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CUSTOM BRANDED NETWORKS INC  
Form 10KSB  
October 13, 2004

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

FORM 10KSB

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the fiscal year ended June 30, 2004  
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TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 0-28535  
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CUSTOM BRANDED NETWORKS, INC.  
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(Exact name of Registrant as specified in its charter)

NEVADA  
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(State or other jurisdiction of  
incorporation or organization)

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

(Address of principal executive offices)

91-1975651  
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(I.R.S. Employer  
Identification Number)

V7K 1B6  
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(Zip Code)

Registrant's telephone number, including area code: (604) 904-6949  
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Securities registered pursuant to Section 12(b) of the Act: none

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

Check whether the issuer (1) has filed all reports required to be filed by  
Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such  
shorter period that the registrant was required to file such reports), and (2)  
has been subject to such filing requirements for the past 90 days.  Yes  
 No

Check if there is no disclosure of delinquent filers in response to Item 405 of  
Regulation S-B is not contained in this form, and no disclosure will be  
contained, to the best of registrant's knowledge, in definitive proxy or  
information statements incorporated by reference in Part III of this Form 10-KSB  
or any amendment to this Form 10-KSB.

Revenues for the fiscal year ending June 30, 2004 were \$ 0.

The aggregate market value of the voting stock held by non-affiliates computed  
by reference to the last reported sale price of such stock as of October 13,  
2004 is \$ 529,337.

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The number of shares of the issuer's Common Stock outstanding as of June 30, 2004 is 38,372,532.

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

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### PART I

#### ITEM 1. DESCRIPTION OF BUSINESS

##### Corporate History

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

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

On February 2, 2001, the Company acquired 100% of the issued and outstanding capital stock of Custom Branded Networks, Inc., a Delaware corporation in exchange for 25,000,000 common shares of the Company. The Company then changed its name to Custom Branded Networks, Inc.

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

However, even though the business plan of the Company called for the Company to provide turnkey private label Internet solutions to businesses and private organizations that desired to affiliate with a customer base via the Internet, the business did not develop as rapidly as we had originally anticipated. We succeeded in signing up one customer and the deployment of the Internet services for this customer never occurred. It now appears that we will not be able to develop this business plan to commercial viability.

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

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

### New Developments

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

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

### Employees

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

### Government Regulations

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

### Research and Development Expenditures

During the fiscal year ended June 30, 2004, we did not incur any research or development expenditures.

### Subsidiaries

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

### Patents and Trademarks

We do not own, either legally or beneficially, any patent or trademark.

### ITEM 2. DESCRIPTION OF PROPERTY

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

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### ITEM 3. LEGAL PROCEEDINGS

CBN is not a party to any legal proceedings.

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

There were no matters submitted to a vote of the share holders during the fiscal year ended June 30, 2004.

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## PART II

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

The common shares of the Company are listed on the OTC Bulletin Board under the symbol CBNK.OB. Following is the high and low sales prices for each quarter beginning with the third calendar quarter of 2002 through June 30, 2004. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

Quarter	High	Low
-----	-----	-----
Jul - Sep 2002	0.04	0.005
Oct - Dec 2002	0.031	0.01
Jan - Mar 2003	0.09	0.009
Apr - Jun 2003	0.09	0.025
Jul - Sep 2003	0.05	0.01
Oct - Dec 2003	0.05	0.02
Jan - Mar 2004	0.05	0.02
Apr - Jun 2004	0.02	0.02

On the date of this filing, being October 13, 2004, the best bid price of our common shares is \$0.017 and the best ask price is \$0.020.

At June 30, 2004 there were approximately 60 record holders of CBN's Common Stock.

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

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

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

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

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

#### PLAN OF OPERATIONS:

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At June 30, 2004, the Company had cash of \$0.00. To sustain the business operations of the Company, the Company must obtain additional capital. The Company's current plans

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are to borrow money as needed to sustain current operations. Since inception, the Company has executed \$1,000,000 in the aggregate principal amount of convertible notes. The Company has received \$892,119 in advances against the notes through June 30, 2004. The Company hopes to obtain additional advances against the notes in order to sustain the business operations of the Company. However, the holder of the notes is not obligated to fund the notes further and may not be willing to do so, in which event the Company will need to obtain funding from some other source.

