

Edgar Filing: AZONIC CORP - Form 10QSB

AZONIC CORP  
Form 10QSB  
August 15, 2005

As filed with the Securities and Exchange Commission on August 15, 2005

=====

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC. 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

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934.

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 0-28315

MIDLAND INTERNATIONAL CORPORATION  
(Exact Name of Small Business Issuer as Specified in Its Charter)

AZONIC CORPORATION  
(Former name of corporation if changed since last report)

Nevada 84-1517404  
(State or Other Jurisdiction (I.R.S. Employer Identification No.)  
of Incorporation)

765 15th Sideroad  
King City, Ontario, Canada L7B 1K5  
(Address of Principal Executive Offices)

(905) 773-3529  
(Issuer's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (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 ☐

Indicate by check mark whether the registrant is an accelerated filer  
(as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The issuer's revenue for the quarter ended June 30, 2005 were \$0.

As of June 30, 2005, the number of common stock outstanding was 30,478,000.

=====

# Edgar Filing: AZONIC CORP - Form 10QSB

Midland International Corporation

## INDEX

PART I	Financial Information	
Item 1.	Condensed Financial Statements (unaudited)	
	Condensed Balance Sheet.....	3
	Condensed Statements of Operations.....	4
	Condensed Statements of Stockholders' Equity.....	5
	Condensed Statements of Cash Flows.....	6
	Notes to Condensed Financial Statements.....	7
Item 2.	Management's Discussion and Analysis.....	13
Item 3.	Controls and Procedures.....	18
PART II.	Other Information	
Item 1.	Legal Proceedings.....	19
Item 2.	Change in Securities and Use of Proceeds.....	19
Item 3.	Defaults Upon Senior Securities.....	19
Item 4.	Submission of Matters to a Vote of Security Holders.....	19
Item 5.	Other Information.....	19
Item 6.	Exhibits.....	19
	A) Exhibit 31	
	B) Exhibit 32	
Signatures.....		21

2

## PART I. Financial Information

### Item 1. Condensed Financial Statements

Midland International Corporation  
Condensed Balance Sheet  
June 30, 2005  
(UNAUDITED)

June 30, 2005  
(Unaudited)

ASSETS

# Edgar Filing: AZONIC CORP - Form 10QSB

Current Assets:	
Inventory	\$ 49,500
Prepaid expenses	27,194
	-----
	76,694
	-----
Tools and molds, net of accumulated amortization of \$0	25,000
Intangible assets and goodwill (Note 5)	30,003
	-----
TOTAL ASSETS	\$ 131,697
	-----
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current Liabilities:	
Bank overdraft	\$ 8,384
Accounts payable and accrued liabilities	74,502
Due to related party (Note 4)	318,493
	-----
Total current liabilities	401,379
Stockholders' equity	
Preferred stock, \$0.001 par value, 5,000,000 shares authorized, No shares issued and outstanding	--
Common stock, \$0.001 par value, 100,000,000 shares authorized, 30,478,000 shares issued and outstanding at June 30, 2005	30,478
Additional paid-in capital	474,825
Accumulated deficit	(774,985)
	-----
Total stockholders' equity	(269,682)
	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 131,697
	-----

See accompanying notes to financial statements.

3

## Midland International Corporation Condensed Statements of Operations (UNAUDITED)

	Three Months Ended June 30,		
	2005	2004	
	-----	-----	
Revenues	\$ --	\$ --	\$
Selling and administrative costs:			
Management fees	129,000	--	

Edgar Filing: AZONIC CORP - Form 10QSB

Office and general	4,241	18,754
Professional and consulting	64,154	--
Amortization	--	--
<hr/>		
Total costs and expenses	197,395	18,754
<hr/>		
Net loss before income taxes	(197,395)	(18,754)
<hr/>		
Provision for income taxes (Note 7)	--	--
<hr/>		
Net loss	\$ (197,395)	\$ (18,754)
<hr/>		
Loss per share of common stock:		
Weighted average number of common shares outstanding - Basic and diluted	29,983,495	24,000,000
Loss per share of common stock - Basic and diluted	\$ (0.01)	\$ 0.00

See accompanying notes to financial statements.

