

Edgar Filing: CUSTOM BRANDED NETWORKS INC - Form 10KSB

CUSTOM BRANDED NETWORKS INC  
Form 10KSB  
September 29, 2003

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10KSB

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the fiscal year ended June 30, 2003  
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TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 0-28535  
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CUSTOM BRANDED NETWORKS, INC.  
-----

(Exact name of Registrant as specified in its charter)

NEVADA  
-----

(State or other jurisdiction of  
incorporation or organization)

821 E. 29TH  
NORTH VANCOUVER, B.C.  
-----

(Address of principal executive offices)

91-1975651  
-----

(I.R.S. Employer  
Identification Number)

V7K 1B6  
-----

(Zip Code)

Registrant's telephone number, including area code: (604) 904-6949  
-----

Securities registered pursuant to Section 12(b) of the Act: none

Securities registered pursuant to Section 12 (g) of the Act:  
50,000,000 common shares par value \$0.001 per share

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

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.

Revenues for the fiscal year ending June 30, 2003 were \$ 0.

The aggregate market value of the voting stock held by non-affiliates computed  
by reference to the last reported sale price of such stock as of September 29,  
2003 is \$ 495,338.

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The number of shares of the issuer's Common Stock outstanding as of June 30, 2003 is 38,372,532.

Transitional Small Business Disclosure Format (check one): Yes [ ] No [ X ]

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### PART I

#### ITEM 1. DESCRIPTION OF BUSINESS

##### Corporate History

Custom Branded Networks, Inc. ("CBN", "Custom Branded" or the "Company") was incorporated under the laws of the state of Nevada on February 2, 1999, under the name of Aquistar Ventures (USA) Inc. The Company was organized for the purpose of exploring for and, if possible, developing mineral properties primarily in the province of Ontario, Canada, through its wholly owned subsidiary, Aquistar Ventures Inc. ("Aquistar Canada"). Aquistar Canada was incorporated under the laws of the province of British Columbia, Canada, on April 13, 1995.

Initial business operations included the acquisition of various options to search for mineral deposits on certain tracts of real property and to develop any deposits that had potential for commercial viability. All such options have now lapsed and Aquistar Canada is now a dormant entity as far as business operations are concerned.

On February 2, 2001, the Company acquired 100% of the issued and outstanding capital stock of Custom Branded Networks, Inc., a Delaware corporation in exchange for 25,000,000 common shares of the Company. The Company then changed its name to Custom Branded Networks, Inc. All current business operations of the Company are the business operations of Custom Branded Networks, Inc., the Delaware corporation which is the Company's wholly owned subsidiary.

##### Business Operations

The Company has been in the business of providing turnkey private label Internet solutions to businesses and private organizations that desire to affiliate with a customer base via the Internet. In this way, Custom Branded has sought to create for itself a recurring revenue stream through the sale of subscription-based services. Custom Branded has also attempted to sell individual components of its services to established Internet Service Providers ("ISP's") at pricing that would be profitable for both parties, including wholesale dialup port access and back-office services for ISP's.

However, even though the business plan of the Company has called for the Company to provide turnkey private label Internet solutions to businesses and private organizations that desire to affiliate with a customer base via the Internet, our business has not developed as rapidly as we had originally anticipated. To date, we have signed up one customer and the deployment of the Internet services for this customer has not occurred as of yet. It is uncertain at the present time whether we will be able to develop this business plan to commercial viability.

Mr. John Platt, our former CEO, left the employ of the Company in December, 2002. Since that time, we have not had an officer, director or employee experienced in the

private label Internet business. Since that time we have not been able to pursue our business plan and will not be able to unless the Company acquires new personnel with expertise in this area.

#### New Developments

On May 9, 2003, the Company acquired the rights to six mineral titles within the Turquoise Hill area of the South Gobi Region of Mongolia. The Company paid \$50,000 toward the acquisition of the mineral titles and issued 5,000,000 shares of common stock of the Company to complete the transaction. The shares will be delivered at such time as legal title to the mineral titles is delivered. Therefore, the Company is waiting for the vendor to make necessary legal arrangements to be able to transfer title to the properties before delivering the common shares.

