of directors in July 2001.

-11-

ICONET, INC.  
(A Company in the Exploration Stage)  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002

### REVENUE RECOGNITION

In 2000 the SEC issued Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements." Pursuant to SAB No. 101 and the relevant generally accepted accounting principles, the Company will recognize revenue upon the passage of title, ownership and the risk of loss to the customer. For service agreements the Company recognizes revenue on a straight-line basis over the contract period. During the years ending December 31, 2002, and 2001, there was no revenue.

### NEW ACCOUNTING 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. SFAS No. 145 will not affect the financial results as the Company has no long term debt or capital leases.

In August 2002 the FASB issued SFAS 146 "Accounting for Costs Associated With Exit or Disposal Activities". This statement supercedes pronouncement 94-7 from the Emerging Issues Task Force (EITF) and establishes new standards of accounting and reporting for exit activities (including a restructuring). Under EITF 94-3, a liability was recognized as of the date of an entity's commitment to an exit plan. According to SFAS 146, a liability for exit or disposal costs is recorded as of the date that the obligation is incurred. This standard

## Edgar Filing: ICONET INC - Form 10KSB

also requires that the liability be initially measured at fair value. The Company will account for exit or disposal activities in accordance with the guidance in SFAS 146. Management does not feel that this standard will affect the Company, as they are not operating in any industry and will not incur exit or disposal costs.

-12-

ICONET, INC.  
(A Company in the Exploration Stage)  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002

In October 2002 the FASB issued SFAS 147, "Acquisitions of Certain Financial Institutions." SFAS 147 addresses financial accounting and reporting for the acquisition of all or part of a financial institution. Since SFAS 147 is not relevant to the Company's business this statement will have no impact on the Company's financial position or results of operations.

In December 2002 the FASB issued SFAS 148 "Accounting for Stock Based Compensation". This SFAS amends SFAS 123 and provides new guidance regarding the transition when an entity changes from the intrinsic value method to the fair value method of accounting for employee stock based compensation cost. Additional information is now required to be disclosed regarding such cost in the financial statements of public companies. The Company believes that this statement will have no impact on the Company's financial statements or the results of its operation.

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 and issuance of a total of 10,000,000 shares of restricted common stock (valued at \$500,000 on the date that the agreement was signed). In June 2002 the Company issued the first 2,000,000 shares to Sea Emerald. In September 2002 the Company issued the balance of 8,000,000 shares. (See Note 7). The Company is obligated to pay 5% of net smelter returns from production as a royalty to Sea Emerald. During 2002 a total of \$15,000 in development costs was capitalized in mining rights.

-13-

ICONET, INC.  
(A Company in the Exploration Stage)  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002

3. FEDERAL INCOME TAXES

The Company recognizes deferred tax liabilities and benefits for the expected future tax impact of transactions that have been accounted for differently for book and tax purposes. Deferred tax benefits and

## Edgar Filing: ICONET INC - Form 10KSB

liabilities are calculated using enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance has been provided to reduce the asset to the amount of tax benefit management believes it will most likely realize. The following is a schedule of the composition of the provision for income taxes:

	2002	2001
	----	----
Current tax provision	\$ -0-	\$ -0-
Deferred tax provision	-0-	-0-
	-----	-----
Total provision for income taxes	\$ -0-	\$ -0-
	=====	=====

Deferred tax assets consisted of the following:

	2002	2001
	----	----
Deferred noncurrent tax asset	\$ 1,287,659	\$ 1,025,175
Valuation allowance	(1,287,659)	(1,025,175)
	-----	-----
Net deferred noncurrent tax asset	\$ -0-	\$ -0-
	=====	=====

The net change in the valuation account was \$262,484 and \$298,357 in 2002 and 2001, respectively. Deferred federal and state income taxes consist of future tax benefits attributed to loss carryforwards. The Company has available net operating loss carryforwards totaling approximately \$3,787,200, which expire in the years 2017 to 2022.

4.