4

Midland International Corporation  
Condensed Statement of Change in Stockholders' Equity  
May 1, 1996 to June 30, 2005  
(UNAUDITED)

	Common Stock				
	Shares	Amount	Common Stock Subscribed	Additional Paid-in Capital	Accumulat Income (Deficit
Balance, May 1, 1996	--	\$ --	--	--	
Issuance of common stock	24,000,000	24,000	--	(23,700)	
Net loss for the period from inception to March 31, 2004	--	--	--	--	(19,1
Balance, March 31, 2004	24,000,000	\$ 24,000	--	(23,700)	(19,1
Exchange of debt for equity	--	--	--	30,500	
Shares issued as consideration for assets purchased	3,000,000	3,000	--	71,503	
Common stock issued for services	78,000	78	--	59,922	
Issuance of common stock pursuant					

Edgar Filing: AZONIC CORP - Form 10QSB

to private placements	1,250,000	1,250	--	213,750	
Common stock issued for consulting services provided	650,000	650	--	64,350	
Net income (loss) for the year ended March 31, 2005	--	--	--	--	(558,4
Balance, March 31, 2005	28,978,000	\$ 28,978	--	416,325	(577,5
Issuance of common stock pursuant to cash received in prior period	900,000	900	--	(900)	
Issuance of common stock pursuant to private placements	600,000	600	--	59,400	
Net income (loss) for the period ended June 30, 2005	--	--	--	--	(197,3
Balance, June 30, 2005	30,478,000	\$ 30,478	--	474,825	(774,9

See accompanying notes to financial statements.

5

Midland International Corporation  
Condensed Statements of Cash Flows  
(UNAUDITED)

	Three Months Ended June 30,	
	2005	2004
Net cash provided by (used in) operations		
Net income (loss)	\$ (197,395)	\$ (18,754)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Non-cash expenses	40,000	--
Changes in operating assets and liabilities:		
Prepaid expenses	(25,527)	--
Accounts payable and accrued liabilities	4,371	10,503
Net cash provided by (used in) operating activities	(178,551)	(8,251)
Cash flows from investing activities:		
Issuance of common shares	60,000	--
Net cash provided by (used in) financing activities:	60,000	--

# Edgar Filing: AZONIC CORP - Form 10QSB

## Cash flows from financing activities:

Increase (decrease) in bank overdraft	8,384	--
Increase (decrease) in due to related parties	61,885	751
Net cash provided by (used in) financing activities:	70,269	751

Increase in cash	(42,282)	(7,500)
Cash, beginning of period	48,282	7,500
Cash, end of period	\$ --	\$ --

## Non cash financing activities:

During the three month period ended June 30, 2005, the Company:

- o During the twelve month period ended March 31, 2005, the Company agreed to issue 78,000 in exchange for a 12 month stock research service contract valued at \$60,000. This was recorded in prepaid expenses and is being amortized at \$5,000 per month. During the current quarter \$15,000 of this amount was expensed. At June 30, 2005 \$25,000 remains unamortized in prepaid expenses.
- o During the twelve month period ended March 31, 2005, the Company issued shares in exchange for a 12 month technical support contract valued at \$100,000. This is being amortized at \$8,333 per month. During the current quarter \$25,000 of the contract was expensed. At June 30, 2005 \$41,667 remains unamortized.

During the three month period ended June 30, 2004 the Company:

- o No non-cash financing activities to be reported

See accompanying notes to financial statements.

## Midland International Corporation

### Notes to the Condensed Financial Statements June 30, 2005 (Unaudited)

#### Note 1 - Basis of Presentation and business operations

##### Basis of presentation - Going concern

The financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the liquidation of liabilities in the ordinary course of business. As shown in the accompanying financial statements, the Company had assets of \$131,697, had a working capital deficit of \$324,685 and a deficit of \$774,985 at June 30, 2005. As a result, substantial doubt exists about the Company's ability to continue to fund future operations using its existing resources.

For the quarter ended June 30, 2005, the Company's operations were funded by

## Edgar Filing: AZONIC CORP - Form 10QSB

Wireless Age Communications, Inc., ("Wireless Age") a shareholder of the Company with common management. Although the amounts due to Wireless Age are reflected as current liabilities there are no specific repayment terms. In order to ensure the success of the new business, the Company will have to raise additional financing to satisfy existing liabilities and to provide the necessary funding for future operations.