Management is pleased with the acquisitions due to their close proximity to mineral rich deposits that have been recently discovered within the South Gobi Region. Preliminary reports have indicated that the Ivanhoe Mines Ltd. Turquoise Hill (Oyu Tolgoi) deposit within the Turquoise Hill area is one of the largest copper and gold porphyry deposits in the world. With Ivanhoe's proposed construction of an 80 km railway link from China to Turquoise Hill and with at least 7 km of the railway link running through or close to one of the mineral titles we have acquired, management is optimistic about this project. Proximity of our mineral titles to the Ivanhoe deposit does not assure our mineral titles will possess the same mineral qualities as the Ivanhoe deposit.

It is the intention of management to commence geological and geophysical testing immediately upon receipt of legal title to the mineral properties, with primary focus on pursuing and identifying any mineral occurrences within the project areas.

#### Competition

The e-commerce industry is intensely competitive. Many persons and entities are looking to the Internet for business opportunity, including many ISP's. CBN had hoped to compete successfully in this market through its business structure of being able to service the small as well as the large Internet provider.

#### Employees

At the present time, Mr. Paul G. Carter is the sole officer, director and employee of the Company.

#### Government Regulations

Due to the increasing popularity and use of the Internet, it is possible that a number of laws and regulations may be adopted with respect to the Internet generally, covering issues such as user privacy, pricing, and characteristics and quality of products and services. Similarly, the growth and development of the market for Internet commerce may prompt calls for more stringent consumer protection laws that may impose

additional burdens on those companies conducting

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business over the Internet. The adoption of any such laws or regulations may decrease the growth of commerce over the Internet, increase our cost of doing business or otherwise have a harmful effect on our business and our business partners.

With respect to our possible mining operations in Mongolia, the Company will be subject to the mining laws and regulations of Mongolia as well as business laws of Mongolia generally. Because Mongolia is just beginning to develop many of its natural resources in a more free economy, it is uncertain how these business regulations will effect potential mining operations of the Company. It is likely that potential future dealings with this foreign government could prove to be very challenging.

### Research and Development Expenditures

During the fiscal year ended June 30, 2003, we did not incur any research or development expenditures.

### Subsidiaries

Custom Branded Networks, Inc., a Delaware corporation, through which we have conducted our Internet business is a wholly owned subsidiary. Aquistar Ventures Inc., a corporation formed under the laws of the province of British Columbia, Canada, is a wholly owned subsidiary which from a business standpoint is dormant at the present time.

### Patents and Trademarks

We do not own, either legally or beneficially, any patent or trademark. There is little or no necessity to have patented technology in order to conduct our business over the Internet. This increases the ease with which potential competition can enter this industry.

## ITEM 2. DESCRIPTION OF PROPERTY

Property located at 821 E. 29th, North Vancouver, British Columbia, Canada is made available to the Company by our president as an accommodation to the Company for its current minimal operations. The Company does not have an interest in any real property.

## ITEM 3. LEGAL PROCEEDINGS

CBN is not a party to any legal proceedings.

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

There were no matters submitted to a vote of the share holders during the fiscal year ended June 30, 2003.

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## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

### MARKET INFORMATION

The common shares of the Company are listed on the OTC Bulletin Board under the symbol CBNK. Following is the high and low sales prices for each quarter beginning with the third calendar quarter of 2001 through June 30, 2003. The

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quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

Quarter	High	Low
Jul - Sep 2001	0.60	0.07
Oct - Dec 2001	0.19	0.03
Jan - Mar 2002	0.09	0.03
Apr - Jun 2002	0.09	0.03
Jul - Sep 2002	0.04	0.005
Oct - Dec 2002	0.031	0.01
Jan - Mar 2003	0.09	0.009
Apr - Jun 2003	0.09	0.025

On the date of this filing, being September 29, 2003, the best bid price of our common shares is \$0.017 and the best ask price is \$0.030.

At June 30, 2003 there were approximately 60 record holders of CBN's Common Stock.

CBN has not previously declared or paid any dividends on its common stock and does not anticipate declaring any dividends in the foreseeable future.

There are no restrictions in our articles of incorporation or bylaws that restrict us from declaring dividends. The Nevada Revised Statutes, however, do prohibit us from declaring dividends where, after giving effect to the distribution of the dividend:

(1) we would not be able to pay our debts as they become due in the usual course of business; or

(2) our total assets would be less than the sum of our total liabilities.

### ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

#### PLAN OF OPERATIONS:

At June 30, 2003, the Company had cash of \$894. To sustain the business operations of the Company, the Company must obtain additional capital. The Company's current plans

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are to borrow money as needed to sustain current operations. Since inception, the Company has executed \$1,000,000 in the aggregate principal amount of convertible notes. The Company has received \$882,719 in advances against the notes through June 30, 2003. The Company hopes to obtain additional advances against the notes in order to sustain the business operations of the Company. However, the holder of the notes is not obligated to fund the notes further and may not be willing to do so, in which event the Company will need to obtain funding from some other source.

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During the fiscal year ended June 30, 2003, we incurred expenses of \$142,233.00. Of the \$142,233.00 in expenses incurred, \$50,000.00 was a payment toward the acquisition of six mineral properties in Mongolia. The decision by management to acquire these properties is a departure from the pursuit of continued development of the business plan of the Company to provide certain Internet solutions to businesses and private organizations. It is the intention of management to pursue avenues that will allow the Company to begin to investigate the potential for developing the mineral properties. As these possibilities develop, it is likely that the Company will abandon its Internet solutions business plan and focus on the acquisition and development of mineral interests during the next 12 months and beyond.

### Forward-Looking Statements:

Many statements made in this report are forward-looking statements that are not based on historical facts. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. The forward-looking statements made in this report relate only to events as of the date on which the statements are made.

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## ITEM 7. FINANCIAL STATEMENTS

### INDEX TO THE FINANCIAL STATEMENTS AS OF JUNE 30, 2003 AND 2002 AND FOR FOR EACH OF THE TWO YEARS IN THE PERIOD ENDED JUNE 30, 2003

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CUSTOM BRANDED NETWORKS, INC.  
(A DEVELOPMENT STAGE COMPANY)

### CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2003 AND 2002  
(STATED IN U.S. DOLLARS)

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MORGAN  
& COMPANY  
Chartered Accountants

INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Custom Branded Networks, Inc.  
(A development stage company)

We have audited the consolidated balance sheets of Custom Branded Networks, Inc. (a development stage company) as at June 30, 2003 and 2002, and the consolidated statements of operations and deficit accumulated during the development stage, cash flows and stockholders' equity for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with United States generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance 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, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2003 and 2002, and the results of its operations, cash flows, and changes in stockholders' equity for the years then ended in accordance with United States generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has suffered recurring losses and net cash outflows from operations since inception. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also discussed in Note 1. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Vancouver, B.C.

"MORGAN & COMPANY"

September 16, 2003

Chartered Accountants

Tel: (604)687-5841  
Fax: (604)687-0075

Member of  
ACPA

P.O. Box 10007 Pacific Centre  
Suite 1488-700 West Georgia Street

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www.morgan-cas.com

International

Vancouver, B.C. V7Y 1A1

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CUSTOM BRANDED NETWORKS, INC.  
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED BALANCE SHEETS  
(STATED IN U.S. DOLLARS)

	JUNE 30	
	2003	2002
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash . . . . .	\$ 894	\$ 902
CAPITAL ASSETS (Note 3) . . . . .	967	1,812
	\$ 1,861	\$ 2,714
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities . . . . .	\$ 316,398	\$ 307,860
CONVERTIBLE NOTE PAYABLE, net of discount (Note 4) . . . . .	388,029	322,803
	704,427	630,663
<b>STOCKHOLDERS' DEFICIENCY</b>		
<b>SHARE CAPITAL</b>		
Authorized:		
50,000,000 common shares with a par value of		
\$0.001 per share at June 30, 2003 and 2002		
Issued and outstanding:		
38,372,532 common shares at June 30, 2003 and		
33,872,532 common shares at June 30, 2002 . . . . .	19,731	15,231
Additional paid-in capital . . . . .	651,622	566,006
DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE . . . . .	(1,351,419)	(1,209,186)
OTHER . . . . .	(22,500)	-
	(702,566)	(627,949)
	\$ 1,861	\$ 2,714



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CUSTOM BRANDED NETWORKS, INC.  
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT  
(STATED IN U.S. DOLLARS)

