

Edgar Filing: Midland International CORP - Form 10QSB

Midland International CORP
Form 10QSB
November 14, 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 September 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)

Nevada
(State or Other Jurisdiction of
Incorporation or Organization)

84-1517404
(I.R.S. Employer Identification No.)

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

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

N/A
(Former name, former address and former fiscal year, if changed
since last report)

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of November 11, 2005, the number of common stock outstanding was 30,828,000.

Transitional Small Business Disclosure format (Check one): Yes No

=====

Midland International Corporation

Edgar Filing: Midland International CORP - Form 10QSB

(A Development Stage Company)

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.....	19
PART II.	Other Information	
Item 1.	Legal Proceedings.....	20
Item 2.	Change in Securities and Use of Proceeds.....	20
Item 3.	Defaults Upon Senior Securities.....	20
Item 4.	Submission of Matters to a Vote of Security Holders.....	20
Item 5.	Other Information.....	20
Item 6.	Exhibits.....	20
	Signatures.....	21

2

PART I. Financial Information

Item 1. Condensed Financial Statements

Midland International Corporation
(A Development Stage Company)
Condensed Balance Sheet
September 30, 2005
(UNAUDITED)

September 30, 2005
(Unaudited)

ASSETS

Current Assets:

Cash and cash equivalents	\$	671
Inventory		49,500
Prepaid expenses		28,039

Total current assets		78,210
Tools and molds, net of accumulated amortization of \$0		25,000
Intangible assets (Note 5)		30,003

Edgar Filing: Midland International CORP - Form 10QSB

TOTAL ASSETS	\$ 133,213

LIABILITIES AND STOCKHOLDERS' DEFICIENCY	
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 92,695
Due to related parties (Note 4)	463,059

Total current liabilities	555,754
Stockholders' equity (deficit)	
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, 30,828,000 shares issued and outstanding at September 30, 2005	30,828
Additional paid-in capital	539,475
Accumulated deficit	(992,844)

Total stockholders' deficiency	(422,541)

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	\$ 133,213

See accompanying notes to financial statements.

3

Midland International Corporation
(A Development Stage Company)
Condensed Statements of Operations
(UNAUDITED)

	Three Months Ended September 30,		Six Mont Septem
	2005 ----	2004 ----	2005 ----
Revenues	\$ --	\$ --	\$ --
Operating expenses:			
Management fees	129,000	--	258,000
Office and general	7,376	57,752	11,617
Professional and consulting	74,704	--	138,858
Amortization	--	--	--

Total operating expenses	(211,080)	57,752	(408,475)

Net loss before interest and income taxes	(211,080)	(57,752)	(408,475)

Interest expense	6,779	--	6,779

Edgar Filing: Midland International CORP - Form 10QSB

Net loss before income taxes	(217,859)	(57,752)	(415,254)
Provision for income taxes (Note 7)	--	--	--
Net loss	\$ (217,859)	\$ (57,752)	\$ (415,254)
Weighted average number of common shares outstanding - Basic and diluted	30,512,239	24,000,000	30,249,311
Loss per share of common stock - Basic and diluted	\$ (0.01)	(\$ 0.00)	\$ (0.01)

See accompanying notes to financial statements.

4

Midland International Corporation
(A Development Stage Company)
Condensed Statement of Change in Stockholders' Deficiency
May 1, 1996 to September 30, 2005
(UNAUDITED)

	Common Stock		Additional Paid-in Capital	Accumulat Income (Defici
	Shares	Amount		
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	--	--	--	(19,000)
Balance, March 31, 2004	24,000,000	\$ 24,000	(23,700)	(19,000)
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 to private placements	1,250,000	1,250	213,750	
Common stock issued for consulting services provided	650,000	650	64,350	

Edgar Filing: Midland International CORP - Form 10QSB

Net loss for the year ended March 31, 2005	--	--	--	(558,
	-----	-----	-----	-----
Balance, March 31, 2005	28,978,000	\$ 28,978	416,325	(577,
	-----	-----	-----	-----
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	
Common stock issued for consulting services provided	350,000	350	64,650	
Net loss for the period ended September 30, 2005	--	--	--	(415,
	-----	-----	-----	-----
Balance, September 30, 2005	30,828,000	\$ 30,828	539,475	(992,
	=====	=====	=====	=====

See accompanying notes to financial statements.