The accompanying condensed unaudited financial statements of Midland International Corporation, (the "Company"), have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Item 310(b) of Regulation S-B. 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 of the Company, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended June 30, 2005, are not necessarily indicative of the results that may be expected for the year ending March 31, 2006. For further information, refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-KSB for the year ended March 31, 2005.

### Business operations

The Company was originally incorporated in the State of Colorado on May 1, 1996 as Grand Canyon Ventures Two, Incorporated. The Company changed its name to Azonic Engineering Corporation on September 23, 1998. On November 12, 1999 was re-domiciled to the State of Nevada by merging into its wholly owned subsidiary Azonic Corporation, a Nevada corporation. On July 21, 2005 the Azonic Corporation changed its name to Midland International Corporation (referred to herein as "Midland," the "Company," Registrant" and Issuer).

7

### Note 2 - Recent developments

#### Corporate name and stock symbol change

On July 21, 2005 the Company officially changed its name from Azonic Corporation to Midland International Corporation. This was completed by submitting the necessary filings with the United States Securities and Exchange Commission and the State of Nevada. The stock symbol was changed to MLIC.OB effective July 21, 2005.

### Note 3 - Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with generally accepted accounting principles in the United States.

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:

#### 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results

## Edgar Filing: AZONIC CORP - Form 10QSB

could differ from those estimates, and such differences could be material.

### Cash and cash equivalents

Cash and cash equivalents include time deposit, certificates of deposits, and all highly liquid debt instruments with original maturities of three months or less. The Company maintains cash and cash equivalents at financial institutions, which periodically may exceed federal insured amounts.

### Tools and molds

Tools and molds are recorded at cost less accumulated depreciation. Depreciation is provided over the estimated useful life of the assets using the following annual rates:

Tools and molds	\$1 per use
-----------------	-------------

Tools and molds are reviewed for impairment in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which was adopted effective January 1, 2002. Under SFAS No. 144, these assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment is recognized for the amount, if, any, which the carrying value of the asset exceeds the fair value.

### Inventory

Inventories are stated at the lower of cost (first-in, first-out) or market. The Company evaluates the net realizable value of inventory on hand considering deterioration, obsolescence, replacement costs and other pertinent factors, and records adjustments as necessary.

### Intangible assets, goodwill and other assets

The Company follows SFAS No 142, "Goodwill and Other Intangible Assets". SFAS No. 142 no longer permits the amortization of goodwill and indefinite-lived intangible assets. Instead, these assets must be reviewed annually (or more frequently under prescribed conditions) for impairment in accordance with this statement. If the carrying amount of the reporting unit's goodwill or indefinite-lived intangible assets exceeds the implied fair value, an impairment loss is recognized for an amount equal to that excess. Intangible assets that do not have indefinite lives are amortized over their useful lives. The adoption of SFAS No. 142 did not impact the results of operations or financial position because the Company had no goodwill or indefinite-lived intangible assets at the date of adoption.

### Research and development costs

Research and development costs, other than certain software development costs disclosed below, are expensed as incurred.

### Software development costs

Software development meeting revocability tests are capitalized, under SFAS No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed," and amortized on a product-by-product basis over their economic life, ranging from three to five years, or the ratio of current



## Edgar Filing: AZONIC CORP - Form 10QSB

revenues to current and anticipated revenues from such software, whichever provides greater amortization in a particular period. The Company capitalized \$30,000 of development costs in the year ended March 31, 2005 and to date no portion of this has been expensed as amortization. The Company periodically reviews the carrying value of capitalized software development costs and impairments are recognized in the results of operations when the expected future undiscounted operating cash flow derived from the capitalized software is less than its carrying value. No charges for impairment were required in the current period.

### Development stage

The Company has operated as a development stage enterprise since its inception by devoting substantially all of its efforts to financial planning, raising capital, research and development, and developing markets for its products. Accordingly, the financial statements of the Company have been prepared in accordance with the accounting and reporting principles prescribed by SFAS No. 7, "Accounting and Reporting by Development Stage Enterprises," issued by FASB.