#### LINE OF CREDIT

During the year ended December 31, 1999, an unrelated third party issued the Company an unsecured \$1,500,000 line of credit. The line of credit carried interest at 12% per annum and was due on demand. In May 2001 the company issued 150,000 shares of its common stock to retire \$210,000 of the line of credit, for a value of approximately \$.01 per share. In July the company issued 30,000,000 shares of its common stock to retire \$637,925 of the line of credit, for a value of approximately \$.02 per share. The average market price of the stock per the OTC in

-14-

ICONET, INC.  
(A Company in the Exploration Stage)  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002

May and July 2001 was \$1.70 and \$1.00, respectively. The balance of the line of credit and related interest at December 31, 2002, was \$150,458.

In October 2001 the Company obtained a new unsecured line of credit from a shareholder for \$150,000 at 12% per annum. The line of credit is due on demand. At December 31, 2002, the balance was \$0.

## Edgar Filing: ICONET INC - Form 10KSB

5. RELATED PARTY TRANSACTIONS
- During the years ended December 31, 2002, and 2001, the Company charged approximately \$276,084, and \$444,250, respectively, to consulting expense, and \$80,000 and \$187,271, respectively, to legal fees for services rendered by directors or stockholders of the Company. Outstanding balances payable for consulting and legal fees to these related parties were \$481,065 and \$522,164 at December 31, 2002, and 2001, respectively.
- In September 2001 the Company issued an option to purchase 1,000,000 shares of common stock at \$0.10 per share to an Officer and Director of the Company (see Note 8). The option expires in September 2006.
- In October 2001 a related party issued the company an unsecured \$150,000 line of credit. During the year ended 2002 and 2001, no interest was paid on the line of credit. The balance at December 31, 2002, was \$0 (see Note 4).

6. FAIR VALUE OF FINANCIAL INSTRUMENTS
- Financial Accounting Standards Board SFAS No. 107, "Disclosure About Fair Value of Financial Instruments" is part of a continuing process by the FASB to improve information on financial statements. The following methods and assumptions were used by the Company in estimating its fair value disclosures for such financial instruments as defined by the Statement.

-15-

ICONET, INC.  
(A Company in the Exploration Stage)  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002

- The carrying amounts reported in the balance sheets for accounts payable and bank overdraft approximate fair value at December 31, 2002, and 2001, as the payables mature in less than one year.
- The estimated fair value of the line of credit is not materially different from the carrying values for financial statement purposes at December 31, 2002, and 2001.
7. STOCKHOLDERS' EQUITY
- In January 1999 and July 2001, respectively, a 1:21 stock split and a 200:1 reverse stock split occurred. All shares are shown in accordance with the post July 2001 split.
- In August 1997 the Company issued 105,000 shares of common stock to its officers and directors at \$0.01 per share, for a total of \$10,000 in cash.
- In April 1998, the Company issued 105,000 shares of common stock as part of an offering memorandum at \$0.20 per share, for a total of \$200,000 in cash, less offering costs of \$5,365. In May 1998 the Company issued 10,500 shares of common stock, with a fair market value of \$20,000, to a related company for the distribution rights to a

## Edgar Filing: ICONET INC - Form 10KSB

non-reusable medical syringe.

In January 1999 the Company canceled the 115,500 shares of common stock previously issued to the officers, directors, and the related company. Also in January 1999, the Company declared a forward stock split of 1:21 for the remaining 1,000,000 shares of common stock outstanding, retaining the \$0.001 par value.

In February 1999 the Company issued 10,000 shares of common stock, with a fair market value of \$20,000, for the patent rights to a jukebox entertainment system. The Company also issued 1,250 shares of its common stock to unrelated third parties at \$.01 per share for a total

-16-

ICONET, INC.  
(A Company in the Exploration Stage)  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002

of \$2,500 for consulting services provided. These shares were issued at the fair market value of the consulting services.

In January 2000 the Company issued 375 shares of restricted common stock to an unrelated third party for consulting. The value of the consulting received was \$74,603. In February 2000 the Company cancelled the 10,000 shares issued for the patent rights. In July 2000 the Company issued 490 shares of its common stock in connection with a consulting agreement. The fair market value of the stock was \$73,500.