During the fiscal year ended June 30, 2004, we incurred expenses of \$95,430.00. This is down \$46,803 from the \$142,233.00 in expenses incurred during the fiscal year ended June 30, 2003. However, during the fiscal year ended June 30, 2003, \$50,000.00 was a payment toward the acquisition of six mineral properties in Mongolia. The decision by management to acquire these properties is a departure from the pursuit of continued development of the business plan of the Company to provide certain Internet solutions to businesses and private organizations. It is the intention of management to pursue avenues that will allow the Company to begin to investigate the potential for developing the mineral properties. This is our current business plan, to focus on the acquisition and development of mineral interests during the next 12 months and beyond.

#### Forward-Looking Statements:

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

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### ITEM 7. FINANCIAL STATEMENTS

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

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003  
(STATED IN U.S. DOLLARS)

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MORGAN  
& COMPANY

INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Custom Branded Networks, Inc.  
(An exploration stage company)

We have audited the consolidated balance sheets of Custom Branded Networks, Inc. (an exploration stage company) as at June 30, 2004 and 2003, and the consolidated statements of operations, cash flows and stockholders' deficiency for the years then ended, and for the period from inception on June 28, 1999 to June 30, 2004. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of 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 consolidated 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, cash flows, and changes in stockholders' deficiency for the years then ended, and for the period from inception on June 28, 1999 to June 30, 2004 in conformity with United States generally accepted accounting principles.

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

Vancouver, Canada

/s/ Morgan & Company

September 27, 2004

Chartered Accountants

Tel: (604) 687-5841  
Fax: (604) 687-0075  
www.morgan-cas.com

Member of  
ACPA  
International

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

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

	JUNE 30	
	2004	2003
	-----	-----
ASSETS		
CURRENT		
Cash . . . . .	\$ -	\$ 894
EQUIPMENT, net . . . . .	774	967
	-----	-----
	\$ 774	\$ 1,861
=====		
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities . . . . .	\$ 323,663	\$ 316,398
CONVERTIBLE NOTE PAYABLE, net of discount (Note 3) . . . . .	449,306	388,029
	-----	-----
	772,969	704,427
-----		
STOCKHOLDERS' DEFICIENCY		
SHARE CAPITAL		
Authorized:		
50,000,000 common shares with a par value of \$0.001 per share at June 30, 2004 and 2003		
Issued and outstanding:		
38,372,532 common shares at June 30, 2004 and 2003 . . . . .	38,373	38,373
Additional paid-in capital . . . . .	636,281	632,980
DEFICIT ACCUMULATED DURING THE EXPLORATION STAGE . . . . .	(1,446,849)	(1,351,419)
OTHER . . . . .	-	(22,500)
	-----	-----
	(772,195)	(702,566)
-----		
	\$ 774	\$ 1,861
=====		

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

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

	YEARS ENDED		INCEPTION
	JUNE 30		JUNE 28
	2004	2003	1999 TO
			JUNE 30
			2004
REVENUE . . . . .	\$ -	\$ -	\$ 184,162
EXPENSES			
Administrative expenses . . . . .	39,574	47,041	1,431,322
Interest expense . . . . .	55,856	45,192	137,244
Mineral property payment . . . . .	-	50,000	50,000
Write down of equipment . . . . .	-	-	12,445
	(95,430)	142,233	1,631,011
NET LOSS FOR THE YEAR . . . . .	\$ (95,430)	\$ (142,233)	\$ (1,446,849)
NET LOSS PER SHARE, BASIC AND DILUTED . . . . .	\$ (0.01)	\$ (0.01)	
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING, Basic and diluted . . . . .	38,372,532	36,030,066	

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

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

YEARS ENDED	INCEPTION
	JUNE 28
	1999 TO

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	JUNE 30		JUNE 30
	2004	2003	2004
-----			
OPERATING ACTIVITIES			
Loss for the year . . . . .	\$ (95,430)	\$ (142,233)	\$ (1,446,849)
ADJUSTMENTS TO RECONCILE LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
Shares issued for other than cash	22,500	22,500	45,000
Amortization . . . . .	193	845	3,039
Amortization of interest . . . . .	55,178	45,192	136,566
Write down of equipment . . . . .	-	-	12,445
Change in accounts payable and accrued liabilities . . . . .	7,265	8,538	323,663
	(10,294)	(65,158)	(926,136)
-----			
INVESTING ACTIVITY			
Purchase of equipment . . . . .	-	-	(1,808)
-----			
FINANCING ACTIVITIES			
Proceeds from loan payable to shareholder . . . . .	-	-	16,097
Issue of common shares . . . . .	-	-	18,950
Note payable advances . . . . .	9,400	65,150	892,119
Cash acquired on acquisition of subsidiary . . . . .	-	-	778
	9,400	65,150	927,944
-----			
DECREASE IN CASH . . . . .	(894)	(8)	-
CASH, BEGINNING OF YEAR . . . . .	894	902	-
-----			
CASH, END OF YEAR . . . . .	\$ -	\$ 894	\$ -
=====			

SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES:

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

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

CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIENCY

PERIOD FROM INCEPTION ON JUNE 28, 1999 TO JUNE 30, 2004  
(STATED IN U.S. DOLLARS)

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	COMMON SHARES	STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	OTHER	DEFICIT ACCUMULATED DURING THE EXPLORATION STAGE	TOTAL
Issuance of shares to founders . . . . .	3,465	\$ 3	\$ 18,947	\$ -	\$ -	\$ 18,950
Net loss for the period. . .	-	-	-	-	(159,909)	(159,909)
Balance, June 30, 2000 . . .	3,465	3	18,947	-	(159,909)	(140,959)
Repurchase of common stock by consideration of forgiveness of loan payable to shareholder . . .	(1,445)	(1)	16,098	-	-	16,097
	2,020	2	35,045	-	(159,909)	(124,862)
Adjustment to number of shares issued and outstanding as a result of the reverse take-over transaction						
Custom Branded Networks, Inc. . . . .	(2,020)	(2)	2	-	-	-
Aquistar Ventures (USA) Inc. . . . .	15,463,008	15,463	(15,463)	-	-	-
	15,463,008	15,463	19,584	-	(159,909)	(124,862)
Shares allotted in connection with the acquisition of Custom Branded Networks, Inc. . .	25,000,000	25,000	(9,772)	-	-	15,228
Less: Allotted and not yet issued . . . . .	(8,090,476)	(8,090)	8,090	-	-	-
Common stock conversion rights. . . . .	-	-	421,214	-	-	421,214
Net loss for the year. . . . .	-	-	-	-	(723,239)	(723,239)
Balance, June 30, 2001 . . .	32,372,532	32,373	439,116	-	(883,148)	(411,659)
Additional shares issued in connection with the acquisition of Custom Branded Networks, Inc.. . .	1,500,000	1,500	(1,500)	-	-	-
Common stock conversion rights. . . . .	-	-	109,748	-	-	109,748
Net loss for the year. . . . .	-	-	-	-	(326,038)	(326,038)
Balance, June 30, 2002 . . .	33,872,532	33,873	547,364	-	(1,209,186)	(627,949)

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

CONSOLIDATED STATEMENT OF SHAREHOLDERS' DEFICIENCY (CONTINUED)

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PERIOD FROM INCEPTION ON JUNE 28, 1999 TO JUNE 30, 2004  
(STATED IN U.S. DOLLARS)

COMMON STOCK	PAID-IN	ADDITIONAL				DEFICIT ACCUMULATED DURING THE	
		SHARES	EXPLORATION AMOUNT	CAPITAL	OTHER	STAGE	TOTAL
Balance, June 30, 2002 .		33,872,532	\$33,873	\$547,364	\$ -	\$(1,209,186)	\$(627,949)
Issue of common stock for deferred compensation expense .		4,500,000	4,500	40,500	(45,000)	-	-
Amortization of deferred compensation . . . . .		-	-	-	22,500	-	22,500
Common stock conversion rights . . . . .		-	-	45,116	-	-	45,116
Net loss for the year . .		-	-	-	-	(142,233)	(142,233)
Balance, June 30, 2003 .		38,372,532	38,373	632,980	(22,500)	(1,351,419)	(702,566)
Amortization of deferred compensation . . . . .		-	-	-	22,500	-	22,500
Common stock conversion rights . .		-	-	3,301	-	-	3,301
Net loss for the year . .		-	-	-	-	(95,430)	(95,430)
Balance, June 30, 2004 .		38,372,532	\$38,373	\$636,281	\$ -	\$(1,446,849)	\$(772,195)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003  
(STATED IN U.S. DOLLARS)

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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### Going Concern

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

As shown in the accompanying financial statements, the Company has incurred a net loss of \$1,446,849 since inception, and has no sales. The future of the Company is dependent upon its ability to obtain financing and upon future profitable operations from the development of its mineral claims. Management has plans to seek additional capital through a private placement and public offering of its common stock. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

### 2. SIGNIFICANT ACCOUNTING POLICIES

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

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

#### a) Consolidation

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

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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003  
(STATED IN U.S. DOLLARS)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### b) Use of Estimates

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

#### c) Equipment

Equipment is recorded at cost and is amortized over its useful life at a rate of 20% on a declining balance basis.

