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MULTI TECH INTERNATIONAL CORP
Form 10QSB
November 15, 2004

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

FORM 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For quarterly period ended September 30, 2004

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 0-25909

Australian Forest Industries f/k/a Multi-Tech International Corp.

(Exact name of Small Business Issuer in its Charter)

Nevada

86-0931332

(State or other jurisdiction of incorporation or organization)

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

9974 Huntington Park Drive, Strongsville, OH 44136

(Address of principal executive offices)

(440) 759-7470

(Issuer's telephone number)

Check whether the issuer: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 for each of the issuer's classes of Common Stock as of the last practical date:

Common Stock, \$0.001 par value per share, 257,400,680 outstanding as of November 5, 2004 Preferred Non-Voting Stock, \$0.001 par value per share, none outstanding as of November 5, 2004 Transactional Small Business Disclosure Format

Yes No

Multi-Tech International, Corp.
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PART I. FINANCIAL INFORMATION

MULTI -TECH INTERNATIONAL, CORP
 (A DEVELOPMENT STAGE COMPANY)
 INTERIM BALANCE SHEET
 (UNAUDITED)

ASSETS -----	SEPTEMBER 30, 2004 ---- (UNAUDITED) -----	DECEMBER 31, 2003 ---- (AUDITED) -----
CURRENT		
Cash	\$ --	\$ 19
Prepaid assets and sundry assets		23
	-----	-----
Total Current Assets	\$ --	42
	-----	-----
FIXED		
Equipment	--	--
Office furniture	--	--
Leasehold improvements	--	--
Vehicle	--	--
	-----	-----
Total Fixed Assets	--	--
	-----	-----
OTHER		
Patent rights	--	--
	-----	-----
Total Other Assets	--	--

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GAIN ON SETTLEMENT OF DEBT	--	--	--	--
NET INCOME (LOSS) FROM OPERATIONS	\$ (13,582)	\$ (64,674)	\$ (161,459)	\$ (201,270)
Weighted average number of shares outstanding	80,000,000	40,366,267	26,666,667	40,366,267
Net income (loss) per share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)

	Nine Months Ended Sept. 30, 2004	Nine Months Ended Sept. 30, 2003
CASH FLOW FROM OPERATING ACTIVITIES:		
Net Income (Loss)	\$ (161,459)	\$ (201,270)
Adjustments to reconcile net income (loss) to net cash in operating activities:		
Services received for Common Shares	6,295	3,350
Depreciation and Amortization	-	4,586
Changes in assets and liabilities		
(Increase) Decrease in prepaid expenses	23	4,825
Write-down of Fixed Assets	(26,226)	-
Increase in Accrued Expenses	(150,000)	132,432
Increase in accounts payable	(124,559)	53,271
Cash Used In Operating Activities	(455,926)	(2,806)
Cash Flow From Financing Activities		
Increase in loans payable	-	125
Stock issued on account of purchase of assets	-	-
Note payable on account of purchase of assets	-	(4,528)
Issuance of common stock for cash	440,000	-
Donated capital	-	-
Increase in Loan from Director	15,907	-
Cash Provided by Financing Activities	455,907	(4,403)
Cash Flow From Investing Activities		
Purchase of fixed assets	-	-
Disposal of fixed assets	-	7,287
Acquisition of marketable securities	-	-
Acquisition of patent rights	-	-

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Cash Used In Investing Activities	-	7,287

Increase (Decrease) In Cash	\$ (19)	\$ 78

Cash Balance at beginning of period	\$ 19	\$ -
Net increase (decrease) in cash	(19)	78

Balance at end of period	\$ -	\$ 78
=====		

MULTI-TECH INTERNATIONAL, CORP.
STATEMENT OF CHANGES IN STOCK HOLDERS' EQUITY
FROM SEPTEMBER 21, 1998 (INCEPTION) TO SEPTEMBER 30, 2004
(UNAUDITED)