In May 2001 the company issued 150,000 shares of its common stock to retire \$210,000 from the line of credit. In July 2001 the company authorized a reverse stock split of 200:1 shares of its common stock. The company retained the authorized number of shares and the par value of the common stock. The company also issued 30,000,000 shares of its common stock to retire \$637,925 from the line of credit. Also in July 2001 the company issued 1,000,000 shares of its common stock to unrelated third parties in exchange for consulting and legal services with a fair value of \$650,000.

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 the first installment of 2,000,000 shares of its common stock for mining rights to 21 claims valued at \$500,000. In July 2002 the Company issued 1,000,000 shares of its common stock for \$250,000 cash. In August 2002 the Company issued 2,000,000 shares of its common stock for consulting services valued at \$320,000. In September 2002 the Company issued the remaining 8,000,000 shares of its common stock for mining rights to the 21 claims. In November 2002 the Company issued 2,000,000 shares of its common stock for consulting services valued at \$320,000.

### 8. STOCK OPTIONS

The Company uses the intrinsic value method to account for options granted to employees for the purchase of common stock. Deferred

-17-

# Edgar Filing: ICONET INC - Form 10KSB

ICONET, INC.  
(A Company in the Exploration Stage)  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002

compensation is recorded when the market price exceeds the option price at the grant date. Compensation is recorded using the straight-line method over the vesting period. In April 1999 the Company issued an option to purchase 2,500 shares of common stock at \$4.00 a share to a Director. The fair value of the options was zero as the option price exceeded the market price at the grant date. The option reflects the reverse stock split of July 2001 (see Note 6). The Director resigned from the Company in May 2001. The options are still outstanding and will expire in April 2009.

In September 2001 the Company issued an option to purchase 1,000,000 shares of common stock at \$0.10 per share to a Director of the Company (see Note 4). The Company accrued \$400,000 in deferred compensation costs, as the option price at the grant date was less than the market price. The option expires in September 2006. The compensation cost will be accrued over the vesting period. Compensation costs of \$100,000 and \$20,000 were included in the statements of operation for the years ended December 31, 2001, and 2000, respectively. The Company has determined the pro-forma information as if the Company had accounted for the stock option granted on September 30, 2001, under the fair value method of SFAS 123. The Black Scholes option-pricing model was used with a risk free interest rate of 5.48%; dividend yield of 0.0%; a volatility factor of 100% and an expected life of 5 years. The fair value of the stock options granted in September 2001 is \$.42 per share. If the Company had recognized deferred compensation cost based on the fair value method, it would have decreased deferred compensation by \$80,000.

9. 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 December 31, 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

-18-

ICONET, INC.  
(A Company in the Exploration Stage)  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2002

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.



## Edgar Filing: ICONET INC - Form 10KSB

The Company settled an action by a bank regarding an overdraft. The Company paid \$9,462 of the overdraft. The amount due as of December 31, 2002 is \$28,796, which has been accrued by the Company. The Company paid three payments and then defaulted on this settlement.

### 10. 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.

-19-

### ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS

Registrant has no disagreement with the Independent Accountants since inception.

## PART III

### ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT.

Our Bylaws provide that we shall have a minimum of one director and a maximum of nine directors on the board at any one time. Our current sole director and executive officer is as follows:

<u>NAME AND ADDRESS</u>	<u>AGE</u>	<u>POSITIONS HELD</u>
Randy Miller	46	President, Secretary, Treasurer and Director

Each director of the Company is elected by the stockholders to a term of one year and serves until his successor is elected and qualified. Each officer of the Company is elected by the Board of Directors to a term of one year and serves until his successor is duly elected and qualified, or until he is removed from office. The Board of Directors has no nominating, auditing or compensation committees.

Mr. Miller was appointed to the Board by the past Board of Directors, concurrent with their respective resignations, in May 2001. For the past five years, and since 1995, Mr. Miller has been sole officer, director and shareholder of Adrea Capital Corporation, a Canadian corporation engaged in providing business and financial consulting services for small companies in Europe and Canada.

#### (b) Significant Employees.

Other than Randy Miller, there are no employees who are expected to make a significant contribution to our corporation.

#### (c) Family Relationships.

There are no family relationships among our officers, directors, or persons

## Edgar Filing: ICONET INC - Form 10KSB

nominated for such positions.