	YEARS ENDED JUNE 30		INCEPTION JUNE 28 1999 TO JUNE 30 2003
	2003	2002	
REVENUE . . . . .	\$ -	\$ 3,980	\$ 184,162
EXPENSES			
Administrative expenses . . . . .	47,041	293,822	1,391,748
Interest expense . . . . .	45,192	36,196	81,388
Mineral property payment . . . . .	50,000	-	50,000
Write down of capital assets . . . . .	-	-	12,445
	142,233	330,018	1,535,581
NET LOSS FOR THE YEAR . . . . .	(142,233)	(326,038)	\$ (1,351,419)
ACCUMULATED DEFICIT, BEGINNING OF YEAR . . . . .	(1,209,186)	(883,148)	
ACCUMULATED DEFICIT, END OF YEAR . . . . .	\$ (1,351,419)	\$ (1,209,186)	
LOSS PER SHARE, BASIC AND DILUTED . . . . .	\$ (0.01)	\$ (0.01)	
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	36,030,066	33,745,135	

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CUSTOM BRANDED NETWORKS, INC.  
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(STATED IN U.S. DOLLARS)

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	YEARS ENDED JUNE 30	
	2003	2002
-----		
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year . . . . .	\$ (142,233)	\$ (326,038)
ADJUSTMENTS TO RECONCILE LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Shares issued for other than cash . . . . .	22,500	-
Amortization . . . . .	845	602
Amortization of interest . . . . .	45,192	36,196
Write down of capital assets . . . . .	-	-
Change in prepaid expenses and advances . . . . .	-	28,384
Change in accounts payable and accrued liabilities . . . . .	8,538	147,672
	(65,158)	(113,184)
-----		
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of capital assets . . . . .	-	-
-----		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable to shareholder . . . . .	-	-
Loan receivable from shareholder . . . . .	-	25,000
Issue of common shares . . . . .	-	-
Convertible note payable . . . . .	65,150	82,856
Cash acquired on acquisition of subsidiary . . . . .	-	-
	65,150	107,856
-----		
(DECREASE) INCREASE IN CASH . . . . .	(8)	(5,328)
CASH, BEGINNING OF YEAR . . . . .	902	6,230
-----		
CASH, END OF YEAR . . . . .	\$ 894	\$ 902
=====		

SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES:

During the year ended June 30, 2003, the Company issued 4,500,000 common shares for consulting services at a fair value of \$45,000.

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CUSTOM BRANDED NETWORKS, INC.  
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIENCY

JUNE 30, 2003  
(STATED IN U.S. DOLLARS)

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	Common Shares	Stock Amount	Additional Paid-In Capital	Other	Deficit Accumulated During The Development Stage	Total
Issuance of shares to founders	3,465	\$ 3	\$ 18,947	\$ -	\$ -	\$ 18,950
Net loss for the Period	-	-	-	-	(159,909)	(159,909)
Balance, June 30, 2000	3,465	3	18,947	-	(159,909)	(140,959)
Repurchase of common stock by consideration of forgiveness of loan payable to shareholder	(1,445)	-	16,097	-	-	16,097
	2,020	3	35,044	-	(159,909)	(124,862)
Adjustment to number of shares issued and outstanding as a result of the reverse take-over transaction Custom Branded Networks, Inc.	(2,020)	-	-	-	-	-
Aquistar Ventures (USA) Inc.	15,463,008	-	-	-	-	-
	15,463,008	3	35,044	-	(159,909)	(124,862)
Shares allotted in connection with the acquisition of Custom Branded Networks, Inc.	25,000,000	15,228	-	-	-	15,228
Less: Allotted and not yet issued	(8,090,476)	-	-	-	-	-
Common stock conversion rights	-	-	421,214	-	-	421,214
Net loss for the Year	-	-	-	-	(723,239)	(723,239)
Balance, June 30, 2001	32,372,532	15,231	456,258	-	(883,148)	(411,659)
Additional shares issued in connection with the acquisition of Custom Branded						

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Networks, Inc.	1,500,000	-	-	-	-	-
Common stock						
Conversion rights	-	-	109,748	-	-	109,748
Net loss for the year	-	-	-	-	(326,038)	(326,038)
-----						
Balance, June 30, 2002	33,872,532	15,231	566,006	-	(1,209,186)	(627,949)

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CUSTOM BRANDED NETWORKS, INC.  
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIENCY (Continued)

JUNE 30, 2003  
(STATED IN U.S. DOLLARS)