	Common Stock Shares	Amount	Additional Paid-In Capital	Donated Capital
	-----	-----	-----	-----
September 21, 1998- issued for cash	3,000,000	\$ 3,000	\$ 5,016	\$ --
Net loss for year ended December 31, 1998	--	--	--	--

Balances as at December 31, 1998	3,000,000	\$ 3,000	\$ 5,016	\$ --

February 28, 1999- issued from sale of public offering	767,000	767	37,591	--
Net loss for year ended December 31, 1999	--	--	--	--

Balances as at December 31, 1999	3,767,000	\$ 3,767	\$ 42,607	\$ --

March 10, 2000- issued for cash	3,000,000	3,000	27,000	--
March 28, 2000- issued for services	1,675,000	1,675	2,929,575	--
April 24, 2000- issued for advertising services	1,000,000	1,000	1,199,000	--
June 5, 2000- issued for services	200,000	200	119,800	--

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June 15, 2000- issued for services	944,220	944	376,744	--
July 21, 2000- issued for services	500,000	500	134,500	--
July 21, 2000- issued for services	2,000,000	2,000	538,000	--
July 14, 2000- issued for services	575,000	575	154,675	--
August 7, 2000- issued for services	660,000	660	184,140	--
September 13, 2000- issued for services	760,000	760	212,040	--
November 9, 2000- issued for services	5,000,000	5,000	1,395,000	--
December 22, 2000- issued for services	5,720,500	5,720	1,596,020	--
Shareholder donated capital	--	--	--	730,936
Net Loss for year ended December 31, 2000	--	--	--	--
Balances as at December 31, 2000	25,801,720	\$ 25,801	\$ 8,909,101	\$ 730,936

	Common Stock Shares	Amount	Additional Paid-In Capital	Donated Capital
	-----	-----	-----	-----
March 2, 2001- issued for services	10,890,000	10,890	479,160	--
April 11, 2001- issued for services	22,625,000	22,625	181,000	--
April 11, 2001- sold shares to qualified investor	12,500,000	12,500	57,500	
May 15, 2001- sold shares to qualified investor	12,500,000	12,500	57,500	
June 1, 2001- issued for services	3,500,000	3,500	171,500	--

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Shareholder paid expenses of business	--	--	--	87,935
2001- issued restricted shares	6,601,633	6,602	--	--
Net Loss for year ended December 31, 2001	--	--	--	--
	-----	-----	-----	-----
Balances as at December 31, 2001	94,418,353	94,418	9,855,761	818,871
	-----	-----	-----	-----
November 15, 2002- Reverse Stock Split (14.525:1)	(87,917,971)	(87,918)	87,918	--
	-----	-----	-----	-----
Write-off of shareholder loan to the Company	--	--	--	--
Balances-post stock split December 9, 2002- issued for asset purchase	6,500,382	6,500	9,943,679	818,871
	-----	-----	-----	-----
December 9, 2002- issued for services	4,087,000	4,087	4,087	--
	-----	-----	-----	-----
Net Loss for year ended December 31, 2002	--	--	--	--
	-----	-----	-----	-----
Balances as at December 31, 2002	40,907,934	\$ 40,908	\$ 9,947,766	\$ 818,871
	-----	-----	-----	-----
January 15, 2003- cancelled consulting services of GCD Investments, LLC	(500,000)	(500)	(500)	
	-----	-----	-----	-----
January 15, 2003- cancelled consulting services of Rodney R. Schoemann	(150,000)	(150)	(150)	
	-----	-----	-----	-----
April 8, 2003- issued for services	70,000	70	70	
	-----	-----	-----	-----
April 8, 2003- issued for services	100,000	100	100	
	-----	-----	-----	-----

Common Stock Shares	Amount	Additional Paid-In Capital	Donated Capital
-----	-----	-----	-----

