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

FORM 10-KSB/A
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

4/95 Salmon Street, Port Melbourne, Victoria
Australia, 3207
(Address of principal executive offices) (Zip Code)
Issuer's telephone number: 011 61 3 8645 4340
Securities registered under Section 12(b) of the Exchange Act:

Title of Each Class	Name of Each Exchange on Which Registered
NONE	NONE

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

Common Stock, $0.001 par value
(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 [X] NO []

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of the 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. [ ]

The aggregate market value of the voting common stock held by non-affiliates of the registrant as of May 9, 2006 was approximately $380,646 based on 400,680 shares of common stock. The number of shares of Common Stock of the registrant outstanding on May 9, 2006 was 257,400,680.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

HISTORY

Australian Forest Industries f/k/a Multi-Tech International, Corp., hereinafter referred to as "the Company", "we' or "us", was originally organized by the filing of Articles of Incorporation with the Secretary of State of the State of Nevada on September 21, 1998 under the name Oleramma, Inc. The Articles of Incorporation authorized the issuance of one hundred five million (105,000,000) shares, consisting of one hundred million (100,000,000) shares of Common Stock at par value of $0.001 per share and five million (5,000,000) shares of Preferred Stock at par value of $0.001.

On April 28, 1999, the Company changed its name to BuckTV,Com, Inc. on the basis that the Company would market consumer products through an InteractiveWeb site. The Company again changed its name in November 2002 to Multi-Tech International, Corp.

On September 1, 2004, we entered into a Share Exchange Agreement with Timbermans Group Pty Ltd, an Australian corporation and its wholly-owned subsidiary at the time Integrated Forest Products Pty Ltd, an Australian corporation as well (“Share Exchange Agreement” and “Share Exchange”, respectively). Pursuant to such Share Exchange Agreement, we:

- completed a 200-1 reverse stock split of our common stock
- increased our authorized number of shares from 100,000,000 to 300,000,000
- changed our name from Multi-Tech International, Inc. to Australian Forest Industries
- appointed Messrs. Michael Timms, Norman Backman, Colin Baird, Antony Esplin and Roger Timms to the board of directors
- issued 257,000,000 shares of our common stock as a result of the Share Exchange Agreement

Thus, upon completion of the Share Exchange, Integrated Forest Products Pty Ltd (“IFP”) became a wholly-owned subsidiary of the Company and the Company’s symbol on the OTC-BB was changed from “MLTI” to “AUFI”.

GENERAL

The majority of the issued and outstanding ordinary shares in the capital of the Company are held by Timbermans Group, a leading supplier of softwood timber products in Australia. The shareholders of Timbermans Group are the same individuals who comprise our board of directors.

IFP owns a minority interest in Radiata Forest Services Pty Ltd which is a company owned jointly by a number of timber companies in the Canberra region. Radiata purchases logs on behalf of its shareholders and distributes them among those shareholders.

The timber industry in Australia experienced a strong demand from internal growth in residential and commercial construction along the Eastern coast of Australia. Additionally, export demand from China and elsewhere in Asia for lumber and other wood products continued to be very strong in recent years and management expects that this trend will continue in the foreseeable future.

The facilities of the Company are located in Australia. The business of the Company consists of a pine sawmilling and timber facility at Canberra, which has a capacity to process 200,000 cubic meters of sawn timber. This sawmill produced 120,000 cubic meters of log in the Fiscal Year 2005. The Company is currently in the process of arranging the financing for the construction of a second sawmill. With this second sawmill, the Company intends to exploit the log resource generated by our contract with Timbermans Group which grants us the right to the Bombala Agreement described below.

In April 2003, Timbermans Group Pty Ltd entered into an agreement with the government of New South Wales which granted Timbermans the 20 year wood supply rights to timber from the Bombala forest, equal to approximately 300,000 cubic meters of wood (“Bombala Agreement”). This Agreement was assigned to the Company at that time with the full knowledge of New South Wales government. Management believes that this is the last significant undeveloped pine forest in Eastern Australia. The Bombala Agreement provides, *inter alia*, that the log purchase price review mechanism is linked to the sawn timber actual price achieved for the products produced at the new sawmill to be built at Bombala, the market price for structural radiata pine timber, the ABS producer price index for softwood in Sydney and input costs such as wages and fuel. This mechanism is expected to adequately protect the Company from any decreasing market prices and in part from increased costs during the term of the Bombala Agreement. With the signing of the Bombala Agreement, the Company has insured its supply for at least 20 years and is renewable at the Company’s option. With this asset the Company believes it has secured a major asset.

The Company’s core markets are Australia and Southern Asia. The Company’s revenues are generated solely in its core markets.

Recent events

The proposed new sawmill at Bombala is planned to begin construction in the 3rd quarter of 2006 after the approvals of the government of New South Wales and local council have been obtained.

The new mill operation will be situated on approximately 300 acres of land on the Monaro Highway, just south of Bombala. Management believes that the new mill will be a state of the art mill. It will be constructed by industry experts, including Acora Reneco Group, and will utilize state of the art machinery and technology.

The mill is expected to comprise sawing machines from the USA, Canada, Europe and Australia, and to have proven production capabilities, as well as safety, environmental and efficiency capabilities.

The total mill and ancillary investment are expected to be approximately $30 million (US). Most of the timber from the new mill will be transported in green form to the Integrated Forest Products plant at Canberra, for drying and dressing processing. The balance will be sold in green form.

The new mill is expected to initially process 300,000 cubic meters per year of log, although designed to cut in excess of 400,000 cubic meters per year, under the Bombala Agreement.

