

Edgar Filing: INNOFONE COM INC - Form 10KSB/A

INNOFONE COM INC  
Form 10KSB/A  
September 06, 2005

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

Form 10-KSB/A #1  
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ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended June 30, 2004.

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

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

Commission file number: 0-31949

Innofone.com Incorporated  
-----  
(Name of Small Business Issuer)

Nevada

98-0202313

-----  
(State or other jurisdiction of incorporation  
or organization)

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

3470 Onley- Laytonsville Rd #118 Olney MD

20832

-----  
(Address of principal executive offices)

-----  
(Zip Code)

Issuer's telephone number: (301) 774-8294

Securities registered under Section 12(b) of the Exchange Act: None  
-----

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

Common Shares, \$ .001 par value  
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(Title of class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that 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



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companies that are involved in the technology and financial services. Innohone is actively seeking new investment opportunities in creating and or acquiring assets involved in the broad technology and financial market. Innohone currently has 5 employes on staff.

The company has no operating subsidiary, because of lack of capital it divested it self of CompuBec Micro Distribution Inc. ("Compubec") in early November 2002., As previously reported, our ex-sole operating subsidiary, Digital Micro Distribution Canada Inc., has been sold to Qvest Management Group effective June 11th, 2002. Compubec, Innohone.com Inc's sole subsidiary, plans to specialize in the disassembly and international distribution of used/refurbished, end of line new personal computers, servers, peripherals and components. Compubec's core business will act as a clearing house and distribution center for the hundreds of thousands of used off-lease computers, monitors and printers that are surplus to major Corporations on an annual basis. The ability of Compubec to execute its business plan was dependent upon raising capital to fund its startup and operational needs which never materialized.

Please see Item 6, "Management's Discussion and Analysis or Plan of Operation," for more information.

Item 2. Description of Property.  
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The Company does not own any real estate. The company is currently negotiating a lease for new office space.

Item 3. Legal Proceedings.  
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The Company does not currently have any pending legal proceedings. The company issued 80,000 shares to counsel for legal services. The value of which was \$5,000.

Item 4. Submission of Matters to a Vote of Security Holders.  
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Not Applicable.

PART II  
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Item 5. Market for Common Equity and Related Stockholder Matters.  
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The Company's common stock is currently traded on the National Association of Securities Dealers Over the Counter Bulletin Board ("OTC Bulletin Board"). The common stock had previously traded on the OTC Bulletin Board and was delisted on September 1, 1999. From September 1, 1999 until the Company's re-listing on the

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OTC Bulletin Board on March 27, 2001, its common stock traded in the over-the-counter market in the United States.

The closing price of The Company's common stock on the OTC Bulletin Board on September 30, 2003 was \$0.52 per share.

The price ranges of trading in The Company's common stock during the last two fiscal years and the subsequent interim period are as follows:

2000 ----	High ----	Low ---
7/1/00 - 9/30/00 (delisted)	.703	.250
10/1/00 - 12/31/00 (delisted)	.516	.156
2001 ----		
1/1/01 - 3/31/01 (delisted)	.344	.047
4/1/01 - 6/30/01	.1	.012
7/1/01 - 9/30/01	.14	.012
10/1/01 - 12/31/01	.12	.015
2002 ----		
1/1/02 - 3/31/02	.08	.015
4/1/02 - 6/30/02	.06	.011
7/1/02 - 9/30/02	.05	.006
10/1/02 - 12/31/02	.14	.001
2003 ----		
1/1/03 - 3/31/03	.51	.05
4/1/03 - 6/30/03	.50	.10
7/1/03 - 9/30/03	2.35	2.00
10/1/03 - 12/31/03	2.35	2.00
2004 ----		
1/1/04 - 3/31/04	2.50	2.35
4/1/04 - 6/30/04	2.50	2.35
7/1/04 - 9/30/04	2.50	2.35

Please note that quotations on the OTC Bulletin Board represent inter-dealer prices, without mark-ups, commissions, etc., and they may not necessarily be indicative of actual sales prices.