May 20, 2003-issued for

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services	30,000	30	30	
May 20, 2003- issued for services	2,000,000	2,000	2,000	
May 20, 2003-issued for services	200,000	200	200	
May 20, 2003- issued for services	100,000	100	100	
June 9, 2003-cancelled consulting contract	(2,000,000)	(2,000)	(2,000)	
June 24, 2003- issued for services	500,000	500	500	
June 28, 2003- issued per employment contract	400,000	400	400	
June 30, 2003- issued per termination agreement	500,000	500	500	
Net Loss for six months ended June 30, 2003				
Balances as at June 30, 2003	42,157,934	\$ 42,158	\$ 9,949,016	\$ 818,871
July 9, 2003- issued for services	50,000	50	50	
July 10, 2003- issued for services	125,000	125	125	
August 10, 2003- issued for services	125,000	125	125	
September 10 2003- issued for services	125,000	125	125	
Net Loss for three months ended Sept. 30, 2003				
Balances as at September 30, 2003	42,582,934	42,583	9,949,441	818,871
	Common Stock Shares	Amount	Additional Paid-In Capital	Donated Capital

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November 11, 2003- issued for services	100,000	100	100	
November 13, 2003- voided contract with AlphaCom, Inc.	(30,320,552)	(30,321)	--	--
November 13, 2003- issued for cash	4,604,538	4,605	18,418	
November 13, 2003- issued for services	1,000,000	1,000	9,000	
November 13, 2003- issued as loan incentive	150,000	150	150	
December 30, 2003- shares returned by consultant	(200,000)	(200)	(200)	
December 30, 2003- shares returned by consultant	(65,000)	(65)	(65)	
December 30, 2003- shares returned by consultant	(1,000,000)	(1,000)	(1,000)	
Net Loss for three months ended Dec. 31, 2003	-----	-----	-----	-----
Balances as at December 31, 2003	16,851,920	16,852	9,975,844	818,871
February 11, 2004- issued for services	1,000,000	1,000	1,000	
February 11, 2004- issued for services	2,000,000	2,000	2,000	
February 11, 2004- issued for services	128,080	128	128	
March 5, 2004- issued for loan incentive	20,000	20	20	
Net Loss for three months ended March 31, 2004	-----	-----	-----	-----
Balances as at March 31, 2004	20,000,000	20,000	9,978,992	818,871
	Common Stock Shares	Amount	Additional Paid-In Capital	Donated Capital

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	-----	-----	-----	-----
May 6, 2004 - sold 60,000,000 to qualified investor	60,000,000	60,000	380,000	
Net Loss for three months ended June 30, 2004				
	-----	-----	-----	-----
Balances as at June 30, 2004	80,000,000	\$ 80,000	\$ 10,358,992	\$ 818,871
Net Loss for three months ended September 30, 2004				
	-----	-----	-----	-----
Balances as at September 30, 2004	80,000,000	\$ 80,000	\$ 10,358,992	\$ 818,871

AUSTRALIAN FOREST INDUSTRIES
(A DEVELOPMENT STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
AS AT September 30, 2004
(UNAUDITED)

1. ORGANIZATION AND BASIS OF PRESENTATION

Australian Forest Industries (the "Company") was incorporated on September 21, 1998 under the laws of the State of Nevada. The Company was originally incorporated under the name of Oleramma Inc.

On April 28, 1999, the Company changed its name to BuckTV,Com, Inc. on the basis that the Company would market consumer products through an Interactive Web site. The Company's primary business operations are to engage in any lawful activity. The Company again changed its name in November 2002 to Multi-Tech International, Corp and again on October 13, 2004 to its present name to more accurately describe the direction in which the Company had taken.

The Company traded on the OTC-BB as "MLTI" and now trades as "AUFI".

On October 22, 2004 the Company acquired Integrated Forest Products Pty Ltd. in exchange for 240,000,000 shares of restricted common stock.

The Company's fiscal year end is December 31.