Furthermore, negotiations are at an advanced stage for the sale of all mill residues of sawdust, bark and waste wood chips.

The new sawmill at Bombala is expected to put the Company in a position to produce at a lower cost relative to its current cost level, and in compliance with all applicable safety standards. In addition, it is expected to provide access to the Company to a large and high quality log supply, to Acora Reneco Group as leading Australian timber technology, mill and equipment suppliers, low cost production from expanding Integrated Forest Products and will allow the Company to concentrate on structural timber. Finally, the new sawmill is expected to create competitive economics of scale and to generate profits from the future integration of the Company's operations in Canberra and Bombala.

In early 2005, the Company recently purchased a new timber treatment facility for its operations in Canberra. With this new timber treatment facility, management has been able to offer treated pine framing to the market since March 2005. With the new facility, the Company has been able to meet an increased demand for treated timber as a result of changing rules and regulations for the construction of new homes that require the use of such timber for framing to be termite resistant.

Furthermore, Integrated Forest Products commissioned a new sawlog line in 2005 which has lifted the log intake rate of its facility in Canberra to over 160,000 cubic meters per year, thereby increasing its sawing capacity by 38%, providing a recovery increase, a higher sawing accuracy, greater operator safety and a better timber finish.

Strategy

The Company's strategy is to maximize shareholder value, *inter alia*, by realizing economics of scale and profits, initially through the securing of access to additional log supplies from private forests, the installation of a new log sawing line at Integrated Forest Products to improve its efficiency, and the continuation of the meeting of milestones laid down in the Bombala Agreement. The medium term strategy of the Company is to build a new green sawmill in Bombala, and to expand its drying and planing facilities for the intake of green sawn timber from the facilities then operated at Bombala. The long term strategy of the Company is to combine its wood chip production facilities, and to export wood chips with its strategic partner the State Forest of New South Wales, utilizing both the Company's and the State Forest of New South Wales' supply, or, alternatively, to establish a fibre board factory at Bombala utilizing its available wood chips. Other options are also being investigated.

Employees

At the end of December 2005, we employed 121 full time equivalents. In the Company's vision, employees play a crucial role in the success of the Company. We encourage our employees to take initiative to further enhance our efficiency in timber production. In order to assist our employees, we constantly seek to train and educate them, either on an individual basis (product knowledge and quality control) or on a more collective basis (office automation and management skills). We have never experienced a work stoppage resulting from labor problems.

Our employees are members of the CFMEU which is one of the largest unions in Australia. As a result, each non-executive employee is a party to a collective bargaining agreement known as an Enterprise Bargaining Agreement which determines the terms of employment of each non-executive employee. Management believes that its relations with such union are impeccable and the risk of work stoppages is extremely unlikely.

Competition

The Australian wood products market is a competitive market and could become more competitive in the future. Our competitors are diverse and offer products similar to our products. Some of our competitors have access to significantly greater financial, marketing and other resources than us. Increased competition may result in price reductions for our products, reduced revenues and gross margins and loss of market share. We are committed to executing our strategy as set out above, *inter alia*, by focusing on our ability to source capital equipment at very competitive prices and effectively manage facilities as a result of management's extensive consulting experience.

At the time many sawmills in Australia are facing limitations on log supply as older forests are becoming less productive and a series of significant forest fires over the past five years have diminished the availability of high quality logs.

We believe that we have certain competitive advantages our (i) ability to construct efficient low cost mills, as a result of our strategic alliance with Acora Reneco Group, (ii) access to log resources through the Bombala Agreement, (iii) excess drying and dressing capacity in the Canberra processing facilities, (iv) low cost operating and management techniques, and (v) operations management system, which we believe to be superior to the systems of our competitors.

Finally, unlike most of our competitors, we believe that we have the ability for low cost incremental expansion of our Canberra and future Bombala facilities, mainly because of our spare processing capacity, subject to the availability of logs – the supply of which we believe to have secured through our Bombala Agreement, our log merchandising facility at Bombala for greater fibre recovery from whole log, and the availablity of in-house process control and selective hi-tech equipment.

It is our belief that, when we get the new facility in operation in 2007, we can record operating performance equal or better than that shown by the large capital forestry companies including the high growth ones.

ITEM 2. DESCRIPTION OF PROPERTY

Our main facility is located in Australia which consists of pine sawmilling and timber facility at Canberra, which has a capacity to process 200,000cubic meters of log. We are currently in the process of arranging the financing for the construction of a second in the Bombala region to further exploit the log resources generated by the Bombala Agreement.

ITEM 3. LEGAL PROCEEDINGS

We are not a party to any material pending legal proceedings or government actions, including any bankruptcy, receivership, or similar proceedings. Management of the Company does not believe that there are any proceedings to which any director, officer, or affiliate of the Company, any owner of record of the beneficially or more than five percent of the common stock of the Company, or any associate of any such director, officer, affiliate of the Company, or security holder is a party adverse to the Company or has a material interest adverse to the Company.

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

None.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(a) The Company's Common Stock is traded on the OTC-Bulletin Board under the symbol AUFI. The following sets forth the range of the closing bid prices for the Company's Common Stock for the period January 1, 2003 through May 9, 2006. Such prices represent inter-dealer quotations, do not represent actual transactions, and do not include retail mark-ups, mark-downs or commissions. Such prices were determined from information provided by a majority of the market makers for the Company's Common Stock.