(b) As of June 30, 2004, we had 155 shareholders of record.

(c) We have not paid any cash dividends to date.

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FORWARD-LOOKING STATEMENTS  
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The following discussion of the financial condition and results of operations of the Company should be read in conjunction with the Consolidated Financial Statements and Notes thereto for the year ended June 30, 2004 included elsewhere in this Report. This Annual Report on Form 10-KSB includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Words such as "may," "plans," "expects," "anticipates," "approximates," "believes," "estimates," "intends," "hopes," "potential," or "continue", and variations of such words and similar expressions are intended to identify such forward-looking statements. The Company intends such forward-looking statements, all of which are qualified by this statement, to be covered by the safe harbor provisions for forward-looking statements contained in the Private Litigation Securities Reform Act of 1995 and is including this statement for purposes of complying with these safe harbor provisions. The Company has based these statements on its current expectations and projections about future events. These forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from those projected in these statements. Forward-looking statements include but are not limited to:

- o The Company's ability to raise financing and find suitable acquisitions.

Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's views only as of the date hereof. The Company is not obligated to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of the risks, uncertainties and assumptions to which the Company and such forward-looking statements are subject, the forward-looking events discussed in this Annual Report on Form 10-KSB might not occur.

The Company currently does not have sufficient funds with which to sustain its operations. It is has convert noteholders to equity common stock shareholders and the company is still waiting to see whether or not it will receive a dividend from the bankruptcy of its previously owned subsidiary, Innofone Canada. Which is highly unlikely.

The company changed its authorized share capital from 100,000,000 shares to 950,000,000 common shares. This was done in accordance to the companies by-laws as disclosed in it's latest 8-K dated August 12, 2002.

The company issued shares to the President and new chairman for salary and expense reimbursement due to the company's poor cash flow position total value of these expenses was \$330,000.

The Company is currently reviewing and implementing new disclosure controls and procedures to ensure that they fully comply with the new Securities Exchange Act Rules 13a-15 and 15d-15.

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(a) Plan of Operations

The company is in discussions with an several investors and acquisition candidates.

As reflected in Note 1 of the financial statements the Company currently has a going concern issue as there are insufficient assets or prospective cash flows to fund its liabilities. While the Company is hopeful that the capital and loan requirements can be achieved, there can be no assurance that they will be and consequently, it cannot be determined if the company will be able to meet its current or future obligations.

The Company's CEO and President Frederic Richardson is currently reviewing several acquisition candidates and funding sources. The company's Chairman is reviewing technology acquisitions and financing options. The company was successful in canceling most the debt on the books which was one of the major objectives of new management.

(b) Results of Operations

The company had no operations in 2004. Management is currently looking for outside directors and new management to help in securing additional financing for operations and viable acquisitions. To that end management has retained Frederic Richardson as its new President, CEO and CFO in addition Mr Jeffery Watson has become the company's chairman. The company hopes to make additional appointments to the Board of Directors and management over the next three months.

(c) Liquidity and Capital Resources

As previously mentioned, the company has a going concern issue as there are insufficient assets or prospective cash flows to fund its liabilities. The effect of this on the company being able to meet its current or future obligations cannot be determined at this time.

Item 7. Financial Statements.  
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The financial statements required by this Item 7 are included elsewhere in this Report and incorporated herein by this reference.

Item 8. Changes in and Disagreements with Accountants on Accounting and  
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Financial Disclosure.  
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There have been no changes in or disagreements with our accountants since the formation of the Company required to be disclosed pursuant to Item 304 of Regulation S-B.

The company was not in a financial position to pay the prior years auditor's fees, and consequently, they refused to provide any further audit services. The company retained the services of Danziger and Hochman chartered accountants to perform the current years audit. There were no changes in or disagreements with either the current or the prior years auditors relating to financial disclosure issues. The change of auditors was reported in the 8-K dated August 12, 2002.

