

MULTI TECH INTERNATIONAL CORP  
Form 10QSB  
September 14, 2005

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington D. C. 20549

FORM 10-QSB

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

For the quarterly period ended June 30, 2005

Commission file number 0-25909

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

Nevada  
(State or other jurisdiction of  
incorporation or organization)

86-0931332  
(I.R.S. Employer  
Identification No.)

4/95 Salmon Street, Port Melbourne, Victoria  
Australia, 3207  
(Address of principal executive offices) (Zip Code)

Issuer's telephone number: 011 61 3 8645 4340

Check whether the issuer (1) has filed all reports required to be filed by  
Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such  
shorter period that the registrant was required to file such reports), and (2)  
has been subject to such filing requirements for the past 90 days.

Yes  No

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

The number of shares of the issuer's outstanding common stock, which is the only  
class of its common equity, on August 25, 2005 was 257,400,680.

ITEM 1 FINANCIAL STATEMENTS

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ITEM 1. FINANCIAL STATEMENTS

AUSTRALIAN FOREST INDUSTRIES  
(Formerly Multi-Tech International Corp.)

UNAUDITED CONSOLIDATED BALANCE SHEETS

ASSETS

	June 30, 2005	Dec 31, 2004
	-----	-----
CURRENT ASSETS		
Cash	\$ 101,130	
Accounts receivable	2,185,991	\$
Inventory	2,180,927	
Prepaid expenses and other	10,373	
	-----	-----
Total Current Assets	4,478,421	
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of \$3,094,226 and \$2,721,972 in 2005 and 2004 respectively	11,286,320	
OTHER ASSETS		
Receivable from related party	377,462	
Long-term timber supply contract, net of amortization of \$36,943	831,705	
	-----	-----
Total Assets	\$ 16,973,908	\$ 16,973,908
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Bank overdraft		\$
Accounts payable	\$ 4,236,945	
Current portion of capitalized lease obligations	1,069,681	
Accrued payroll, related taxes and benefits	543,893	
	-----	-----
Total Current Liabilities	5,850,519	
CAPITALIZED LEASE OBLIGATIONS	4,093,099	
STOCKHOLDERS' EQUITY		
Preferred stock, par value \$0.001, 5,000,000 shares authorized, none issued and outstanding		
Common stock, par value \$0.001, 300,000,000 shares authorized, 257,400,680 issued and outstanding	257,400	
Additional paid-in capital	9,810,817	
Comprehensive income	282,088	
Accumulated deficit	(3,320,015)	(
	-----	-----
Total Stockholders' Equity	7,030,290	
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 16,973,908	\$ 16,973,908
	=====	=====

See accompanying notes to financial statements

AUSTRALIAN FOREST INDUSTRIES  
(Formerly Multi-Tech International Corp.)

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended June 30,		For the Six Months June 30,	
	2005	2004	2005	2004
REVENUE - SALES	\$ 3,439,748	\$ 2,434,709	\$ 6,746,314	\$ 6,746,314
COSTS AND EXPENSES				
Cost of goods sold	822,929	51,564	3,859,151	3,859,151
Selling, general and administrative	2,803,685	2,172,488	3,860,949	3,860,949
Management fees	350,000	357,064	357,064	357,064
Interest expense	105,894	(2,472)	180,057	180,057
Depreciation and amortization	173,495	109,683	372,254	372,254
Total Costs and Expenses	4,256,003	2,688,327	8,272,411	8,272,411
OPERATING LOSS	(816,255)	(253,618)	(1,526,097)	(1,526,097)
OTHER INCOME	1,165,021		1,165,021	
NET INCOME (LOSS)	\$ 348,766	\$ (253,618)	\$ (361,076)	\$ (361,076)
NET LOSS PER SHARE	\$ 0.01	\$ 0.01	\$ (0.01)	\$ (0.01)
WEIGHTED AVERAGE SHARES OUTSTANDING	257,400,680	257,400,680	257,400,680	257,400,680

See accompanying notes to financial statements.

AUSTRALIAN FOREST INDUSTRIES  
(Formerly Multi-Tech International Corp.)

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30,	
	2005	2004

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CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	\$ (6,277,164)	\$ 6,554,523
Payments to suppliers and employees	6,980,750	(6,759,784)
Other income	447,450	
	-----	-----
Net Cash (Used in) Provided by Operating Activities	(703,586)	242,189
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for property, plant, and equipment	(5,005,438)	(1,865,160)
Proceeds from sale of property, plant, and equipments	3,485,318	1,577,961
	-----	-----
Net Cash Used in Investing Activities	(1,520,120)	(287,199)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from borrowings/capitalized leases	1,746,819	1,555,934
Long term timber supply contract	(231,695)	
Loans to related parties	997,575	(1,201,561)
	-----	-----
Net Cash Proved by Financing Activities	2,744,394	122,678
	-----	-----
NET DECREASE IN CASH	520,688	77,668
EFFECT OF EXCHANGE RATES ON CASH	1,539	
CASH AT BEGINNING OF YEAR	(421,097)	599,290
	-----	-----
CASH AT END OF YEAR	\$ 101,130	\$ 676,958
	=====	=====

See accompanying notes to financial statements.