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### d) Income Taxes

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

### e) Mineral Claim Payments and Exploration Costs

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

### f) Financial Instruments

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

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

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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003  
(STATED IN U.S. DOLLARS)

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### g) Stock Based Compensation

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

The Company has not granted any stock options during the years ended June 30, 2004 and 2003.

### h) Loss Per Share

The Company computes net loss per share in accordance with SFAS No. 128 - "Earnings Per Share". Under the provisions of SFAS No. 128, basic loss per share is computed using the weighted average number of common stock outstanding during the periods. Diluted loss per share is computed using the weighted

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average number of common and potentially dilutive common stock outstanding during the period. As the Company generated net losses in each of the periods presented, the basic and diluted net loss per share is the same as any exercise of options or warrants would anti-dilutive.

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

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

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

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003  
(STATED IN U.S. DOLLARS)

### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### j) New Accounting Pronouncements

In May 2003, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 150 - "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity". SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). The requirements of SFAS No. 150 apply to issuers' classification and measurement of freestanding financial instruments, including those that comprise more than one option or forward contract. SFAS No. 150 does not apply to features that are embedded in a financial instrument that is not a derivative in its entirety. SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatorily redeemable

financial instruments of non-public entities. It is to be implemented by reporting the cumulative effect of a change in an accounting principle for financial instruments created before the issuance date of SFAS No. 150 and still existing at the beginning of the interim period of adoption. Restatement is not permitted. The adoption of this standard did not have a material effect on the Company's results of operations or financial position.

### 3. CONVERTIBLE NOTE PAYABLE

On January 31, 2002, the Company executed \$1,000,000 aggregate principal amount

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of convertible notes due not earlier than January 31, 2009. The Company has received \$892,119 in advances through to June 30, 2004. The notes bear no interest until the maturity date, and interest at 5% per annum on any remaining principal balance after the maturity date. The notes are convertible, at the option of the holder, at any time on or prior to maturity, into shares of the Company's common stock at a conversion price of \$0.05 per share, and each converted share includes a warrant to purchase an additional share of common stock at an exercise price of \$0.05 per share. The warrants expire three years from the grant day.

Because the market interest rate on similar types of notes was approximately 14% per annum the day the notes were issued, the Company has recorded a discount of \$579,378 related to the beneficial conversion feature. The discount will be amortized as interest expense over the life of the convertible notes, or sooner upon conversion. During the year, the Company recorded interest expense of \$55,178.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003  
(STATED IN U.S. DOLLARS)

4. MINERAL PROPERTIES

On February 5, 2003, the Company entered into an agreement to acquire 100% interest in mineral properties located in outer Mongolia by making a cash payment of \$50,000 (paid) and issuing 5,000,000 common shares, as such time as legal title to the mineral property is delivered. As at June 30, 2004, the Company has not received legal title to the mineral property.

5. RELATED PARTIES

As at June 30, 2004, an amount of \$303,526 (2003 - \$303,526) is due to officers and directors, and it is included in accounts payable and accrued liabilities.

6. INCOME TAX LOSSES

The Company's provision for income taxes differs from the amounts computed by applying the United States federal statutory income tax rates to the loss as a result of the following:

	2004 =====	2003 =====
Statutory rates . . . . .	35%	35%
Recovery of income taxes computed at statutory rates	\$(33,000)	\$(50,000)
Mineral property . . . . .	1,000	5,000
Tax benefit not recognized on current year's losses.	32,000	45,000

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 \$ - \$ -  
 =====

The tax effects of temporary timing differences that give rise to significant components of the future tax assets and future tax liabilities are as follows:

	2004	2003
	=====	=====
Net operating loss carry forward	\$ 500,000	\$ 468,000
Mineral property . . . . .	4,000	5,000
Less: Valuation allowance . . .	(504,000)	(473,000)
	-----	-----
Deferred tax asset . . . . .	\$ -	\$ -
	=====	=====

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004 AND 2003  
 (STATED IN U.S. DOLLARS)

6. INCOME TAX LOSSES (Continued)

At June 30, 2004, the Company has net operating losses of approximately \$1,428,000, which may be carried forward to apply against future years' income for tax purposes expiring as follows:

2020	\$160,000
	=====
2021	\$723,000
2022	\$326,000
2023	\$127,000
2024	\$ 92,000

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

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

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### ITEM 8A. CONTROLS AND PROCEDURES.