PART III  
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Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance  
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with Section 16(a) of the Exchange Act.  
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COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT.

(a) Beneficial Ownership

Name	Number of Shares	Percentage of Ownership
Frederic Richardson Director, Officer	Failure to File No	Late Filings 1
Dick Swartzman Director, Officer	Number of Shares 0	Percentage of Ownership 0
	Failure to File No	Late Filings 0
Max Apple Director, Officer	Number of Shares 0	Percentage of Ownership 0
	Failure to File No	Late Filings 0
Ed Hutya Director, Officer	Number of Shares 0	Percentage of Ownership 0
	Failure to File No	Late Filings 0

None of the above officers and directors sold any common stock and therefore were not required to file forms relating to the sale of their stock.

The following table sets forth the current names and ages of the directors of the Company:

Name	Age	Position	Term	Period Served
-----	---	-----	----	-----
Jeffery Watson	46	Chairman	Annual	June01 to current

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Frederic Richardson	43	President	Annual	Nov 01 to current
Max Apple	61	Director	Annual	Nov 01 to current
Ed Hutya	53	Director	Annual	Nov 01 to current
Dick Swartzman	54	Director	Annual	Nov 01 to current

The following table sets forth the names and ages of the Company's current executive officers:

Name	Age	Position	Term	Period Served
-----	---	-----	----	-----
Jeffery Watson	46	Chairman	Annual	June01 to current
Frederic Richardson	43	President/Ceo	Annual	Nov 01 to current
Max Apple	61	COO	Annual	Nov 01 to current
Ed Hutya	53	Treasurer	Annual	Nov 01 to current
Dick Swartzman	54	Secretary	Annual	Nov 01 to current

Mr. Jeffrey H. Watson will be joining Innofone.com, Inc. as Chairman and CEO. Mr. Watson is currently a Managing Partner at J. Watson & Company, a Washington-based lobbying and consulting firm. Prior to his current position at J. Watson & Company, he worked as a Senior Consultant with the Jefferson Group in Washington, D.C., and was employed with Deloitte & Touche in Miami. Mr. Watson was a Senior Executive Assistant to the President for Inter-Governmental Affairs during the first term of the Clinton Administration, and he is a past President of the Young Democrats of America. Mr. Watson's experience and guidance will be an asset to the Innofone team.

Frederic Richardson, the President and director of Innofone since Nov 01 2002, has extensive experience in the computer distribution industry. He is a board experience in capital formation and running public companies. Richardson is the current chairman of another public company. He was the former chairman of life insurance company that was liquidated by the Pennsylvania Insurance Department In 1994. Without the prior approval of the Pa insurnace Department Mr Richardson can not hold a controlling position with any insurer for the next 5 years.

Mr. Maxwell W. Apple has been one of our directors since 2002, and has also served as our Secretary since 2002. Mr Apple is a former judge and currently a member of the Indiana Bar. He has been involved in various business ventures which include owning Nunur Corporation, a company which owned commercial and residential properties, being a partner in French Lick Springs Golf and Tennis Resort, L.P., and being the sole shareholder of The Paoli Corporation, a company specializing in the manufacturing of wood products and operating lumber dry kilns. He received his Juris Doctor Degree from the Indiana University School of Law and also attended the National College of the State Judiciary and Indiana Judicial College during.

Mr. Edward A. Hutya has been one of our directors since 2002. He also served as our vice president until September 2002. He is currently the president of the Center of Independent Living and a consultant to Riverside Healthcare foundation, two not-for-profit organizations. Mr. Hutya has many years of experience in the operations and acquisitions of health care properties. During his tenure as president of several not-for-profit corporations, Mr. Hutya



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directed corporate development for the acquisition of housing and nursing facilities for the elderly and special populations. Mr. Hutya also selected and hired management companies which operated nursing homes. Prior to his involvement with not-for-profit organizations, Mr. Hutya specialized in financing, including equipment, vehicles, real estate and governmental leasing and financing. Mr. Hutya received a degree in Economics from the University of Connecticut in 1965, and participated in graduate work in Urban Economics at American University.