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AUSTRALIAN FOREST INDUSTRIES  
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NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary in order to make the financial statements not misleading have been included. Results for the three and six months ended June 30, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005. For further information, refer to the financial statements and footnotes thereto included in Australian Forest Industries' annual report on Form 10-KSB for the year ended December 31, 2004.

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### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

#### CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

It should be noted that this Management's Discussion and Analysis of Financial Condition and Results of Operations may contain "forward-looking statements." The terms "believe," "anticipate," "intend," "goal," "expect," and similar expressions may identify forward-looking statements. These forward-looking statements represent the Company's current expectations or beliefs concerning future events. The matters covered by these statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those set forth in the forward-looking statements, including the Company's dependence on weather-related factors, introduction and customer acceptance of new products, the impact of competition and price erosion, as well as supply and manufacturing restraints and other risks and uncertainties. The foregoing list should not be construed as exhaustive, and the Company disclaims any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements, or to reflect the occurrence of anticipated or unanticipated events. In light of the significant uncertainties inherent in the forward-looking information included herein, the inclusion of such information should not be regarded as a representation that the strategy, objectives or other plans of the Company will be achieved. The Company wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made.

#### RESULTS OF OPERATIONS

We are currently in the second year of operations and have generated significant revenues to date. Our activities from inception to date were related to our formation, preparation of our business model, arranging and planning financing and the acquiring all rights, title and interest to our timber rights located in the Canberra region in addition to the implementation and construction of our first sawmill also in the Canberra region.

Operating costs for the six-month period ended June 30, 2005 aggregated \$8,272,411 as compared to \$7,066,137 for the corresponding period in 2004. This includes a decrease in management fees of \$357,064 which were a result of management's decisions to reduce costs for the period ending June 30, 2005. This also includes an increase in cost of goods sold and selling, general and administrative expenses of \$1,429,293 from the corresponding period in 2004 which was result of the continuing development of our business plan and increasing of our sales efforts. In the six-month period ended June 30, 2005 we realized a net loss of \$(361,076) as compared to net income of \$7,495,849 for the corresponding six-month period ending in 2004. The reduction in income from 2004 to 2005 was due to our other income being \$6,831,611. Our net loss per share was \$(0.01) for both periods in 2005 and 2004.

#### LIQUIDITY AND CAPITAL RESOURCES

On June 30, 2004 and 2005 we had current assets of \$4,478,421.

Net cash used in operating activities for the six months ending June 30, 2005 was \$(703,586) as compared to \$242,189 for the six months ending June 30, 2004. The decrease in net cash was a result of other income for the period in 2005 as compared to other income of \$447,450.

In the six months ending June 30, 2005, the Company experienced an increase in net cash provided by financing activities of \$2,744,394 as a result of the reduction of payments related to a long term timber supply contract in the

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amount of \$231,695 as well as the repayment of loans to related parties of \$997,575.

The Company is presently completing a second sawmill in Canberra which is anticipated to be operational in the third quarter of 2005 and which will be used primarily for processing the logs resulting from the Bombala Agreement which was entered into in 2004.

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### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the appropriate application of certain accounting policies, many of which require estimates and assumptions about future events and their impact on amounts reported in the financial statements and related notes. Since future events and their impact cannot be determined with certainty, the actual results will inevitably differ from our estimates.

Management believes application of accounting policies, and the estimates inherently required by the policies, are reasonable. These accounting policies and estimates are constantly re-evaluated, and adjustments are made when facts and circumstances dictate a change. Historically, management has found the application of accounting policies to be appropriate, and actual results generally do not differ materially from those determined using necessary estimates.

### Item 3. Controls and Procedures.

(a) Our principal executive officer and principal financial officer have each evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) as of a date within 90 days prior to the filing date of this quarterly report and have each concluded that our disclosure controls and procedures are adequate.

(b) There were no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

(c) Not applicable

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### PART II

Item 1. Legal Proceedings  
None.

Item 2. Changes in Securities  
None

Item 3. Defaults Upon Senior Securities  
None

Item 4. Submission of Matters to a Vote of Security Holders  
None

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Item 5. Other Information  
None

Item 6. Exhibits and Reports on Form 8-K

a. Exhibit Index

Exhibit 31.1 Certification of Chief Executive Officer

Exhibit 31.2 Certification of Chief Financial Officer

Exhibit 32.1 Certification of Chief Executive Officer

Exhibit 32.1 Certification of Chief Financial Officer

b. Reports on Form 8-K

None.

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.

AUSTRALIAN FOREST INDUSTRIES

/s/ Michael Timms

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Name: Michael Timms  
Title: CEO, President and Chairman of the Board  
Date: September 14, 2005

/s/ Colin Baird

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Name: Colin Baird  
Title: Chief Financial Officer  
Date: September 14, 2005