	High Close	Low Close
2004		
First Quarter	0.015	0.015
Second Quarter	0.015	0.015
Third Quarter	0.015	0.015
Fourth Quarter	2.50	0.60
2005		
First Quarter	1.51	1.50
Second Quarter	1.50	1.50
Third Quarter	1.75	1.60
Fourth Quarter	8.00	1.25
2006		
First Quarter	4.35	.75
Second Quarter (through May 15th)	1.00	.75

(b) The approximate number of holders of the Common Stock of the Company as of May 16, 2006 was 900.

(c) No cash dividends were declared by the Company during the fiscal year ended December 31, 2005. While the payment of dividends rests within the discretion of the Board of Directors, it is not anticipated that cash dividends will be paid in the foreseeable future, as the Company intends to retain earnings, if any, for use in the development of its business. The payment of dividends is contingent upon the Company's future earnings, if any, the Company's financial condition and its capital requirements, general business conditions and other factors.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

It should be noted that this Management's Discussion and Analysis of Financial Condition and Results of Operations may contain "forward-looking statements." The terms "believe," "anticipate," "intend," "goal," "expect," and similar expressions may identify forward-looking statements. These forward-looking statements represent the Company's current expectations or beliefs concerning future events. The matters covered by these statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those set forth in the forward-looking statements, including the Company's dependence on weather-related factors, introduction and customer acceptance of new products, the impact of competition and price erosion, as well as supply and manufacturing restraints and other risks and uncertainties. The foregoing list should not be construed as exhaustive, and the Company disclaims any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements, or to reflect the occurrence of anticipated or unanticipated events. In light of the significant uncertainties inherent in the forward-looking information included herein, the inclusion of such information should not be regarded as a representation that the strategy, objectives or other plans of the Company will be achieved. The Company wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made.

RESULTS OF OPERATIONS

We are currently in the third year of operations and have generated significant revenues to date. Our activities from inception to date were related to our formation, preparation of our business model, arranging and planning financing and the acquiring all rights, title and interest to our timber rights located in the Canberra region in addition to the implementation and construction of our first sawmill also in the Canberra region.

We earn revenue from one product, Structural Radiata Pine Timber (lumber). Sales are recorded when a customer is invoiced. While we sold more timber in 2005 (68,000 m3) than 2004 (48,000 m3), an approximate 13% decline in the selling price of timber impacted our revenue.

Operating costs for the year ended December 31, 2004 aggregated $13,916,006. This includes costs incurred in procuring our rights under the Bombala Agreement and operating expenses for our Canberra sawmill. We incurred an operating loss of $(925,448) and a total net loss of $(252,422) or $(0.01) per share.

Operating costs for the twelve-month period ended December 31, 2005 aggregated $17,069,222. This includes an increase in costs of goods sold of $(3,587,314) which were a result of general costs associated with the growth of our business. As a result of the above we realized a loss of $(3,569,423) for the twelve-month period ended December 31, 2005 or $(0.01) per share. While the cost of logs has remained constant, the quality of timber, which is measured by the recovery of structural timber from a given log, has declined. Additionally, direct and indirect labor costs have increased 19.6% from 2004 to 2005.

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LIQUIDITY AND CAPITAL RESOURCES

On December 31, 2004 and 2005 we had current assets of $3,962,334 and $3,722,067, respectively.

Net cash used in operating activities for the period from inception to December 31, 2004 was $270,978. Net cash used in operating activities for the period from inception to December 31, 2005 was $(4,148,578). The decrease in net cash was partially a result of an increase in related party payables and decrease in related party receivables of $273,175 which was a consequence of our growing business and the addition of a significant number of employees.

Historically, our major shareholder, Timbermans Group, has covered any shortfall in working capital. There are no liabilities associated with our working capital deficit that are past due.

The Company completed a new sawline in Canberra which was operational in the third quarter of 2005 which is used primarily for processing the logs resulting from the Bombala Agreement.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's discussion and analysis of its financial condition and results of operations are based upon its financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to bad debts, income taxes and contingencies and litigation. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about 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.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Recent Accounting Pronouncements Affecting The Company:

In December 2004, the FASB issued SFAS No. 123 (revised 2004), or SFAS 123R, "Share-Based Payment." This statement replaces SFAS 123, "Accounting for Stock-Based Compensation" and supersedes Accounting Principles Board's Opinion No. 25 (ABP 25), "Accounting for Stock Issued to Employees." SFAS 123R will require us to measure the cost our employee stock-based compensation awards granted after the effective date based on the grant date fair value of those awards and to record that cost as compensation expense over the period during which the employee is required to perform services in exchange for the award (generally over the vesting period of the award). SFAS 123R addresses all forms of share-based payments awards, including shares issued under employee stock purchase plans, stock option, restricted stock and stock appreciation rights. In addition, we will be required to record compensation expense (as previous awards continue to vest) for the unvested portion of previously granted awards that remain outstanding at the date of adoption. SFAS 123R is effective for fiscal periods beginning after June 15, 2005. Therefore, we are required to implement the standard no later than our third fiscal quarter which begins on July 1, 2005. SFAS 123R permits public companies to adopt its requirements using the following methods: (1) a "modified prospective" method in which compensation cost is recognized beginning with the effective date (a) based on the requirements of SFAS 123R for all share-based payments granted after the effective date and (b) based on the requirements of SFAS 123 for all awards granted to employees prior to the effective date of SFAS 123R that remain unvested on the effective date; or (2) a "modified retrospective" method which includes the requirements of the modified prospective method described above, but also permits entities to restate their financial statements based on the amounts previously recognized under SFAS 123 for purposes of pro forma disclosures for either (a) all prior periods presented or (b) prior interim periods of the year of adoption.