Dick Swartzman has been a director since 2002. He has been a Washington Dc Attorney specializing in litigation for over 20 years.

Item 10. Executive Compensation.

COMPENSATION OF OFFICERS.

The Officers have not received any compensation during the last fiscal year and will not receive compensation until the Company is in a position to award compensation. The company has not made any arrangements to negotiate any fees at this time. The company will pay all operating personnel in stock until cash flow can sustain salaries. The company has issued over 3,600,000 restricted shares to management for salary and expense reimbursement.

COMPENSATION OF DIRECTORS.

There has not been any compensation paid to the directors of the company. Although the company plans to in the coming months.

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Item 11. Security Ownership of Certain Beneficial Owners and Management.

(a) Security ownership of certain beneficial owners.

(1) Title of Class	(2) Name and Address of Beneficial Owner	(3) Amount and Nature of Beneficial Owner	(4) Percent of C
Common shares	Frederic Richardson 3470 Olney Rd. Olney, MD 20832	1,250,000 Direct	17%
Common shares	Jeffery Watson	2,500,000 Direct	35%

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7 W. Jefferson Street  
Rockville Md 20850

(b) Security ownership of management.

(1) Title of Class	(2) Name and Address of Beneficial Owner	(3) Amount and Nature of Beneficial Owner	(4) Percent of Clas
Common shares	Frederic Richardson 3470 Olney Rd. Olney, MD 20832	1,250,000 Direct	17%
Common shares	Jeffery Watson 7 W. Jefferson Street Rockville Md 20850	2,500,000 Direct	35%

Item 12. Certain Relationships and Related Transactions.  
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None.

PART IV  
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Item 13. Exhibits and Reports on Form 8-K.  
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a) Exhibit Index

Exhibit No.	Description
3.1#	Certificate of Incorporation of the Registrant and all amendments thereto (originally filed as Exhibit 2.1)
3.2*	Bylaws of the Registrant, as currently in effect (originally filed as Exhibit 3.01(i))
3.3#	Specimen Common Stock Certificate (originally filed as Exhibit 3.1)

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- 10.1+ Agreement and Plan of Reorganization by and among the Company, Digital Micro Distribution Canada, Inc. and Sumit Majumdar dated August 31, 2001
- 10.2\* 1997 Compensatory Stock Option Plan (originally filed as Exhibit 10.04)
- 10.3\* 1997 Employee Stock Option Plan (originally filed as Exhibit 10.05)

# Filed as an exhibit to the Company's Registration Statement on Form 10-SB, as amended, file no. 0-31949, originally filed on November 14, 2000.

\* Incorporated by reference from the Company's registration statement on Form SB-2, as amended, file no. 333-94497, originally filed January 12, 2001.

+ Incorporated by Reference from the Company's Current Report on Form 8-K, file no. 0-31949, filed on September 25, 2001.

b) There were no Forms 8-K's filed during the last quarter of the Fiscal Year April 1, 2002 to June 30th 2002.

DOCUMENTS INCORPORATED BY REFERENCE

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The Company is currently subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and in accordance therewith files reports, proxy statements and other information with the SEC. Such reports, proxy statements and other information may be inspected and copied at the public reference facilities of the SEC at Judiciary Plaza, 450 Fifth Street, N.W., Washington D.C. 20549; at its New York Regional Office, 233 Broadway, New York, NY 10279; and at its Chicago Regional Office, 175 W. Jackson Boulevard, Suite 900, Chicago, IL 60604, and copies of such materials can be obtained from the Public Reference Section of the SEC at its principal office in Washington, D.C., at prescribed rates. In addition, such materials may be accessed electronically at the Commission's site on the World Wide Web, located at <http://www.sec.gov>. We intend to furnish our shareholders with annual reports containing audited financial statements and such other periodic reports as we may determine to be appropriate or as may be required by law.