Development Stage Enterprise

The Company had no revenues through September 30, 2004. The Company has just commenced operations as an Australian timber enterprise. The Company's activities have been accounted for as those of a "Development Stage Enterprise" as set forth in Financial Accounting Standards Board Statement No. 7 ("SFAS 7"). Among the disclosures required by SFAS 7 are that the Company's financial statements be identified as those of a development stage company, and that the statements of operations, stockholders' equity(deficit) and cash flows disclose activity since the date of the Company's inception.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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These financial statements are presented on the accrual method of accounting in accordance with generally accepted accounting principles accepted in the United States. In the opinion of management, these interim financial statements include all adjustments necessary in order to make them not misleading.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid debt instruments and investments, purchased with an original maturity date of three months or less, to be cash equivalents.

Income Taxes

The Company accounts for income taxes under SFAS No. 109, which requires the asset and liability approach to accounting for income taxes. Under this method, deferred assets and liabilities are measured based on differences between financial reporting and tax bases of assets and liabilities measured using enacted tax rates and laws that are expected to be in effect when differences are expected to reverse.

Net earnings (loss) per share

Basic and diluted net loss per share information is presented under the requirements of SFAS No. 128, Earnings per Share. Basic net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding for the period, less shares subject to repurchase. Diluted net loss per share reflects the potential dilution of securities by adding other common stock equivalents, including stock options, shares subject to repurchase, warrants and convertible preferred stock, in the weighted-average number of common shares outstanding for a period, if dilutive. All potentially dilutive securities have been excluded from this computation, as their effect is anti-dilutive.

Fair Value of Financial Instruments

The carrying amount of cash, marketable securities, prepaid expenses and sundry assets, accounts payable, loans payable, and notes payable are considered to be representative of their respective fair values because of the short-term nature of these financial instruments

Recently Issued Accounting Standards

In November 2002, the FASB issued Interpretation, or FIN, No. 5, "Guarantor's Accounting and Disclosure Requirements for Guarantees, including

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Indirect Guarantees of Indebtedness of Others." FIN 45 elaborates on the existing disclosure requirements for most guarantees, including residual value guarantees issued in conjunction with operating lease agreements. It also clarifies that at the time a company issues a guarantee, the company must recognize an initial

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

liability for the fair value of the obligation it assumes under the guarantee and must disclose that information in its interim and annual financial statements. The initial recognition and measurement provisions apply on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for the financial statements of interim or annual periods ending after December 15, 2002. Our adoption of FIN 45 will not have a material impact on our results of operations and financial position.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation -- Transition and Disclosure." This statement amends SFAS 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based accounting for employee compensation and the effect of the method used on reported results.

The Company is currently evaluating whether to adopt the fair value based method.

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 requires that unconsolidated variable interest entities be consolidated by their primary beneficiaries. A primary beneficiary is the party that absorbs a majority of the entity's expected losses or residual benefits. FIN No. 46 applies immediately to variable interest entities created after January 31, 2003 and to existing variable interest entities in the periods beginning after June 15, 2003. Our adoption of FIN No. 46 will not have a material impact on our results of operations and financial position.

On April 30, 2003 the FASB issued Statement No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." The Statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under Statement 133. The amendments set forth in Statement 149 improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly. In particular, this Statement clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative as discussed in Statement 133. In addition, it clarifies when a derivative contains a financing component that warrants special reporting in the statement of cash flows. This Statement is effective for contracts entered into or modified after June 30, 2003.

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On May 15, 2003 the FASB issued Statement No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". The Statement improves the accounting for certain financial instruments that, under

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previous guidance, issuers could account for as equity. The new Statement requires that those instruments be classified as liabilities in statements of financial position. In addition to its requirements for the classification and measurement of financial instruments in its scope, Statement 150 also requires disclosures about alternative ways of settling the instruments and the capital structure of entities, all of whose shares are mandatorily redeemable. Most of the guidance in Statement 150 is effective for all financial instruments entered into or modified after May 31, 2003.

The company believes that none of the recently issued accounting standards will have a material impact on the financial statements.