5

Midland International Corporation
(A Development Stage Company)
Condensed Statements of Cash Flows
(UNAUDITED)

	Six Months Ended September 30,		May 1, (Inception) to September 30, 2004
	2005	2004	2004
	----	----	----

Net cash used in operations			
Net loss	\$ (415,254)	\$ (76,506)	\$ (992,844)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization	--	--	50
Common stock for consulting services provided	80,000	--	133,583
Changes in operating assets and liabilities:			
Prepaid expenses	(1,372)	--	(1,372)
Accounts payable and accrued liabilities	22,564	23,969	92,695
	-----	-----	-----
Net cash used in operating activities	(314,062)	(52,537)	(767,888)
	-----	-----	-----
Cash flows provided by financing activities:			
Issuance of common shares	60,000	--	275,000

Edgar Filing: Midland International CORP - Form 10QSB

Proceeds from related parties	206,451	45,037	493,559
Net cash provided by financing activities:	266,451	45,037	768,559
Increase in cash	(47,611)	(7,500)	671
Cash, beginning of period	48,282	7,500	--
Cash, end of period	\$ 671	\$ --	\$ 671

Supplemental Cash Flow Information:

	Six Months Ended September 30,		May (Inception) September
	2005	2004	200
Income Taxes Paid	\$ --	\$ --	\$
Interest Paid	\$ --	\$ --	\$
Non-Cash Investing and Financing Activities			
Exchange of debt for equity	\$ --	\$ --	\$ 30
Shares issued as consideration for assets purchased	\$ --	\$ --	\$ 74
Issuance of common stock for services	\$ --	\$ --	\$ 60
Common stock issued for consulting services provided	\$ 65,000	\$ --	\$ 130

See accompanying notes to financial statements.

6

Midland International Corporation
(A Development Stage Company)

Notes to the Condensed Financial Statements
September 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 \$133,213, had a working capital deficit of \$477,544 and a deficit of \$992,844 at September 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 September 30, 2005, the Company's operations were funded

Edgar Filing: Midland International CORP - Form 10QSB

by 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 U.S. 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 September 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 it 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").

Note 2 - Recent developments

Corporate name and stock symbol change

7

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

Edgar Filing: Midland International CORP - Form 10QSB

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 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. All inventories held by the Company at September 30, 2005 were finished goods.

8

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 revenues to current and anticipated revenues from such software, whichever

Edgar Filing: Midland International CORP - Form 10QSB

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.

Foreign Currency Translation

Edgar Filing: Midland International CORP - Form 10QSB

The functional currency of the Company is the 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 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 behalf of the Company. The notes are unsecured and contain no formal repayment terms; however interest amounting to \$6,779 has been imputed at prime + 2% on the average balances for the current quarter. At September 30, 2005, net payables to related parties amounted to \$463,059. Related parties of the Company include shareholders and entities under common management.

10

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

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

Wireless Age Communications, Inc. including wholly owned subsidiaries	\$ 370,154
Simmonds Management Mercantile Inc.	92,905

	\$ 463,059

Note 5 - Intangible Assets

Edgar Filing: Midland International CORP - Form 10QSB

At September 30, 2005, intangible assets consisted of:

	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; a general lack of interest for any reason in going public by means of transactions involving public blank check companies; federal or state laws or regulations having an adverse effect on blank check companies, Securities and Exchange Commission regulations which affect trading 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:

Edgar Filing: Midland International CORP - Form 10QSB

	September 30, 2005 ----	September 30, 2004 ----
Deferred tax assets (liabilities)		
Net operating loss carryforwards	300,000	30,000
Valuation allowance	(300,000)	(30,000)

Net deferred tax assets (liability)	-	-

At September 30, 2005 the Company has net operating loss carryforwards of \$986,000. If not used, the carryforwards will expire as follows:

2024	19,000
2025	558,000
2026	409,000

	986,000
	=====

12

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

Disclosure Regarding Forward Looking Statements

This quarterly report contains certain forward-looking statements that are based on current expectations, estimates and projections about the industries in which we operate and management's beliefs and assumptions. Forward-looking statements are generally accompanied by words, such as "anticipates," "intends," "plans," "believes," "seeks," "estimates" or similar expressions. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which we refer to as "future factors," which are difficult to predict. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. Future factors that could cause our results to differ materially from the results discussed in such forward-looking statements are discussed below. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Background

The Company 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 September 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.

Plan of Operations

The current cash resources are insufficient to support the business over the next 12 months and the Company will be unable to carry out any plan of business without funding. The Company cannot predict to what extent its current lack of

Edgar Filing: Midland International CORP - Form 10QSB

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.

13

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 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.

Going Concern Qualification

The Company has incurred significant losses from operations for the quarter ended September 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.

Results of Operations

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

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

The Company incurred office and general expenses of \$7,376 in the three month period ended September 30, 2005 compared to \$57,752 in the same period ended September 30, 2004. Office and general expenses include travel, communications and other similar costs associated with operating the business in its current state of evolution.

Edgar Filing: Midland International CORP - Form 10QSB

The Company incurred management fees of \$129,000 in the three month period ended September 30, 2005 compared to \$0 in the same period ended September 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, and other managerial level accounting and finance personnel, and \$9,000 paid to David Sardon, Chairman of the Board of Directors, for strategic consulting services.