SIGNATURES

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In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

INNOFONE.COM INCORPORATED

Dated: September 6, 2005

By: /s/ Frederic Richardson

-----

Frederic Richardson  
President and Director

INNOFONE.COM, INCORPORATED

Financial Statements  
(Stated in United States Dollars)

June 30, 2004

INNOFONE.COM, INCORPORATED

INDEX

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June 30, 2004

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AUDITORS' REPORT  
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To the Board of Directors and Shareholders of:  
INNOFONE.COM, INCORPORATED

We have audited the accompanying balance sheet of INNOFONE.COM, INCORPORATED as at June 30, 2004 and 2003, and the statements of operations, shareholders' deficit and cash flows for each of the years in the three-year period ended June 30, 2004. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Public Company Accounting Oversight Board (United States). 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 financial statements present fairly, in all material respects, the financial position of the company as at June 30, 2004 and 2003, and the results of its operations and their cash flows each of the years in the three-year period ended June 30, 2004, in conformity with Accounting principles generally accepted in the United States of America.

/s/ Danziger & Hochman

Toronto, Ontario  
October 7, 2004

Chartered Accountants

INNOFONE.COM, INCORPORATED  
 Balance Sheet  
 (Stated in United States Dollars)  
 As at June 30, 2004

Statement I

	2004	2003
<b>ASSETS</b>		
Investment in 908651 Alberta Ltd. (note 4)	\$ -	\$ 210,000
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	\$ -	\$ 316,572
<b>SHAREHOLDERS' DEFICIENCY</b>		
CAPITAL STOCK (note 3)		
Common shares	4,879,010	4,871,950
Additional paid-in capital	8,998,252	8,550,112
	13,877,262	13,422,062
(DEFICIT) - Statement II	(13,877,262)	(13,528,634)
	-	(106,572)
	\$ -	\$ 210,000

ON BEHALF OF THE BOARD:

Director



{See accompanying notes.}

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INNOFONE.COM, INCORPORATED  
Statement of Shareholders' Deficit  
(Stated in United States Dollars)

	Common Shares	Additional Paid-In Capital	Deficit	
BALANCE, June 30, 2001	\$ 4,773,965	\$ 7,098,052	\$ (13,654,877)	\$ (
Stock options exercised	475	(427)	-	
Convertible notes converted to stock	520	415,480	-	
Issuance of stock for Digital Micro Distribution Canada Inc.	67,000	-	-	
Issuance of stock for equipment	146	7,154	-	
Convertible notes converted to stock	666	199,334	-	
Net earnings	-	-	335,940	
BALANCE, June 30, 2002	4,842,772	7,719,593	(13,318,937)	
Convertible note converted to stock	2,300	647,700	-	
Issuance of shares for legal services	500	1,887	-	
Issuance of shares for consulting services	26,378	180,932	-	
Net loss	-	-	(209,697)	
BALANCE, June 30, 2003	4,871,950	8,550,112	(13,528,634)	
Issuance of shares for consulting services	7,060	448,140	-	
Net loss	-	-	(348,628)	
BALANCE, June 30, 2004	\$ 4,879,010	\$ 8,998,252	\$ (13,877,262)	\$

{See accompanying notes.}

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INNOFONE.COM, INCORPORATED  
 Statement of Operations  
 (Stated in United States Dollars)  
 For the Year Ended June 30, 2004

Stat

	2004	2003	2002
SALES	\$ -	\$ -	\$ -
EXPENSES			
Selling, general and administrative	455,200	209,697	
EXTRA-ORDINARY ITEMS			
Write-off of Investment in 908651 Alberta Ltd (note 4)	210,000	-	
Forgiveness of debt (recovery)	(316,572)	-	
Net gain on sale of Digital Micro Distribution Canada Incorporated	-	-	
Net (Loss) from Operations	(348,628)	(209,697)	
	(106,572)	-	