3. MARKETABLE SECURITIES

Management determines the appropriate classification of investments in debt and equity securities at the time of purchase and re-evaluates such designation as of each subsequent balance sheet date. Securities for which the Company has the ability and intent to hold to maturity are classified as "held to maturity". Securities classified as "trading securities" are recorded at fair value. Gains and losses on trading securities, realized and unrealized, are included in earnings and are calculated using the specific identification method. Any other securities are classified as "available for sale."

At September 30, 2004 the Company had no Marketable Securities.

4. CAPITAL STOCK TRANSACTIONS

On May 6, 2004 60,000,000 shares of common stock were issued to a qualified investor for \$440,000. On October 14, 2004 the Board of Directors filed a "Certificate of Amendment to the Articles of Incorporation amending the authorized common shares from 100,000,000 shares to 300,000,000 shares of common stock, while retaining the authority to issue 5,000,000 shares of preferred stock. On October 1, 2004 the Company affected a 1:200 reverse stock split thereby having 400,000 shares outstanding from the 80,000,000 shares previously outstanding. As a result of the split, an additional 680 shares were issued to shareholders who had less than one share as a result of the split. On October 22, 2004, 240,000,000 shares of common stock were issued to Timbermans Group PTY Ltd of Port Melbourne, Victoria, Australia in exchange for approximately \$60,000,000 of timber assets. Also, 17,000,000 shares of common stock were issued for services in connection with that transaction.

5. INCOME TAXES

There has been no provision for U.S. federal, state, or foreign income taxes for any period because the Company has incurred losses in all periods and for all jurisdictions.

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5. INCOME TAXES (CONTINUED)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of deferred tax assets are as follows:

Deferred tax assets	
Net operating loss carry forwards	\$11,273,770
Valuation allowance for deferred tax assets	(11,273,770)

Net deferred tax assets	\$ -

Realization of deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain.

Accordingly, the net deferred tax assets have been fully offset by a valuation allowance. As of September 30, 2004, the Company had net operating loss carry forwards of approximately \$11,273,770 for federal and state income tax purposes. These carry forwards, if not utilized to offset taxable income begin to expire in 2013.

Utilization of the net operating loss may be subject to substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. The annual limitation could result in the expiration of the net operating loss before utilization.

6. GOING CONCERN

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplates continuation of the Company as a going concern.

The future success of the Company is likely dependent on its ability to attain additional capital to develop its proposed technologies and ultimately, upon its ability to attain future profitable operations. There can be no assurance that the Company will be successful in obtaining financing, or that it will attain positive cash flow from operations.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

Certain statements in this Quarterly Report on Form 10-QSB, our audited financial statements for the fiscal year ended December 31, 2003 as filed in our annual report on Form 10-KSB, as well as statements made by us in periodic press releases, oral statements made by our officials to analysts and shareholders in the course of presentations about ourselves, constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results, performance or achievements of us to be materially different from any future results, performance or achievements expressed or implied by the forward looking statements. Such factors include, among other things, (1) general economic and business conditions; (2) interest rate changes; (3) the relative stability of the debt and equity markets; (4) competition; (5) the availability and cost of our products; (6) demographic changes; (7) government regulations particularly those related to automatic vehicle location industry; (8) required accounting changes; (9) equipment failures, power outages, or other events that may interrupt Internet communications; (10) disputes or claims regarding our proprietary rights to our software and intellectual property; and (11) other factors over which we have little or no control.

Background and Organization

Multi-Tech International, Corp., a developmental stage company, hereinafter referred to as "the Company", "we" or "us", was originally organized by the filing of Articles of Incorporation with the Secretary of State of the State of Nevada on September 21, 1998 under the name Oleramma, Inc. The Articles of Incorporation authorized the issuance of one hundred five million (105,000,000) shares, consisting of one hundred million (100,000,000) shares of

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Common Stock at par value of \$0.001 per share and five million (5,000,000) shares of Preferred Stock at par value of \$0.001. As of September 30, 2004, we had 80,000,000 shares of Common Stock outstanding, and no Preferred Stock issued or outstanding.