The Company was substantially inactive from May 1, 1996 through September 30, 2004. Activities began on or about October 1, 2004.

### Fair value of financial instruments

The carrying value of receivables, bank indebtedness, accounts payable and accrued liabilities, income taxes payable, and customer deposits approximates fair value because of the short maturity of these instruments. The carrying value of long-term debt and due to and from related parties also approximates fair value. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risk arising from these financial instruments.

9

### Income taxes

The Company provides for income taxes using the asset and liability method as prescribed by Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". Under the assets and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Additionally, a valuation allowance is established when necessary to reduce deferred income tax assets to the amounts expected to be realized. Under Statement 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

### Basic and diluted earnings (loss) per share

The Company reports basic earnings (loss) per share in accordance with Statement of Financial Accounting Standards No. 128, "Earnings Per Share". Basic earnings (loss) per share is computed using the weighted average number of shares outstanding during the year. Diluted earnings per share includes the potentially dilutive effect of outstanding common stock options and warrants which are convertible to common shares.

## Edgar Filing: AZONIC CORP - Form 10QSB

### Foreign Currency Translation

The functional currency of the Company is United States dollars. However, some of the transactions occurred in Canadian dollars which has been translated into US dollars, the reporting currency, in accordance with Statement of Financial Accounting Standards No. 52 "Foreign Currency Translation". Assets and liabilities are translated at the exchange rate at the balance sheet date and revenue and expenses are translated at the exchange rate at the date those elements are recognized. Any translation adjustments resulting are not included in determining net income but are included in other comprehensive income.

### Recent issued accounting standards

In November 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 151 "Inventory Costs - an amendment of ARB No. 43, Chapter 4" ("SFAS 151"). This statement amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). SFAS 151 requires that those items be recognized as current-period charges. In addition, this statement requires that allocation of fixed production overheads to costs of conversion be based upon the normal capacity of the production facilities. The provisions of SFAS 151 are effective for fiscal years beginning after June 15, 2005. As such, the Company is required to adopt these provisions at the beginning of the fiscal year ended March 31, 2007. The Company is currently evaluating the impact of SFAS 151 on its consolidated financial statements.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets - an amendment of APB Opinion No. 29" ("SFAS 153"). SFAS 153 replaces the exception from fair value measurement in APB Opinion No. 29 for nonmonetary exchanges of similar productive assets with a general exception from fair value measurement for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 153 is effective for all interim periods beginning after June 15, 2005. As such, the Company is required to adopt these provisions at the beginning of the fiscal quarter ended September 30, 2005. The Company is currently evaluating the impact of SFAS 153 on its financial statements.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS 154"). SFAS 154 replaces APB No. 20, "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements" and establishes retrospective application as the required method for reporting a change in accounting principle. SFAS 154 provides guidance for determining whether retrospective application of a change in accounting principle is impracticable and for reporting a change when retrospective application is impracticable. The reporting of a correction of an error by restating previously issued financial statements is also addressed. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company does not anticipate that the adoption of SFAS 154 will have a material impact on its consolidated balance sheets and statements of operations, shareholders' equity and cash flows.

### Note 4 - Related Party Transactions

Periodically, the Company advances funds and pays expenses on behalf of related parties and funds are advanced and expenses are paid by related parties on

## Edgar Filing: AZONIC CORP - Form 10QSB

behalf of the Company. These transactions result in non-interest bearing payables or receivables to related parties. At June 30, 2005, net payables to related parties amounted to \$318,493. Related parties of the Company include shareholders and entities under common management.

The Company's corporate offices have been relocated to the offices of Wireless Age, a shareholder of the Company and a company with common officers and common management. The Company is obligated to pay \$120,000 (\$20,000 per month) for management services to Wireless Age and \$120,000 (\$20,000 per month) to Simmonds Mercantile and Management Inc. ("Simmonds Mercantile") for executive level management services. Certain shareholders of Simmonds Mercantile are also shareholders of the Company.

During the period ended June 30, 2005, the Company paid \$9,000 (\$3,000 per month) for consulting services provided by David Smardon who is a shareholder and Chairman of the Company's board of directors.