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NET INCOME (LOSS) FOR THE YEAR	\$	(348,628)	(209,967)	\$
=====				
BASIC NET INCOME (LOSS) PER SHARE (Note 8)	\$	(.07)	\$	(1.37)
=====				
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING		4,740,817	152,682	79
=====				

{See accompanying notes.}

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INNOFONE.COM, INCORPORATED  
Statement of Cash Flows  
(Stated in United States Dollars)  
For The Year Ended June 30, 2004

Sta

	2004	2003	2
=====			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net earnings (loss) for year	\$	(348,628)	\$
		(209,697)	\$
Issuance of shares for selling, general and administrative	455,200	209,697	
Write-off of Investment in 908651 Alberta Ltd	210,000	-	
Changes in non-cash working capital components			
- Prepaid expenses and deposits	-	-	
- Accounts payable and accrued liabilities	(316,572)	(104,000)	
	-	(104,000)	
=====			

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FINANCING ACTIVITIES

Bank indebtedness	-	-
Due to officers and directors	-	104,000
Issuance of capital stock	-	650,000
Convertible debt	-	(650,000)

- 104,000

INVESTING ACTIVITIES

Investment in 908651 Alberta Ltd.	-	-
Capital assets	-	-

- -

INCREASE IN CASH

- -

CASH, BEGINNING OF YEAR

- -

CASH, END OF YEAR

\$ - \$ - \$

{See accompanying notes.}

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INNOFONE.COM, INCORPORATED  
 Notes to the Financial Statements  
 (Stated in United States Dollars)  
 June 30, 2004

1. NATURE OF OPERATIONS

The Company was incorporated in Nevada on December 19, 1995 and is in the process of attempting to raise capital for future operations.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in conformity with accounting principles generally accepted in the United States of America and include the following significant accounting policies:

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Use of Estimates  
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The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Financial Instruments  
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Financial Instruments included in the balance sheet are accounts payable. Their carrying values approximate fair market value.

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INNOFONE.COM, INCORPORATED  
Notes to Financial Statements  
(Stated in United States Dollars)  
June 30, 2004  
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3. CAPITAL STOCK  
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The number of outstanding shares of the Company as at June 30, 2004 is computed as follows:

	Common
Outstanding Shares as at June 30, 2001	31,214,837
Shares issued in exchange for equipment	146,000
Options exercised	475,000

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Shares issued to DMD CANADA shareholders	67,000,000
Shares issued on conversion of debt	1,186,668
-----	
Outstanding Shares as at June 30, 2002	100,022,505
Shares issued in exchange for consulting fees	23,357,826
Shares issued in exchange for legal fees	500,000
Reverse stock split: 175 shares for one share	(123,172,444)
Share issuance on conversion of debt	2,300,000
Share issuance on exchange for consulting fees	3,021,800
Reverse stock split: 20 shares for one share	(5,728,203)
-----	
Outstanding shares as at June 30, 2003	301,484
Shares issuance on exchange for consulting fees	7,060,000
-----	
Outstanding shares as at June 30, 2004	7,361,484
=====	

The Company's authorized capital stock consists of 950,000,000 shares of common stock and 25,000,000 shares of preferred stock each with a par value of \$0.001 per share. There are no outstanding preferred shares at year end.

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INNOFONE.COM, INCORPORATED  
 Notes to Financial Statements  
 (Stated in United States Dollars)  
 June 30, 2004  
 =====

4. INVESTMENT IN 908651 ALBERTA LTD.  
 -----

The investment has been written-off to reflect the estimated fair market value.

5. BASIC NET LOSS PER SHARE  
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Basic net loss per share figures are calculated using the weighted average number of common shares outstanding computed on a daily basis. The effect of the conversion of the preferred shares on an if-converted basis and stock options has an anti-dilutive effect.