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

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

### PART III

### ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

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

Name	Age	Position (1)	Since
----	---	-----	-----
Paul G. Carter	42	President, Secretary, Treasurer, Director	2002

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

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

### SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

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

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

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ITEM 10. EXECUTIVE COMPENSATION

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

Annual Compensation Table

Name	Title	Fiscal Year	Annual Compensation			Long Term Compensation			
			Salary	Bonus	Other Annual Compensation	Restricted Stock Awarded	Options/SARs (#)	LTIP payouts (\$)	All Other Compensation
Paul G. Carter	CEO and Director	2002-2003	0	0	0	0	0	0	0
		2003-2004	0	0	0	0	0	0	0

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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

Name and Address	Common Shares	Percent of Class
Paul G. Carter 821 E. 29th North Vancouver, B.C. V7K 1B6	0	0%
Power Products Australia Pty Ltd. 200-220 Toogood Road Bayview Heights, Cairns 4870 Queensland, Australia	7,235,026	19.0%
OTC Investments, Ltd. 1710-1177 West Hastings Street Vancouver, B.C. V6E 2L3	17,842,380 (1)	32.0%
All Executive officers and Directors as a Group (one)	0	0%

(1) OTC Investments, Ltd. does not hold any shares directly but is the beneficial holder of the shares as the holder of a senior security with the right to convert to 17,842,380 common shares within 60 days.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

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Effective January 31, 2002, the Company, restructured its debt with OTC Investments, Ltd. ("OTC Investments") at 1710-1177 West Hastings Street, Vancouver, B.C. V6E 2L3. The restructuring was necessary to obtain additional financing from OTC Investments to stabilize the current financial position of the Company. The Company issued two convertible promissory notes (the "Notes") to OTC Investments. Each of the Notes is in the face amount of \$500,000. One of the Notes, however, is structured as a line of credit against which approximately \$392,119 has been drawn at the present time. The Notes replaced a convertible note then held by OTC Investments in the face amount of \$750,000. The Notes also documented additional financing that OTC Investments had extended to the Company over the \$750,000 amount. The restructuring allows OTC Investments to extend additional financing to the Company at OTC Investment's discretion until a total of \$1,000,000, or the full face amount of both of Notes is reached. At OTC Investment's option, the Notes, or any portion thereof, are convertible into common shares of the Company at the rate of \$0.05 of the principal balance of the Notes per common share. The conversion rate of \$0.05 is not altered by any reverse split of the common shares or any recapitalization or other roll back of the equity capital of the Company. At June 30, 2004, the total advances received on the Notes totaled in the aggregate \$892,119.

### PART IV

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

(a) Reports on Form 8-K

None

(b) Exhibits

- 3.1. Articles of Incorporation (1)
- 3.2. By-laws (1)
- 14.1 Code of Ethics
- 21.1 Subsidiaries (2)
- 31.1 Certification of CEO and CFO pursuant to Securities Exchange Act rules 13a-15 and 15d-15(c) as adopted pursuant to section 302 of the Sarbanes-Oxley act of 2002.
- 32.1 Certification of CEO and CFO pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002.

(1) Previously filed as an exhibit to the Form 10SB on December 17, 1999.

(2) As filed with Form 10-KSB for the fiscal year ended June 30, 2001.

#### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

##### AUDIT FEES

The aggregate fees billed by our auditors for professional services rendered in connection with the audit of our annual financial statements for the fiscal year ended June 30, 2003 was CAN\$5,950. The aggregate fees billed by our auditors for professional services rendered in connection with the audit of our annual

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financial statements for the fiscal year ended June 30, 2004 was CAN\$4,500.

AUDIT-RELATED FEES

Our auditors did not bill any additional fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements.

TAX FEES

The aggregate fees billed by our auditors for professional services for tax compliance, tax advice, and tax planning were \$0 and \$0 for the fiscal years ended June 30, 2003 and 2004.

ALL OTHER FEES

The aggregate fees billed by our auditors for all other non-audit services, such as attending meetings and other miscellaneous financial consulting, for the fiscal years ended June 30, 2003 and 2004 were \$0 and \$0 respectively.

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SIGNATURES

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

CUSTOM BRANDED NETWORKS, INC.

By: /s/ Paul G. Carter

-----  
Paul G. Carter, Chief Executive Officer  
Director  
Date: October 13, 2004

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

By: /s/ Paul G. Carter

-----  
Paul G. Carter, President,  
Secretary and Treasurer and Sole Director  
(Principal Executive Officer)  
(Principal Financial Officer)  
(Principal Accounting Officer)  
(Director)  
Date: October 13, 2004

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