At June 30, 2005, the amounts due to related parties were:

Wireless Age Communications, Inc. including wholly owned subsidiaries	\$	284,522
Simmonds Management Mercantile Inc.		19,332
Infinity Capital Group, Inc.		14,639
		-----
	\$	318,493
		-----

### Note 5 - Intangible Assets & Goodwill

	Cost	Accumulated Amortization	Net
	-----	-----	-----
Patents	\$ 1	\$ --	\$ 1
FCC License	1	--	1
Software license	1	--	1
Software development costs	30,000	--	30,000
	-----	-----	-----
	\$30,003	\$ --	\$30,003
	=====	=====	=====

During October 2004 the Company acquired the above intangible assets along with other assets in exchange for three million common shares. The value of the intangible assets was nominal based on management's expectation of their usefulness going forward.

### Note 6 - Forward Looking Statements

This report contains certain forward-looking statements and information relating to Midland that are based on the beliefs of its management as well as assumptions made by and information currently available to its management. When used in this report, the words "anticipate," "believe," "estimate," "expect," "intend," "plan" and similar expressions, as they relate to Midland or its management, are intended to identify forward-looking statements. These statements reflect management's current view of Midland concerning future events and are subject to certain risks, uncertainties and assumptions, including among many others: a general economic downturn; a downturn in the securities markets; federal or state laws or regulations having an adverse effect on all companies and on companies which could be construed as "shell" companies or "blank check" companies, Securities and Exchange Commission regulations which affect trading

## Edgar Filing: AZONIC CORP - Form 10QSB

in the securities of "penny stocks," and other risks and uncertainties. Should any of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this report as anticipated, estimated or expected. Readers should realize that Midland is in the development stage, with virtually no assets, and that for Midland to succeed requires that it either originate a successful business (for which it lacks the funds) or acquire a successful business. Midland's realization of its business aims as stated herein will depend in the near future principally on the successful completion of its acquisition of a business, as discussed below.

11

### Note 7 - Income taxes

The provision for income taxes has the following components.

	2005	2004
	----	----
Current income taxes	--	--
Deferred income taxes	--	--
	-----	-----
	--	--

The tax effects of temporary differences and carryforwards that give rise to significant portions of deferred tax assets and liabilities consist of the following:

	June 30, 2005	June 30, 2004
	-----	-----
Deferred tax assets (liabilities)		
Net operating loss carryforwards	270,000	13,000
Valuation allowance	(270,000)	(13,000)
	-----	-----
Net deferred tax assets (liability)	--	--

At June 30, 2005 the Company has net operating loss carryforwards of \$770,000. If not used, the carryforwards will expire as follows:

2024	19,000
2025	558,000
2026	193,000
	-----
	770,000
	=====

12

Item 2. Management's Discussion and Analysis or Plan of Operation.

### FORWARD-LOOKING STATEMENTS

Certain matters discussed in this Annual Report may constitute forward-looking

## Edgar Filing: AZONIC CORP - Form 10QSB

statements within the meaning of the Private Securities Litigation Reform Act of 1995 and as such may involve risks and uncertainties. These forward-looking statements relate to, among other things, expectations of the business environment in which the Company operates, projections of future performance, perceived opportunities in the market and statements regarding the Company's goals. The Company's actual results, performance, or achievements expressed or implied in such forward-looking statements may differ.

### BACKGROUND

Azonic was incorporated in the State of Colorado on May 1, 1996 as Grand Canyon Ventures Two, Incorporated. The Company changed its name to Azonic Engineering Corporation on June 23, 1998. On November 12, 1999, it was re-domiciled to the State of Nevada by merging into its wholly owned subsidiary Azonic Corporation ("Company"), a Nevada corporation. On July 21, 2005 the Company officially changed its name to Midland International Corporation ("Midland").

The Company is in the development stage in accordance with Financial Accounting Standards Board Standard No. 7. The Company has not been operational, other than described below, nor has earned revenue other than interest income since its inception.

### RESULTS OF OPERATION

#### OVERVIEW

The Company obtained certain business assets during the third quarter of fiscal 2005 associated with a low cost cellular phone. Since that point in time management has been in the process of assembling the necessary business partners to launch the business. The necessary business partners include manufacturing, air time providers, marketing, financing and distribution entities. Management believes that the process of targeting the prospective partners is largely complete. However, at this stage definitive terms and conditions to all necessary partnerships are not yet complete. There can be no assurance that management will in fact be successful in negotiating favorable business terms and conditions.