AUSTRALIAN FOREST INDUSTRIES

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004 (RESTATED)

CONTENTS

MEYLER & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS
ONE ARIN PARK
1715 HIGHWAY 35
MIDDLETOWN, NJ 07748

Report of Independent Registered Public Accounting Firm

To the Board of Directors
Australian Forest Industries
Melbourne, Australia

We have audited the accompanying balance sheets of Australian Forest Industries as of December 31, 2005 and 2004 (restated) and the related statements of operations, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2005 (restated). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Australian Forest Industries as of December 31, 2005 and 2004 (restated), and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2005 (restated), in conformity with accounting principles generally accepted in the United States of America.

Reference is made to Note A – Restatements.

/s/ Meyler & Company, LLC

Middletown, NJ
May 17, 2006 (Except for Notes A, B, and G
as to which the date is December 29, 2006)

AUSTRALIAN FOREST INDUSTRIES

CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31, 2005 (Restated)	December 31, 2004 (Restated)
CURRENT ASSETS		
Cash	$ 127,014	$ 225,189
Accounts receivable	1,622,974	1,611,756
Inventory	1,778,340	1,983,039
Prepaid expenses and other	193,739	142,350
Total Current Assets	3,722,067	3,962,334
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of $2,402,939 and $2,349,923 in 2005 and 2004, respectively	13,040,126	10,317,803
OTHER ASSETS		
Long-term timber supply contract, net of amortization of $91,843 and $36,943 in 2005 and 2004, respectively	794,805	849,705
	$ 17,556,998	$ 15,129,842
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Bank overdraft	$ 117,772	$ 421,097
Due to National Australia Bank	4,818,000	5,229,350
Accounts payable	2,690,957	3,154,507
Current portion of capitalized lease obligations	1,076,013	731,217
Due to Timberman shareholders	3,213,912	386,835
Related party payable	592,844	
Accrued payroll, related taxes and benefits	599,389	571,186
Total Current Liabilities	13,108,887	10,494,192
OTHER LIABILITIES		
Capitalized lease obligations	3,512,882	2,797,975
Deferred capital gain	1,575,514	
Total Liabilities	18,197,283	13,292,167
STOCKHOLDERS' EQUITY		
Preferred stock, par value $0.001, 5,000,000 shares authorized, none issued and outstanding		
Common stock, par value $0.001, 300,000,000 shares authorized, 257,400,680 issued and outstanding	257,400	257,400
Additional paid-in capital	4,503,417	4,503,417
Accumulated other comprehensive income	333,619	21,796
Accumulated deficit	(5,734,721)	(2,944,938)
Total Stockholders' Equity	(640,285)	1,837,675
Total Liabilities and Stockholders' Equity	$ 17,556,998	$ 15,129,842

See accompanying notes to financial statements.

AUSTRALIAN FOREST INDUSTRIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Year Ended December 31	
	2005 (Restated)	2004 (Restated)
REVENUE - SALES	$ 13,499,799	$ 12,990,558
COSTS AND EXPENSES		
Cost of goods sold	15,272,772	11,685,458
Selling, general and administrative	611,867	1,285,332
Stock based compensation		255,000
Interest expense	703,757	374,847
Depreciation and amortization	480,826	315,369
Total Costs and Expenses	17,069,222	13,916,006
OPERATING LOSS	(3,569,423)	(925,448)
NON-OPERATING INCOME		
Other income -Government Grant		443,041
Interest income	1,359	1,328
Gain on disposal of assets	778,281	228,657
Total Non-Operating Income	779,640	673,026
NET LOSS	$ (2,789,783)	$ (252,422)
Net Loss per share (Basic and Diluted)	$ (0.01)	$ (0.01)
Weighted Average Common Shares Outstanding	257,400,680	257,400,680

See accompanying notes to financial statements.

AUSTRALIAN FOREST INDUSTRIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended December 31	
	2005 (Restated)	2004 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (2,789,783)	$ (252,422)
Adjustments to reconcile net income to cash flows used in operating activities:		
Depreciation	438,947	315,369
Amortization of Timber contract	54,900	36,943
Amortization of leaseback gain	(35,806)	
Gain on sale of equipment	(2,389,601)	(228,657)
	Changes in operating activities:	
(Increase) in prepaid expenses	(51,389)	(59,895)
(Increase) decrease in inventories	204,699	(952,240)
(Increase) decrease in receivables	(11,217)	261,247
(Increase) decrease in related party receivable	273,175	(273,175)
Increase (decrease) in accounts payable and other liabilities	(463,550)	1,392,082
Increase in related party payable	592,844	
Increase in accrued payroll	28,203	31,726
Net Cash (Used in) Provided by Operating Activities	(4,148,578)	270,978
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal costs	(118,866)	
Capital additions	(5,200,874)	(5,078,041)
Investment in long-term timber supply contract		(886,648)
Disposal of capital assets	1,652,675	815,150
Net Cash Used in Investing Activities	(3,667,065)	(5,149,539)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank overdraft	(303,325)	421,097
Loans from shareholders	2,827,077	660,010
Capital leases	1,059,703	3,172,256
National Australian bank loan	(411,350)	5,229,350
Proceeds from sale of assets	4,233,540	446,714
Timberman controlling interest		(5,307,400)
Net Cash Provided by (Used In) Financing Activities	7,405,645	4,622,027
EFFECT OF EXCHANGE RATES ON CASH	311,823	21,796
DECREASE IN CASH	(98,175)	(234,738)
CASH AT BEGINNING OF PERIOD	225,189	459,927
CASH AT END OF PERIOD	$ 127,014	$ 225,189
SUPPLEMENTAL DISCLOSURES:		
Interest paid	$ 695,405	$ 325,601

See accompanying notes to financial statements.