	Common Shares	Stock Amount	Additional Paid-In Capital	Other	Deficit Accumulated During The Development Stage	Total
	-----					-----
Balance, June 30, 2002	33,872,532	15,231	566,006	-	(1,209,186)	(627,949)
Issue of common Stock for deferred Compensation Expense	4,500,000	4,500	40,500	(45,000)	-	-
Amortization of deferred compensation	-	-	-	22,500	-	22,500
Common stock conversion rights	-	-	45,116	-	-	45,116
Net loss for the year	-	-	-	-	(142,233)	(142,233)
-----						
Balance, June 30, 2003	38,372,532	\$ 19,731	\$ 651,622	\$ (22,500)	\$ (1,351,419)	\$ (702,566)

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CUSTOM BRANDED NETWORKS, INC.  
(AN EXPLORATION STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2003 AND 2002  
(STATED IN U.S. DOLLARS)

1. NATURE OF OPERATIONS AND GOING CONCERN

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Custom Branded Networks, Inc. (the "Company") was previously engaged in the business of providing turnkey private label internet services to organizations throughout the domestic United States and Canada. During the year ended June 30, 2003, the Company became an exploration staged company engaged in the acquisition and exploration of mining claims. Upon location of a commercial minable reserve, the Company expects to actively prepare the site for its extraction and enter a development stage.

### Going Concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern.

As shown in the accompanying financial statements, the Company has incurred a net loss of \$1,351,419 for the period from April 12, 2002 (inception) to June 30, 2003, and has no sales. The future of the Company is dependent upon its ability to obtain financing and upon future profitable operations from the development of its mineral claims. Management has plans to seek additional capital through a private placement and public offering of its common stock. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgment.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

### a) Consolidation

These financial statements include the accounts of the Company and its wholly-owned subsidiary, Custom Branded Networks, Inc. (a Nevada corporation).

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CUSTOM BRANDED NETWORKS, INC.  
(AN EXPLORATION STAGE COMPANY)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2003 AND 2002  
(STATED IN U.S. DOLLARS)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### b) Use of Estimates

The preparation of financial statements in accordance with generally accepted

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accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

### c) Capital Assets

Capital assets are recorded at cost and are amortized at the following rates:

Office equipment - 20% declining balance basis  
Computer equipment - 3 years straight line basis

### d) Income Taxes

The Company has adopted Statement of Financial Accounting Standards No. 109 - "Accounting for Income Taxes" (SFAS 109). This standard requires the use of an asset and liability approach for financial accounting and reporting on income taxes. If it is more likely than not that some portion of all of a deferred tax asset will not be realized, a valuation allowance is recognized.

### e) Mineral Claim Payments and Exploration Costs

The Company expenses all costs related to the acquisition, maintenance and exploration of mineral claims in which it has secured exploration rights prior to establishment of proven and probable reserves. To date, the Company has not established the commercial feasibility of its exploration prospects, therefore, all costs are being expensed.

### f) Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, and accounts payable.

Unless otherwise noted, it is management's opinion that this Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

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CUSTOM BRANDED NETWORKS, INC.  
(AN EXPLORATION STAGE COMPANY)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2003 AND 2002  
(STATED IN U.S. DOLLARS)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### g) Stock Based Compensation

The Company measures compensation cost for stock based compensation using the intrinsic value method of accounting as prescribed by A.P.B. Opinion No. 25 - "Accounting for Stock Issued to Employees". The Company has adopted those provisions of Statement of Financial Accounting Standards No. 123 - "Accounting for Stock Based Compensation", which require disclosure of the pro-forma effect on net earnings and earnings per share as if compensation cost had been

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recognized based upon the estimated fair value at the date of grant for options awarded.

### h) Loss Per Share

The Company computes net loss per share in accordance with SFAS No. 128 - "Earnings Per Share". Under the provisions of SFAS No. 128, basic loss per share is computed using the weighted average number of common stock outstanding during the periods. Diluted loss per share is computed using the weighted average number of common and potentially dilutive common stock outstanding during the period. As the Company generated net losses in each of the periods presented, the basic and diluted net loss per share is the same as any exercise of options or warrants would anti-dilutive.

### i) Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of

The Company reviews long-lived assets and including identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

### j) New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement No. 141 - "Business Combinations". The Statement requires that all business combinations initiated after June 30, 2001 be accounted for under the purchase method of accounting. The Company believes that the adoption of FASB No. 141 will not have a significant impact on its financial statements.