#### RESULTS OF OPERATIONS FOR QUARTER ENDED JUNE 30, 2005 AS COMPARED TO THE SIMILAR PERIOD ENDED JUNE 30, 2004

The Company had no revenues in the three month periods ended June 30, 2005 and 2004.

The Company incurred office and general expenses of \$4,241 in the three month period ended June 30, 2005 compared to \$18,754 in the same period ended June 30, 2004. Office and general expenses include travel, communications and other similar costs associated with operating the business in its current state of evolution.

The Company incurred management fees of \$129,000 in the three month period ended June 30, 2005 compared to \$0 in the same period ended June 30, 2004. Management fees consisted of \$60,000 paid to Simmonds Mercantile and Management Inc. (a related party due to certain common directors and stockholders) for the services of John Simmonds, the Company's CEO, Gary Hokkanen, the Company's CFO and Carrie Weiler, the Company's Corporate Secretary, and other non executive personnel, \$60,000 paid to Wireless Age Communications, Inc. also a related party due to certain common officers, directors and ownership, for the services of David MacKinnon, the Company's CTO and James Hardy, the Company's COO, and other managerial level accounting and finance personnel, and \$9,000 paid to David Smardon, Chairman of the Board of Directors, for strategic consulting services.

The Company also incurred professional and consulting fees to related parties of \$64,154 in the three month period ended June 30, 2005 compared to \$0 in the same period ended June 30, 2004. Professional and consulting fees consisted of services provided for investor relations paid with 78,000 shares of the Company's common stock valued at \$60,000, \$15,000 of which has been expensed in the current quarter, technology development costs associated with a new application of the low-cost cell phone in the gaming marketplace, paid with 650,000 shares of the Company's common stock, valued at \$130,000 of which \$25,000 has been expensed in the current quarter, legal and accounting fees totaling \$13,952 and consulting fees of \$10,202.

The loss on operations was (\$197,395) in the three month period ended June 30, 2005 compared to (\$18,754) the same period ended June 30, 2004. Loss per share was (\$0.01) in 2005 compared to \$0.00 in 2004.

Management expects the operating losses to continue until all necessary business partners are assembled and commercially reasonable terms have been negotiated.

#### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of results of operations and financial condition are based upon the consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of these consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Management evaluates the estimates on an on-going basis, including those related to bad debts, inventories, investments, customer accounts, intangible assets, income taxes, and contingencies and litigation. Management bases its estimates on historical experience and on various other assumptions that they believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Note 3 of the "Notes to Condensed Financial Statements" includes a summary of the significant accounting policies and methods used in the preparation of the consolidated financial statements. The following is a brief description of the more significant accounting policies and methods the Company uses.

#### Intangibles, Goodwill and Other Assets

The Company regularly reviews all of its long-lived assets, including goodwill and other intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors the Company considers important that could trigger an impairment review include, but are not limited to, significant underperformance relative to historical or projected future operating results, significant changes in the manner of use of the acquired assets or the strategy for the Company's overall business, and significant negative industry or economic trends. When management determines that an impairment review is necessary based upon the existence of one or more of the above indicators of impairment, the Company measures any impairment based on a projected discounted cash flow method using a discount rate commensurate with the risk inherent in our current business model. Significant judgment is required in the development of projected cash flows for these purposes including assumptions regarding the appropriate level of aggregation of cash flows, their term and discount rate as well as the underlying forecasts of expected future revenue and expense. To the extent that events or circumstances cause

## Edgar Filing: AZONIC CORP - Form 10QSB

assumptions to change, charges may be required which could be material.

14

Effective October 1, 2004, the Company adopted SFAS No 142, "Goodwill and Other Intangible Assets". SFAS No. 142 no longer permits the amortization of goodwill and indefinite-lived intangible assets. Instead, these assets must be reviewed annually (or more frequently under prescribed conditions) for impairment in accordance with this statement. If the carrying amount of the reporting unit's goodwill or indefinite-lived intangible assets exceeds the implied fair value, an impairment loss is recognized for an amount equal to that excess. Intangible assets that do not have indefinite lives are amortized over their useful lives.