AUSTRALIAN FOREST INDUSTRIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (RESTATED)

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Other Comprehensive Income (loss)	Accumulated Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance, December 31, 2002			5,319,764	$ 9,813,217		$ (2,034,164)		$ 7,779,053
Net loss for the year ended December 31, 2003						(56,369)		(56,369)
Adjustments from exchange rate changes							$ 65,590	65,590
Balance, December 31, 2003 and prior to Reverse Merger			5,319,764	9,813,217		(2,090,533)	65,590	7,788,274
Reverse Merger (Note 1)								
Exchange of Integrated Forest Products Pty Ltd shares for Australian Forest Industries			(5,319,764)	(9,813,217)	$ 9,813,217			
Shareholders equity of Australian Forest Industries at date of merger			400,680	400	11,257,463	(11,257,863)		
Reverse Merger capitalization					(11,257,863)	11,257,863		
Issuance of shares at date of merger			240,000,000	240,000	(240,000)			
Issuance of shares for consulting agreement			17,000,000	17,000	238,000			255,000
Timbermans Group Pty. Ltd. investment in Company					(5,307,400)			(5,307,400)
Cumulative losses of Timber-man's Group Pty. Ltd.						(601,983)		(601,983)
Adjustment from exchange rate changes							(43,794)	(43,794)
Net loss for the year ended December 31, 2004						(252,422)		(252,422)
Balance, December 31, 2004			257,400,680	257,400	4,503,417	(2,944,938)	21,796	1,837,675
Adjustments from exchange rate changes							311,823	311,823
Net loss for the year ended December 31, 2005						(2,789,783)		(2,789,783)
Balance, December 31, 2005			257,400,680	$ 257,400	$ 9,810,817	$ (5,734,721)	$ 333,619	$ (640,285)

See accompanying notes to financial statements.

NOTE A – RESTATEMENTS

The Company's financial statements for the year ended December 31, 2005 and 2004 have been restated. The effects of the restatements are presented in the following table:

	Year Ended December 31, 2005			Year Ended December 31, 2004		
	As Reported	Restated		As Reported	Restated	
Balance Sheet						
Cash					$ 225,189	(1)
Prepaid expense and other				$ 141,609	142,350	(1)
Property, plant and equipment, net of accumulated depreciation				9,712,015	10,317,803	(1)
Receivable from related party				273,175		(2)
Due to Timbermans shareholders				660,010	386,835	(1)(2)
Current liabilities	8,290,887	13,108,887		5,264,842	10,494,192	(5)
Other liabilities	4,818,000	nil		5,229,350	nil	
Accrued expense				542,414	571,186	(1)
Deferred capital gain	$ 1,396,481	$ 1,575,514	(3)			
Accumulated deficit	(5,555,688)	(5,734,721)		(2,958,939)	(2,944,938)	(1)
Statement of Operations						
Cost of goods sold	15,441,948	15,272,772	(4)			
Selling, general and administrative	653,091	611,687	(4)	1,271,331	1,285,332	(1)
Other income	225,851	nil	(4)			
Interest income	164,941	1,359	(4)			

Notes:

1) Restated to include the accounts of Timbermans Group Pty. Ltd., an entity deemed to be a Variable Interest Entity.
2) Reclassification of related party receivable against payable to same related party.
3) Recalculation of amortization relating to deferred gain on sale leaseback transaction. Amortization is based upon life of acquired equipment instead of loan repayment amortization.
4) Reclassification of components of other income deemed to be operating and therefore offset against cost of sales and selling, general and administrative expenses.
5) Reclassification of loans from National Australia Bank to current from other liabilities.

NOTE B - - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Australian Forest Industries ("the Company"), through its wholly owned subsidiary Integrated Forest Products Pty Ltd ("Integrated"), operates a saw mill in Australia which cuts pine timber into building products to supply the commercial and residential industry along the eastern coast of Australia.

Reverse Merger

On September 1, 2004, Integrated, owned by the Timbermans Group Pty Ltd ("Timbermans"), entered into a share exchange agreement with the Company and issued 240,000,000 shares of its common stock

NOTE B - - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reverse Merger (Continued)

to acquire Integrated. In connection with the share exchange agreement, Integrated became a wholly owned subsidiary of the Company and Integrated's officers and directors became the officers and directors of the Company. Prior to the merger, the Company was a non-operating "shell" corporation.

Pursuant to Securities and Exchange Commission rules, the merger of a private operating company (Integrated) into a non-operating public shell corporation with nominal net assets is considered a capital transaction. Accordingly, for accounting purposes, the merger has been treated as an acquisition of the Company by Integrated and a recapitalization of the Company. The historical financial statements for the years ended December 31, 2005 and 2004 are those of Integrated. Since the merger is a recapitalization and not a business combination, pro forma information is not presented.

Foreign Currency Translation

For 2005 and 2004, the Company considered the Australian dollar to be its functional currency. Assets and liabilities were translated into US dollars at year-end exchange rates. Statement of operations amounts were translated using the average rate during the year. Gains and losses resulting from translating foreign currency financial statements were accumulated in other comprehensive income, a separate component of stockholders' equity.