### EMPLOYMENT AGREEMENTS

Mr. Randy Miller, the Company's sole officer and director, is not currently party to any employment agreement with the Company, nor are there any plans to enter into any agreements with Mr. Miller. However, he will receive a monthly consulting agreement of \$7,500.00, commencing July 2002, and prior to this the agreement was in place for \$1000.00 per month commencing May 2001. The Company presently has no pension, health, annuity, bonus, insurance, profit sharing or similar benefit plans; however, it may adopt such plans in the future. There are presently no personal benefits available for directors, officers or employees of the Company, except for options granted by the Board of Directors to certain officers, directors and consultants to the Company.

There are no arrangements relating to a change in control of the Company.

(d) Legal Proceedings.

No officer, director, or persons nominated for these positions, and no promoter or significant employee of our corporation has been involved in legal proceedings that would be material to an evaluation of our management.

### ITEM 10. EXECUTIVE COMPENSATION

The Company's officer and director currently does not receive a salary for his services, and there is no plan to pay a salary unless the company has sufficient net revenues to afford to pay him.

There are no employment contracts between the Company and its officer and director.

The Company does not have any plan or arrangement with respect to compensation to its executive officers which would result from the resignation, retirement or any other termination of employment with the Company or from a change in control of the Company, or a change in the executive officers' responsibilities following any change in control, where in respect of an executive officer, the value of such compensation exceeds \$120,000. There is no arrangement relating to a change in control of the Company.

### OPTION/SAR GRANTS IN LAST FISCAL YEAR

In September, 2001, we granted the following stock option to the following officer and director as compensation and incentives for services rendered to the Company:

NAME OF HOLDER	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	PERCENT OF TOTAL OPTIONS/ SARS GRANTED FISCAL YR	EXERCISE PRICE	DATE OF EXERCISE
Randy Miller	1,000,000	100%(1)	\$.10/Share	9/15/06

Edgar Filing: ICONET INC - Form 10KSB

(1) This percentage is based on the total number of option shares granted during 2001.

Any shares acquired through exercise of this option shall be restricted shares and may not, under any circumstances, be registered or in any way become free trading until two years from the date the shares are acquired through exercise of the option. The records of the stock transfer agency, as well as any certificates issued upon exercise of these options shall contain said restrictive legend.

There are no other bonus, pension, deferred compensation, long-term incentive plans or awards, or any other similar plans for executive officers and/or directors of the Company.

There are no employment contracts between Registrant and any of its officers or directors.

Registrant does not have any plan or arrangement with respect to compensation to its executive officers which would result from the resignation, retirement or any other termination of employment with Registrant or from a change in control of Registrant, or a change in the executive officers' responsibilities following any change in control, where in respect of an executive officer, the value of such compensation exceeds \$120,000.

There are no other bonus, pension, deferred compensation, long-term incentive plans or awards, or any other similar plans for executive officers and/or directors of Registrant.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following tables set forth the ownership, as of December 31, 2002, of our common stock (a) by each person known by us to be the beneficial owner of more than 5% of our outstanding common stock, and (b) by each of our directors, by all executive officers and by our directors as a group. To the best of our knowledge, all persons named have sole voting and investment power with respect to the shares, except as otherwise noted.

Security Ownership of Officers and Directors.

TITLE OF CLASS	NAME & ADDRESS	AMOUNT OF BENEFICIAL OWNER	NATURE OF BENEFICIAL OWNER	PERCENT OF CLASS
Common	Randy Miller (1) 8 Gaucho Drive Rolling Hills Estates, CA 90274	1,000,000	Direct	3%(2)
All Officers and Directors as a Group (1 Individual)		1,000,000	Direct	3%

(1) Mr. Miller has an option to acquire 1,000,000 shares of our restricted Common Stock at an exercise price of \$.10 per share. This option expires September 15, 2006, and no portion has yet been exercised by Mr. Miller.

(2) Assumes exercise of option to purchase 1,000,000 shares.

## Edgar Filing: ICONET INC - Form 10KSB

### Changes in Control.

There are currently no arrangements, which would result in a change in control of Iconet, Inc. However, Mr. Kurt Dalmata, a shareholder who owns 1,470,000 shares of Common Stock, has the right to be appointed as a director of our company.