### Fair Value of Financial Instruments

The carrying value of receivables, bank indebtedness, accounts payable and accrued liabilities income taxes payable and customer deposits approximates fair value because of the short maturity of these instruments. The carrying value of long-term debt, obligations under capital lease and due to and from related parties also approximates fair value. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risk arising from these financial instruments.

### FINANCIAL CONDITION

Total assets of the Company decreased from \$194,452 at March 31, 2005 to \$131,697 at June 30, 2005. The decrease in total assets during the quarter ended June 30, 2005 is the result of a decrease in cash and prepaid expenses.

Tools and molds, net of accumulated depreciation of \$0 remained the same at \$25,000 as no amortization was taken during the quarter ended June 30, 2005.

Intangible assets totaling \$30,003 were acquired during the previous year were still carried at cost on the balance sheet at June 30, 2005. These intangible assets include software development costs, patents, licenses and other assets.

Total liabilities of the Company increased from \$326,739 at March 31, 2005 to \$401,379 at June 30, 2005. The increase is the result of an increase in bank overdraft and borrowings from related parties. Due to related party amounts do not have specific repayment terms and it is expected that these amounts will be repaid as the financial position of the Company improves.

The stockholders' deficit increased from (\$132,287) at March 31, 2005 to (\$269,682) at June 30, 2005. The increase is attributable to a net increase in common stock, additional paid-in capital offset by the loss for the year. Common stock and additional paid-in capital increased by \$60,000. (See Statement of Stockholders' Equity contained in the financial statements).

The Company's accumulated deficit increased from (\$577,590) at March 31, 2005 to (\$774,985) at June 30, 2005 as a result of the (\$197,395) loss for the quarter.

15

### LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2005, the Company had a working capital deficit of \$324,685. The Company had bank overdraft of \$8,384 at June 30, 2005 arising from expenditures on operating expenses and equity private placements completed. The Company also

## Edgar Filing: AZONIC CORP - Form 10QSB

expects to realize on its current inventory to assist in the settlement of liabilities as they come due. However the Company is largely reliant upon the ability of the Company to arrange equity private placements or alternatively advances from related parties to pay any expenses incurred. In addition to normal accounts payable of \$74,502 the Company also owes related companies \$318,493. Its only source for capital could be sale or licensing of the patents held by the Company, loans, or private placements of common stock.

The Company remains in the development stage and, since inception, has experienced significant liquidity problems and has no significant capital resources now at March 31, 2005.

### Plan of Operations and Need for Additional Funding

The current cash resources are insufficient support the business over the next 12 months and the Company is unable to carry out any plan of business without funding. The Company cannot predict to what extent its current lack of liquidity and capital resources will impair the business operations whether it will incur further operating losses. There is no assurance that the Company can continue as a going concern without substantial funding. Management has taken steps to begin sourcing the necessary funding to begin to execute the business plan.

The Company estimates it will require approximately \$500,000 to cover legal, accounting, transfer, consulting, management fees and the miscellaneous costs of being a reporting company in the next fiscal year. In addition, management estimates that approximately \$2,500,000 will be required for manufacturing of the cell phone and deposits required with air time service providers.

The Company does not intend to pursue or fund any research or development activities during the coming year.

The Company does not intend to add any additional part-time or full-time employees until the activities of the Company can support it. It may become necessary for the Company to hire a sales person or sales staff in the near future.

Going concern qualification. The Company has incurred significant losses from operations for the quarter ended June 30, 2005, and such losses are expected to continue. In addition, the Company has no working capital. The foregoing raises substantial doubt about the Company's ability to continue as a going concern. Management's plans include seeking additional capital and/or debt financing or the possible sale of the Company. There is no guarantee that additional capital and/or debt financing will be available when and to the extent required, or that if available, it will be on terms acceptable to the Company. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Company does not have any contractual debt obligations and or any other commercial commitments that represent prospective cash requirements in addition to any capital expenditure programs. The Company is obligated to pay \$40,000 monthly management fee to a related party for management services and \$3,000 per month to the Chairman of the Board for strategic consulting services. The Company shares its premises located at 765 15th Sideroad, King City, Ontario, Canada L7B 1K5, with Wireless Age Communications, Inc. a stockholder of the Company and a company with common officers and management. The Company pays no



## Edgar Filing: AZONIC CORP - Form 10QSB

rent for the premises.