The Company also incurred professional and consulting fees of \$74,704 in the three month period ended September 30, 2005 compared to \$0 in the same period ended September 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 \$26,106 and consulting fees of \$8,598.

14

The loss on operations was (\$217,859) in the three month period ended September 30, 2005 compared to (\$57,752) the same period ended September 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.

RESULTS OF OPERATIONS FOR SIX MONTH PERIOD ENDED SEPTEMBER 30, 2005 AS COMPARED TO THE SIMILAR PERIOD ENDED SEPTEMBER 30, 2004

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

The Company incurred office and general expenses of \$11,617 in the six month period ended September 30, 2005 compared to \$76,506 in the same period ended September 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 \$258,000 in the six month period ended September 30, 2005 compared to \$0 in the same period ended September 30, 2004. Management fees consisted of \$120,000 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, \$120,000 paid to Wireless Age Communications, Inc. also a related party due to certain common officers, directors and ownership, and other managerial level accounting and finance personnel, and \$18,000 paid to David Sardon, Chairman of the Board of Directors, for strategic consulting services.

The Company also incurred professional and consulting fees of \$138,858 in the six month period ended September 30, 2005 compared to \$0 in the same period ended September 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, \$30,000 of which has been expensed in the current six month period, technology development costs associated with a new application of

Edgar Filing: Midland International CORP - Form 10QSB

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 \$50,000 has been expensed in the current six month period.

The loss on operations was (\$415,254) in the six month period ended September 30, 2005 compared to (\$76,506) the same period ended September 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.

15

Intangible Assets

The Company regularly reviews all of its long-lived assets, including 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 assumptions to change, charges may be required which could be material.

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

Edgar Filing: Midland International CORP - Form 10QSB

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 \$133,213 at September 30, 2005. The decrease in total assets during the quarter ended September 30, 2005 is the result of a decrease in the cash and prepaid expenses.

16

Tools and molds, net of accumulated depreciation of \$0 remained the same at \$25,000 as no depreciation was taken during the quarter ended September 30, 2005. Depreciation was not taken due to the Company not manufacturing any products during the period.

Intangible assets totaling \$30,003 that were acquired during the previous year were still carried at cost on the balance sheet at September 30, 2005. These intangible assets include software development costs, patents, licenses and other assets. Amortization expense was not recorded on software development costs because the software has not yet been fully developed.

Total liabilities of the Company increased from \$326,739 at March 31, 2005 to \$555,754 at September 30, 2005. The increase is the result of an increase in accounts payables and additional 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 (\$422,541) at September 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 \$125,000. (See Statement of Stockholders' Equity contained in the financial statements).

The Company's accumulated deficit increased from (\$577,590) at March 31, 2005 to (\$992,844) at September 30, 2005 as a result of the (\$415,254) loss for the six month period.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2005, the Company had a working capital deficit of \$477,544. The Company had a bank balance of \$671 at September 30, 2005 arising from expenditures on operating expenses and equity private placements completed. The Company also expects to rely 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 \$92,695 the Company also owes related

Edgar Filing: Midland International CORP - Form 10QSB

companies \$463,059. 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.

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 rent for the premises.

17

Off-Balance Sheet Arrangements

The Company does not have any material off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on its financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

18

Item 3. Controls and Procedures

We have performed an evaluation under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act). Based on that evaluation, our management, including our chief executive officer and chief financial officer, concluded that, as of September 30, 2005, our disclosure controls and procedures were effective in ensuring that all material information required to be disclosed in reports filed or submitted by us under the Exchange Act is made known to them in a timely fashion.

During the quarter ended September 30, 2005, there were no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

19

PART II. Other Information

Item 1. Legal Proceedings

None

Edgar Filing: Midland International CORP - Form 10QSB

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

On September 22, 2005 the Company issued 350,000 shares of common stock to Phantom Fibre Corporation, valued at a total of \$65,000. These shares were issued as the final instalment for services and assets received in a previous quarter. The issuance of the foregoing securities by the Company was a private transaction made in reliance on Section 4(2) of the Securities Act of 1933, as amended.

Item 3. Defaults Upon Senior Securities

None.

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

None.

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

Exhibit No.	Description
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.

(b) Reports on Form 8-K.

On July 21, 2005, the Company filed a Form 8-K with the Commission in connection with the change of the Company's name from Azonic Corporation to Midland International Corporation, and the change of the Company's stock symbol to MLIC.

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.

Midland International Corporation

Date: November 14, 2005

By: /s/ John G. Simmonds

Name: John G. Simmonds
Title: CEO/Director

Date: November 14, 2005

By: /s/ Gary N. Hokkanen

Name: Gary N. Hokkanen

Title: CFO