### FUTURE SALES BY EXISTING STOCKHOLDERS

All issued and outstanding shares of Common Stock of the Company are "restricted securities", as that term is defined in Rule 144 of the Rules and Regulations of the SEC promulgated under the Act ("Rule 144"), save and except the shares which were issued under a public offering in the State of New York, pursuant to an exemption provided by Rule 504 of Regulation D, promulgated under the Securities Act of 1933, as amended, which are not "restricted securities" under Rule 144 and can be publicly sold, except for those Shares purchased by "affiliates" of the Company, as that term is defined in Rule 144.

Under Rule 144, restricted shares can be publicly sold, subject to volume restrictions and certain restrictions on the manner of sale, commencing one (1) year after their acquisition. Sales of shares by "affiliates" are subject to volume restrictions and certain other restrictions pertaining to the manner of sale, all pursuant to Rule 144.

### ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Other than the sale of shares to our former officers and directors, we have not entered into any transactions with our officers, directors, persons nominated for these positions, beneficial owners of 5% or more of our common stock, or family members of these persons, except for an option granted to Mr. Randy Miller to acquire up to a total of 1,000,000 shares of our restricted Common Stock, at \$.10 per share, and a loan from Mr. Kurt Dalmata, and his related ownership of 58% of our total outstanding shares during a portion of 2001.

Mr. Dalmata was issued 30,000,000 shares in May 2001 to retire \$210,000 from the line of credit. Subsequently, in July 2001, the Company authorized a stock split of 200:1 for its total outstanding shares of common stock. This resulted in Mr. Dalmata's shares being reduced to a total of 150,000, which are currently owned by Mr. Dalmata.

We also had a related party payable during 2001, in the sum of \$430,000.00, as disclosed in our September 30, 2001 Form 10-QSB. This was owed to two directors as salaries and one director as legal fees. The parties and amounts owed are as follows:

- a. Marilyn Haft, Esq., a director, was owed \$ 137,500 as and for legal services performed for the Company.
- b. Randy Moss, a director and officer of the Company, was owed \$100,000 as and for salary.
- c. Lee Edmondson, a director and officer of the Company, was owed \$182,500 as and for salary.

## Edgar Filing: ICONET INC - Form 10KSB

ITEM 13. EXHIBITS, LISTS AND REPORTS ON FORM 8-K.

### EXHIBITS

- a) All required exhibits, including the Company's Articles of Incorporation, and Bylaws, are attached to the Company's Form SB-2, filed on November 1, 2001. All previously filed exhibits are incorporated herein by reference.
- b) Reports on Form 8-K: No reports were on filed on Form 8-K during the quarter ended December 31, 2001.

<u>EXHIBIT NO.</u>	<u>DOCUMENT DESCRIPTION</u>
3.1	Articles of Incorporation and any Amendments- Incorporated by reference to the Form SB-2, filed November 1, 2001.
3.2	Bylaws- Incorporated by reference to the Form SB-2, filed November 1, 2001.
99.1	Certification of Chief Executive Officer and Chief Financial Officer

### SIGNATURES

In accordance with Section 12 of the Securities Exchange Act of 1934, Registrant caused the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

ICONET, INC., a  
Nevada corporation

Edgar Filing: ICONET INC - Form 10KSB

By: /s/ RANDY MILLER

Dated: May 14, 2003

\_\_\_\_\_  
Randy Miller  
Chief Executive Officer and President

By: /s/ RANDY MILLER

Dated: May 14, 2003

\_\_\_\_\_  
Randy Miller  
Chief Financial Officer

CERTIFICATIONS

I, Randy Miller, certify that:

1. I have reviewed this annual report on Form 10-KSB of IConet, Inc.;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15 d-14) for the registrant and we 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 annual report (the "Evaluation Date"); and
  - (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors:
  - (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

## Edgar Filing: ICONET INC - Form 10KSB

(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. The registrant's other certifying officer and I have indicated in this annual 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.

/s/ RANDY MILLER

---

Randy Miller  
Chief Executive Office and President  
Chief Financial Officer

Date: May 14, 2003