On May 6, 2004 60,000,000 shares of common stock were issued to a qualified investor for \$440,000. On October 14, 2004 the Board of Directors filed a "Certificate of Amendment to the Articles of Incorporation amending the authorized common shares from 100,000,000 shares to 300,000,000 shares of common stock, while retaining the authority to issue 5,000,000 shares of preferred stock. On October 1, 2004 the Company effected a 1:200 reverse stock split thereby having 400,000 shares outstanding from the 80,000,000 shares previously outstanding. As a result of the split, an additional 680 shares were issued to shareholders who had less than one share as a result of the split. On October 22, 2004 240,000,000 shares of common stock were issued to Timbermans Group PTY Ltd of Port Melbourne, Victoria, Australia in exchange for \$60,000,000 of timber Assets. Also, 17,000,000 shares of common stock were issued for services in connection with the timber transaction.

On November 17, it is expected that the current Board of Directors will appoint five persons to the Board and immediately resign after such appointments.

We were a company that hoped to develop a genetically engineered Pima cotton seed, with a virus fatal to the bollworm. It was our hope to enter the marketplace as the first genetically engineered Pima cotton, which is genetically superior in combating infestations. Unfortunately we were not able to achieve our original goals and on December 31, 2000 we changed our name to BUCKTV.COM, Inc. pursued and began a new direction. At this time our principal business strategy was to market consumer products through an Interactive Website, and to promote this Website through commercial radio promotions, and Internet search engines, utilizing the talent and skills of a famous radio/television personality. However, this was unsuccessful and we began a search for new opportunities.

On November 15, 2002, pursuant to an Asset Purchase Agreement (the "Agreement") we acquired all the assets of AlphaCom, Inc. ("AlphaCom"), setting a new strategic direction for the Company, and changed the name of the Company to Multi-Tech International, Inc. and new management joined the Company. On November 13, 2003 it was mutually agreed to void this agreement. On October 22, 2004, we changed our name to Australian Forest Industries in contemplation of the completion of our acquisition of Integrated Forest Products Pty Ltd. Our symbol also changed to "AUF1."

Asset Purchase Agreement

Pursuant to the Agreement we issued a total of 30,320,552 shares of our Common Stock (the "Shares") and a promissory note in the amount of \$4,319,000 payable to AlphaCom representing 74.1 percent of our outstanding shares of Common Stock in exchange for all of the assets of AlphaCom including all business and technologic developments and licensing and marketing rights to such assets. The Shares are being held in escrow for 12 months pursuant to the terms of the Agreement, and are subject to downward adjustment based upon financial contingencies set forth in the Agreement. The acquisition has been accounted for under purchase method accounting. As a condition to the closing we effected a 1-for-14.525 reverse split of our Common Stock in November 2002.

This Agreement was voided by both parties on November 13, 2003 and the note was cancelled and the issuance of the shares was also cancelled.

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Lack of Liability Coverage

We do not maintain any liability coverage. In the event of any claim against us or any of our assets we may not have the resources to defend the Company, which could have a material adverse effect on the future prospects.

The Company has not achieved revenues or profitability to date, however, with the acquisition of the Australian timber operation we anticipate a profitable fourth quarter. Although, we anticipate such profitability, there can be no assurances that the Company can achieve or sustain profitability or that the Company's operating losses will not increase in the future. As of September 30, 2004, the Company had an accumulated deficit of Eleven million two hundred and sixty thousand one hundred and eighty-eight (\$11,260,188) dollars.

Liquidity and Capital Resources

Although we anticipate significant revenues from our timber operation, the Company's capital requirements have historically consisted of funding operations and capital expenditures through the sale of common stock and the exchange of common stock for services.

Net cash used in operating activities for the nine months ended September 30, 2004 was \$(455,926) compared with cash used in operating activities for the six months ended September 30, 2003 of \$(2,806).

The Company's working capital deficiency is currently \$15,907 compared with \$300,743 at the year-end. The greatest portion of the deficiency relates to accounts payable and accrued operating expenses.