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CUSTOM BRANDED NETWORKS, INC.  
(AN EXPLORATION STAGE COMPANY)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2003 AND 2002  
(STATED IN U.S. DOLLARS)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### j) New Accounting Pronouncements (Continued)

In July 2001, the FASB issued Statement No. 142 - "Goodwill and Other Intangible Assets". The Statement will require discontinuing the amortization of goodwill and other intangible assets with indefinite useful lives. Instead, these assets will be tested periodically for impairment and written down to their fair market value as necessary. This Statement is effective for fiscal years beginning after December 15, 2001. The Company believes that the adoption of FASB No. 142 will not have a material impact on its financial statements.

In August 2001, the FASB issued Statement No. 144 - "Accounting for the Impairment of Long-Lived Assets" which is effective for fiscal years beginning

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after December 15, 2001. FASB No. 144 addresses accounting and reporting of long-lived assets, except goodwill, that are either held and used or disposed of through sale or other means. The Company believes that the adoption of FASB No. 144 will not have a material impact on its financial statements.

### 3. CAPITAL ASSETS

2003	2002				
		COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE	NET BOOK VALUE
Computer equipment		\$1,808	\$ 1,808	\$ -	\$ 603
Office equipment .		3,380	2,413	967	1,209
		\$5,188	\$ 4,221	\$ 967	\$1,812

### 4. CONVERTIBLE NOTE PAYABLE

On January 31, 2002, the Company executed \$1,000,000 aggregate principal amount of convertible notes due not earlier than January 31, 2009. The Company has received \$882,719 in advances through to June 30, 2003. The notes bear no interest until the maturity date, and interest at 5% per annum on any remaining principal balance after the maturity date. The notes are convertible, at the option of the holder, at any time on or prior to maturity into shares of the Company's common stock at a conversion price of \$0.05 per share, and each converted share includes a warrant to purchase an additional common stock share at an exercise price of \$0.05 per share. The warrants expire three years from the grant day.

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CUSTOM BRANDED NETWORKS, INC.  
(AN EXPLORATION STAGE COMPANY)

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2003 AND 2002  
(STATED IN U.S. DOLLARS)

### 4. CONVERTIBLE NOTE PAYABLE (Continued)

Because the market interest rate on similar types of notes was approximately 14% per annum the day the notes were issued, the Company has recorded a discount of \$576,078 related to the beneficial conversion feature. The discount will be amortized as interest expense over the life of the convertible notes, or sooner upon conversion. During the year, the Company recorded interest expense of \$45,192.

### 5. MINERAL PROPERTIES

On February 5, 2003, the Company entered into an agreement to acquire 100% interest in mineral properties located in outer Mongolia by making a cash



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payment of \$50,000 (paid) and issuing 5,000,000 common shares.

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ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

We have had no disagreements with our accountants on accounting or financial disclosures.

PART III

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth the names, ages, and positions with CBN for each of the directors and officers of CBN.

Name	Age	Position (1)	Since
----	---	-----	-----
Paul G. Carter	41	President, Secretary, Treasurer, Director	2002

(1) All executive officers are elected by the Board and hold office until the next Annual Meeting of shareholders and until their successors are elected and agree to serve.

Mr. Carter is employed by Tempco Oil and Gas Drilling Contractors. From May 2000 through February 2001 he was production manager for Dealer Equipment Ltd. From 1998 through 2000, Mr. Carter was special projects manager for Streamside Management Ltd. From 1994 through 1998, he was project manager for the Tajikistan Development Project that reactivated an open pit mine in Northern Tajikistan.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The following persons have failed to file, on a timely basis, the identified reports required by Section 16(a) of the Exchange Act during the most recent fiscal year:

Name and principal position	Number Of late Reports	Transactions Not Timely Reported	Known Failures To File a Required Form
-----	-----	-----	-----
John Platt, Former Chairman	0	0	1
Paul G. Carter, President	0	0	1

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ITEM 10. EXECUTIVE COMPENSATION

The following table sets forth certain information as to our officers and directors.