Cash Equivalents

For purposes of reporting cash flows, cash equivalents include investment instruments purchased with a maturity of three months or less. There were no cash equivalents in 2005 or 2004.

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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Inventories

Inventories are stated at the lower of cost or market value. Cost is determined using the first-in, first-out (FIFO) method.

Equipment and Depreciation

Equipment is stated at cost and is depreciated using the straight line method over the estimated useful lives of the respective assets. Routine maintenance, repairs and replacement costs are expensed as incurred and improvements that extend the useful life of the assets are capitalized. When equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is recognized in operations.

NOTE B - - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Loss Per Common Share

The Company computes per share amounts in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share". SFAS No. 128 requires presentation of basic and diluted EPS. Basic EPS is computed by dividing the income (loss) available to Common Stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS is based on the weighted-average number of shares of Common Stock and Common Stock equivalents outstanding during the periods.

Comprehensive Income (Loss)

SFAS No. 130 establishes standards for the reporting and disclosure of comprehensive income and its components to be presented in association with a company's financial statements. Comprehensive income is defined as the change in a business enterprise's equity during a period arising from transactions, events or circumstances relating to non-owner sources, such as foreign currency translation adjustments and unrealized gains or losses on available-for-sale securities. It includes all changes in equity during a period except those resulting from investments by or distributions to owners. Comprehensive income is accumulated in accumulated other comprehensive income (loss), a separate component of stockholders' equity.

Stock Based Compensation

The Company accounts for stock issued for services using the fair value method. In accordance with the Emergency Issues Task Force ("EITF") 96-18, the measurement date of shares issued for service is the date at which the counterpart's performance is complete.

Fair Values of Financial Instruments

The Company uses financial instruments in the normal course of business. The carrying values of cash, accounts receivable, bank overdraft, accounts payable and accrued expenses approximate their fair value due to the short-term maturities of these assets and liabilities. The carrying values of loans payable approximate their fair value based upon management's estimates using the best available information.

Recent Accounting Pronouncements

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 153 (SFAS 153), "Exchanges of Non-monetary Assets." SFAS 153 amends the guidance in APB No. 29, "Accounting for Non-monetary Assets." APB No.29 was based on the principle that exchanges of non-monetary assets should be measured on the fair value of the assets exchanged. SFAS 153 amends APB No. 29 to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 151 is effective for financial statements issued for fiscal years beginning after June 15, 2005. The adoption of SFAS 153 is not expected to have a material effect on the Company's financial position or results of operations.

Recent Accounting Pronouncements (Continued)

In December 2004, the FASB revised Statement of Financial Accounting Standards No. 123 (SFAS 123(R)), "Accounting for Stock-Based Compensation." The SFAS 123(R) revision established standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services and focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. It does not change the accounting guidance for share-based payment transactions with parties other than employees. For public entities that file as small business issuers, the revisions to SFAS 123(R) are effective as of the beginning of the first interim or annual reporting period that begins after December 15, 2005. The adoption of SFAS 123(R) is not expected to have a material effect on the Company's financial position or results of operations.

In May 2005, the FASB issued SFAS no. 154, "Accounting Changes and Error Corrections ("SFAS No. 154") which replaces APB Opinion No. 20, "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements-An Amendment of ABP Opinion No. 28. SFAS No. 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. Specially, this statement requires "retrospective application" of the direct effect for a voluntary change in accounting principle to prior periods' financial statements, if it is practical to do so. SFAS No. 154 also strictly defines the term "restatement" to mean the correction of an error revising previously issued financial statements. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005 and are required to be adopted by the Company in the first quarter of fiscal year 2006. Management does not anticipate
that adoption will have a material impact on results of operations, financial position or cash flows.

Revenue Recognition

The Company is in the business of producing lumber for the building industry. In this connection, it receives orders from distributors and lumber yards throughout Australia. The Company ships its finished products FOB shipping point and title passes at that point. The Company also assures itself that there are valid sales arrangements, that sales prices are fixed and determinable, and that collectibility is reasonably assured.

NOTE C - VARIABLE INTEREST ENTITIES

In January 2003, the FASB issued FIN 46 and in December 2003, it issued a revised interpretation of FIN 46 (FIN 46-R), which supersedes FIN 46 and clarifies and expands current accounting guidance for determining whether certain entities should be consolidated in the Company's consolidated financial statements. An entity is subject to FIN 46 and is called a Variable Interest Entity (VIE) if it has (1) equity that is insufficient to permit the entity to finance its activities without additional subordinated financial support from other parties, or (2) equity investors that cannot make significant decisions about the entity's operations, or that do not absorb the expected losses or receive the expected returns of the entity. A VIE is consolidated by its primary beneficiary, which is the party that has a majority of the expected losses or a majority of the expected residual returns of the VIE, or both.

The Company has concluded that the entity, Timbermans Group Pty. Ltd. is deemed to be a VIE under FIN 46 and accordingly has been consolidated in the financial statements for 2005 and 2004. Timbermans Group, a holding company which acquired the Company through an exchange agreement, became the majority shareholder of Australian Forest Industries by investing $5,307,400 in the Company which

NOTE C - VARIABLE INTEREST ENTITIES (CONTINUED)

was borrowed from National Australia Bank. See Note G – Short-Term Borrowing. The Company had total assets of $7,357,379 and $5,307,658, total liabilities of $8,050,323 and $5,181,152, accumulated earnings (deficits) of $(693,017) and $126,428 at December 31, 2005 and 2004, respectively, and income (losses) of $(354,176) and $243,935 for the years then ended.