Prior to the acquisition of the timber enterprise, the Company had no material commitments for capital expenditures. The extent of such expenditures will be disclosed once the consolidated financial statements are completed.

CURRENT BOARD OF DIRECTORS AND OFFICERS

Dr. David F. Hostelley, CPA Board of Directors Interim President,
Secretary/Treasurer, and CFO.

Dr. Dennis Byrne Board of Directors Assistant Secretary

The Board of Directors anticipates appointing five persons who have already been nominated by the majority shareholder on November 17, 2004. Once that has occurred, the current Board will resign from all capacities.

ITEM 3. CONTROLS AND PROCEDURES

Within 90 days prior to the date of this report under the supervision and participation of certain members of the Company's management, including the President and the Principal Financial Officer, the Company completed an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rules 13a - 14 and 15d - 14c to the Securities Exchange Act of 1934, as amended). Based on this evaluation, the Company's President and Principal Financial Officer believe that the disclosure controls and procedures are effective with respect to timely communicating to them and other members of management responsible for preparing periodic reports all material information required to be disclosed in this report as it relates to the Company.

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PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

Not Applicable.

ITEM 2. Changes in Securities and Use of Proceeds

The sale of sixty million (60,000,000) common shares (restricted) on May 6, 2004 for \$440,000 cash allowed the Company to pay all of its then outstanding debts as well as costs of the transaction. Upon completion of the transaction the Company had no assets and no liabilities. As a result of this stock sale Mr. Jeffrey Reade now controls seventy-five percent (75%) of the Company's voting stock.

On October 14, 2004 the Board of Directors filed a "Certificate of Amendment to the Articles of Incorporation amending the authorized common shares from 100,000,000 shares to 300,000,000 shares of common stock, while retaining the authority to issue 5,000,000 shares of preferred stock. On October 1, 2004 the Company effected a 1:200 reverse stock split thereby having 400,000 shares outstanding from the 80,000,000 shares previously outstanding. As a result of the split, an additional 680 shares were issued to shareholders who had less than one share as a result of the split. On October 22, 2004, 240,000,000 shares of common stock were issued to Timbermans Group PTY Ltd of Port Melbourne, Victoria Australia in exchange for \$60,000,000 of timber assets. Also, 17,000,000 shares of common stock were issued for services in connection with the timber transaction.

ITEM 3. Defaults upon Senior Securities

Not Applicable.

ITEM 4. Submission of Matters to a Vote of Security Holders

On April 4, 2004 management sought approval to sell either common stock, preferred stock, or a combination to raise capital for the company. Written approval was received from shareholders representing 14,172,580 shares or 70.8629% of the outstanding shares. On May 6, 2004 the Company was able to sell sixty million (60,000,000) restricted common shares to a qualified investor. On September 21, 2004, the Company filed a definitive information statement with the United States Securities and Exchange Commission with respect to the Australian timber exchange transaction.

ITEM 5. Other Information

Not Applicable.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

31.1 Certification by Dr. David F. Hostelley, President and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification by Dr. David F. Hostelley, President and Principal Financial Officer, pursuant to 18 U.S.C. Section 1350, pursuant to Section 906

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of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

On May 12, 2004, the Company reported on Form 8-K the issuance of 60,000,000 shares of restricted common stock to Mr. Jeffrey Revell-Reade in exchange for \$440,000. As a result of such stock issuance Mr. Reade now controls 75% of the Company's voting stock.

On September 1, 2004, Timberrmans Group Pty Ltd, an Australian company, entered into an agreement to exchange all of the issued and outstanding shares of its wholly-owned subsidiary, Integrated Forest Products Pty Ltd, also an Australian company, for 240,000,000 shares of common stock of the Company. That transaction is expected to close on November 17, 2004.

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.

Date: November 15, 2004

Australian Forest Industries

By: /s/ Dr. David F. Hostelley

Dr. David F. Hostelley,
President and Principal
Financial Officer