Annual Compensation Table

Annual Compensation

Long Term Compensation

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Name	Title	Fiscal Year	Salary	Bonus	Other Annual Compensation	Restricted Stock Awarded	Options/SARs (#)	LTIP payouts (\$)	All Other Compensation
John Platt	Former CEO and Director	2000-	\$20,000	0	0	0	0	0	0
		2001-2002	0	0	0	0	0	0	0
Paul G. Carter	CEO and Director	2002-2003	0	0	0	0	0	0	0

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table provides the beneficial ownership of our common stock by each person known by us to beneficially own more than 5% of our common stock outstanding as of June 30, 2002 and by the officers and directors of CBN as a group. Except as otherwise indicated, all shares are owned directly.

Name and Address	Common Shares	Percent of Class
Paul G. Carter 821 E. 29th North Vancouver, B.C. V7K 1B6	0	0%
Power Products Australia Pty Ltd. 200-220 Toogood Road Bayview Heights, Cairns 4870 Queensland, Australia	7,235,026	19.0%
All Executive officers and Directors as a Group (one)	0	0%

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The law firm of Catanese and Wells has provided legal services to the Company for which it has been compensated by the Company in cash and stock valued at a total of approximately \$125,000. At the time the work was done, Mr. T. Randolph Catanese, a principal in the law firm was also a director of the Company.

Effective January 31, 2002, the Company, restructured its debt with OTC Investments, Ltd. ("OTC Investments") at 1710-1177 West Hastings Street, Vancouver, B.C. V6E 2L3. The restructuring was necessary to obtain additional financing from OTC Investments to stabilize the current financial position of the Company. The Company issued two convertible promissory notes (the "Notes")

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to OTC Investments. Each of the Notes is in the face amount of \$500,000. One of the Notes, however, is structured as a line of credit against which approximately \$382,719 has been drawn at the present time. The Notes replaced a convertible note then held by OTC Investments in the face amount of \$750,000. The Notes also documented additional financing that OTC Investments had extended to the Company over the \$750,000 amount. The restructuring allows OTC Investments to extend additional financing to the Company at OTC Investment's discretion until a total of \$1,000,000, or the full face amount of both of Notes is reached. At OTC Investment's option, the Notes, or any portion thereof, are convertible into common shares of the Company at the rate of \$0.05 of the principal balance of the Notes per common share. The conversion rate of \$0.05 is not altered by any reverse split of the common shares or any recapitalization or other roll back of the equity capital of the Company. At June 30, 2003, the total advances received on the Notes totaled in the aggregate \$882,719.

### PART IV

#### ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) Reports on Form 8-K

None

(b) Exhibits

- 3.1. Articles of Incorporation (1)
- 3.2. By-laws (1)
- 21.1 Subsidiaries (2)
- 99.1 Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

- (1) Previously filed as an exhibit to the Form 10SB on December 17, 1999.
- (2) As filed with Form 10-KSB for the fiscal year ended June 30, 2001.

#### ITEM 14. CONTROLS AND PROCEDURES.

As required by Rule 13a-14 under the Securities Exchange Act of 1934 (the "Exchange Act"), we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures within the 90 days prior to the filing date of this report. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, Paul G. Carter. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting management to material information relating to us which is required to be included in our periodic SEC filings. There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date we carried out our evaluation.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CUSTOM BRANDED NETWORKS, INC.

By: /s/ Paul G. Carter

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Paul G. Carter, Chief Executive Officer  
Director  
Date: September 29, 2003

In accordance with the Securities Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Paul G. Carter

-----  
Paul G. Carter, President,  
Secretary and Treasurer and Sole Director  
(Principal Executive Officer)  
(Principal Financial Officer)  
(Principal Accounting Officer)  
(Director)  
Date: September 29, 2003

CERTIFICATION PURSUANT TO RULE 13a-14 OR 15d-14 OF THE  
SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Paul G. Carter, the chief executive officer and chief financial officer of Custom Branded Networks, Inc., certify that:

1. I have reviewed this annual report on Form 10-KSB of Custom Branded Networks, Inc. (the Registrant);
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;

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4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-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 me by others within those entities, particularly during the period in which this annual 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 my conclusions about the effectiveness of the disclosure controls and procedures based on my evaluation as of the Evaluation Date;

5. I have disclosed, based on my 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 annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of my most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: September 29, 2003

/s/ Paul G. Carter

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Paul G. Carter  
Chief Executive Officer  
Chief Financial Officer