NOTE D - INVENTORY

Inventory consists of the following at December 31,

	2005	2004
Raw materials and supplies	$ 228,547	$ 53,298
Work in progress	605,692	456,694
Finished goods	944,101	1,473,047
	$ 1,778,340	$ 1,938,039

NOTE E - EQUIPMENT

Equipment is comprised of the following at			
		December 31,	
	Useful Life	2005	2004
Land		$ 1,133,042	$ 1,166,139
Buildings	40	1,261,795	1,343,034
Plant and equipment	30	11,866,257	9,607,919
Capital works in progress		987,936	395,134
Motor vehicles	5	194,035	155,500
		15,443,065	12,667,726
Less: accumulated depreciation		2,402,939	2,349,923
		$ 13,040,126	$ 10,317,803

NOTE F - RELATED PARTY TRANSACTIONS

Due to Related Party

At December 31, 2005 and 2004, the Company was indebted to the shareholders of Timbermans for $3,213,912 and $386,835, respectively. The loans are non interest bearing, are unsecured and have no specific repayment date. This indebtedness is the net result of transaction between the Company and Timbermans.

Long-Term Log Supply Contract

In November 2004, the Timbermans Group entered into a 20 year long-term log supply contract with the New South Wales State Government. To obtain the contract, the Timbermans Group paid $886,648. In February 2005, it assigned the contract to the Company's wholly owned subsidiary in Australia - Integrated Forest Products Pty, Ltd. The contract is being amortized over 20 years.

NOTE G - SHORT TERM BORROWING

The Company has an overdraft facility with the National Bank of Australia in the amount of $499,000 at the Australian base rate plus 1.80% annually. The amount of the overdraft at December 31, 2005 and

NOTE G - SHORT TERM BORROWING (CONTINUED)

2004 was $117,772 and $421,097, respectively. The facility is secured by the assets of the Company and Timbermans Group Pty. Ltd., and personal guarantees of the principal Officers and Directors of the Company. The notes currently bear interest at the rate of 11.9% per annum with a default rate of 18.4% per annum.

The Company, in connection with the Long Term Timber Supply contract, has placed a bank guarantee in the amount of $576,700 with the New South Wales government to insure a steady supply of timber with an issue fee of 1.40% of fair value and a fee of 1.40% of face value payable semi-annually. Of the $576,700 bank guarantees, $489,100 is secured by the wife of a principal Officer and Director and $87,600 is secured by the assets of the Company, Timbermans Group Ptr. Ltd., and the personal guarantees of the principal Officer and Directors of the Company.

In 2004, the Timbermans Group Ptr. Ltd. obtained a credit facility of $5,307,400 to acquire a majority interest in Australian Forest Industries. The credit facility is secured by the assets of Australian Forest Industries, Timbermans Group Ptr. Ltd., the personal guarantees of the principal Officers and Directors of Australian Forest Industries and Timbermans Group Ptr. Ltd., as well as personal properties of certain principal Officers and Directors. The loan bears interest at the rate of 6.2% on $2,880,000 and a floating rate on the balance of the loan. The loan balance at December 31, 2005 and 2004 was $4,818,000 and $5,229,350, respectively.

In addition, the Company has a $5,760,000 facility with National Australia Bank to acquire capital equipment which would be secured by such purchases. At December 31, 2005, the Company has executed Capital Lease Agreements aggregating $4,588,895. See Note H – Capital Lease Obligation of the Notes to Financial Statements.

All of the above credit facilities are renewable every six months.

NOTE H - CAPITAL LEASE OBLIGATIONS

The Company has obtained various pieces of equipment under capital leases expiring through 2010. The assets and liabilities under these capital leases ($5,354,455) with the National Bank of Australia are recorded at the lower of the present values of the minimum lease payments or the fair values of the assets. The assets are included in property and equipment and are being depreciated over their estimated useful lives. The capitalized leases are secured by the equipment purchased.

As of December 31, 2005, minimum future lease payments under these capital leases are:

For the Years Ending December 31,	Amount
2006	$ 1,376,073
2007	1,376,073
2008	1,376,073
2009	962,772
2010	263,463
Total minimum lease payments	$ 5,354,455

	December 31	
	2005	2004
Total minimum lease payments	$ 5,354,455	$ 4,136,976
Less: amounts representing	765,560	607,784
Net minimum lease payments	4,588,895	3,529,192
Less: current portion	1,076,013	731,217
Long-term portion	$ 3,512,882	$ 2,797,975

NOTE I - INCOME TAXES

The Company has adopted Financial Accounting Statement SFAS No. 109, Accounting for Income Taxes. Under this method, the Company recognizes a deferred tax liability or asset for temporary differences between the tax basis of an asset or liability and the related amount reported on the financial statements. The principal types of differences, which are measured at current tax rates, are net operating loss carry forwards. At December 31, 2004, these differences resulted in a deferred tax asset of approximately $887,700. SFAS No. 109 requires the establishment of a valuation allowance to reflect the likelihood of realization of deferred tax assets. Since realization is not assured, the Company has recorded a valuation allowance for the entire deferred tax asset, and the accompanying financial statements do not reflect any net asset for deferred taxes at December 31, 2005.

The Company’s net operating loss carry forwards amounted to approximately $2,958,000 at December 31, 2004, which have unlimited expiration.

NOTE J - STOCKHOLDERS’ EQUITY

In connection with the Reverse Merger on September 1, 2005, the Company issued 17,000,000 shares to a consultant. The shares were valued at $0.015 per share which was the average trading price for the third quarter.