17

### Item 3. Controls and Procedures

We maintain a system of disclosure controls and procedures that are designed to provide reasonable assurance that material information related to the Company, including our consolidated subsidiaries, is made known to our Chief Executive Officer and our Chief Financial Officer on a regular basis. Our Board of Directors, operating through its Audit Committee, which is composed entirely of independent outside directors, provides oversight to our financial reporting process. Management has reviewed this system of disclosure controls and procedures as of the end of the period covered by this report. The results of such evaluation were presented to the Audit Committee of the Board of Directors. On the basis of such evaluation, our CEO and CFO concluded there were no significant deficiencies or material weaknesses in the Company's disclosure controls and procedures and that the design and operation of these disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities and Exchange Act of 1934 is recorded, processed, summarized and reported within the time period specified in SEC rules and forms. The CEO and CFO have concluded that the disclosure controls and procedures are effective at a reasonable level as of the evaluation date of this report.

There were no significant changes in the Company's internal controls or in any 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.

The term "disclosure controls and procedures" as used in this report means, as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended, (the "Exchange Act"), controls and other procedures of our Company that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act (15 U.S.C. 78a et seq.) is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Act is accumulated and communicated to Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

18

## PART II. Other Information

### Item 1. Legal Proceedings

None

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the second quarter of 2005, the Company made issuances in the aggregate of 2,750,000 shares of unregistered Common Stock at a purchase price of \$.10 per

## Edgar Filing: AZONIC CORP - Form 10QSB

share. All such shares were issued in a private non-public private placement pursuant to exemption registration under the Securities Act of 1933, as amended (the "Securities Act"), under Regulation S promulgated under the Securities Act. The proceeds of such issuances were used for general corporate purposes. All purchasers of the shares are non-U.S. persons and/or Non-U.S. organizations. The following persons and organizations were the purchasers of such shares (subscribed and paid as of the respective date show with issuance of the stock certificate on or after April 1, 2005):

Global Village Market Holdings Limited	1,000,000 Shares	March 16, 2005
Paul Marsiglio	375,000 Shares	April 6, 2005
Catharine Doncaster	375,000 Shares	April 6, 2005
David Atlin	250,000 Shares	April 6, 2005
Bradley Poulos	100,000 Shares	March 31, 2005
Glenn Poulos	50,000 Shares	March 31, 2005
Marsiglio Enterprises	500,000 Shares	June 20, 2005
Mark Mickleborough	100,000 Shares	April 19, 2005

### Item 3. Defaults Upon Senior Securities

None

### Item 4. Submission of Matters to a Vote of Security Holders

On June 14, 2005, the holders of a majority of the Company's voting power consented to the proposal to amend the Company's certificate of incorporation to change the name of the Company from Azonic Corporation to Midland International Corporation. The amendment became effective July 18, 2005. No solicitation or proxy was made to stockholders other than the consenting shareholders.

### Item 5. Other Information

None

### Item 6. Exhibits and Form 8-K Filings

#### Exhibits

Exhibit 31.1	Rule 13a-14(a) Certification of Chief Executive Officer.
Exhibit 31.2	Rule 13a-14(a) Certification of Chief Financial Executive.
Exhibit 32	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.

#### Form 8-K Filings

Form 8-K filed with the Commission on July 21, 2005 relating to the July 18, 2005 name change from Azonic Corporation to Midland International Corporation and change of the Company stock trading symbol to MLIC.

## Edgar Filing: AZONIC CORP - Form 10QSB

Form 8-K filed with the Commission on May 12, 2005 relating to the May 9, 2005 termination of services of Larry O'Donnell CPA, P.C. as the Company's independent auditor and the appointment of Rotenberg & Co. LLP as the Company's new independent auditor.

20

### 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.

DATE: August 15, 2005

BY: /s/ John G. Simmonds

-----  
John G. Simmonds  
CEO/Director

DATE: August 15, 2005

BY: /s/ Gary N. Hokkanen

-----  
Gary N. Hokkanen  
CFO

21