NOTE K - SALE - LEASEBACK TRANSACTION

In April 2005, the Company entered into a transaction to sell equipment to the National Bank of Australia and leased it back under a new capitalized lease agreement. Under SFAS No. 98, the gain of $1,611,320 will be deferred and amortized over the life of the related equipment. For the year ended December 31, 2005, $35,806 has been included in operating income.

The amortization of the gain for the next five years is as follows.

Year	Gain Amortization
2006	$53,710
2007	53,710
2008	53,710
2009	53,710
2010	53,710
Thereafter	1,306,964
	$1,575,514

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

Through the September 30, 2004 reporting period, our accountants were Michael Johnson & Co., LLC. In January 2005, we changed accountants to Meyler & Company LLC, independent certified public accountants. At no time has there been any disagreement with such accountants regarding any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

ITEM 8A. DISCLOSURE CONTROLS AND PROCEDURES

(a) Disclosure Controls and Procedures.

As of the end of the period covering this Form 10-KSB, we evaluated the effectiveness of the design and operation of our "disclosure controls and procedures". The Company's President conducted this evaluation by himself.

(i) Definition of Disclosure Controls and Procedures.

Disclosure controls and procedures are controls and other procedures that are designed with the objective of ensuring that information required to be disclosed in our periodic reports filed under the Exchange Act, such as this
report, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. As defined by the SEC, such disclosure controls and procedures are also designed with the objective of ensuring that such information is accumulated and communicated to our management, including the President and Chief Financial Officer, in such a manner as to allow timely disclosure decisions.

(ii) Limitations on the Effectiveness of Disclosure Controls and Procedures and Internal Controls.

The Company recognizes that a system of disclosure controls and procedures (as well as a system of internal controls), no matter how well conceived and operated, cannot provide absolute assurance that the objectives of the system are met. Further, the design of such a system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control
systems, no evaluation of controls can provide absolute assurance that all control issues have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns
can occur because of simple error or mistake. Additionally, controls can be circumvented in a number of ways. Because of the inherent limitations in a cost-effective control system, system failures may occur and not be detected.
However, our officers and directors believe that our system of disclosure controls and procedures provides reasonable assurance of achieving their objectives.

The Company's management, including the CEO and CFO believe that our system of disclosure controls and procedures provide reasonable assurance that information required to be disclosed in our periodic reports filed under the Exchange Act is, in fact, being disclosed

(iii) Conclusions with Respect to Our Evaluation of Disclosure Controls and Procedures.

Our officers and directors have concluded, based on the evaluation of these controls and procedures, that our disclosure controls and procedures are effective in timely alerting them to material information relating to the Company required to be included in our periodic SEC filings.

(b) Changes in Internal Controls.

There have been no changes in our internal controls over financial reporting during the last fiscal quarter of 2005 that has materially affected or is reasonably likely to affect the Company's internal control over financial reporting.

ITEM 8B. OTHER INFORMATION

Not applicable.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

OFFICERS AND DIRECTORS

We have 5 executive officers who also serve as our board of directors. Our directors are elected at each annual meeting of shareholders. The following individuals are all of our executive officers and directors:

Name	Age	Positions and Offices With The Company
Michael Timms	55	Chief Executive Officer; President; Chairman of the Board
Norman Backman	57	Chief Operating Officer; Director
Colin Baird	47	Chief Financial Officer; Director
Tony Esplin	43	Executive Vice President - Marketing; Director
Roger Timms	50	Executive Vice President - Engineering; Director

The following is a biographical summary of the directors and officers of the Company:

Michael Timms

Mr. Michael Bruce Timms was born at 30 May 1950 in Bega, New South Wales, Australia. He has spent over thirty years in the sawmilling industry. He has been involved with design and construction of over seven greenfield sawmill facilities and scores of equipment upgrades across Australia and Canada in both the Hardwood and Softwood sectors, through his engineering business, Acora Reneco Group Pty Ltd. Among other responsibilities he works as Chief Executive Officer and President of the Company and is Chairman of the Board.

Norman Backman

Mr. Norman William Backman was born at 20 September 1948 in Melbourne, Australia. He has over thirty years of experience in the sawmilling industry. He has worked for a long period with Amcor and Brown & Dureau as Mill Manager at the Morwell facility. At Integrated Forest Industries Pty Ltd he will work as Director of Operations. Mr. Backman has access to a team of industry experienced individuals possessing relevant and highly refined sawmill information technology systems technology and cost accounting experience.

Colin Baird

Mr. Colin Baird was born at 22 June 1958 in Melbourne, Australia. He is a qualified accountant who has operated his own practice, Colib Pty Ltd since 1987. He has been involved in the timber industry through his association with some of his clients since 1983. At present his practice has in excess of 500 clients. Mr. Baird is Director of Finance of the Company.

Tony Esplin

Mr. Tony Esplin was born at 23 August 1962 in Melbourne, Australia. He has had twelve years of experience in the sawmill industry covering fabrication of sawmill equipment, project management of new sawmills through his own business, Acora Reneco Group Pty Ltd. Over the last four years he has been involved in the on site management of Integrated Forest Products, covering all aspects of sawmill administration, including log procurement and product marketing. He works as Director of Marketing & Log Procurement for the Company.

Roger Timms

Mr. Roger Kenneth Timms was born 24 April 1956 in Bega, New South Wales, Australia. He has spent over twenty-five years in the sawmilling industry. He is currently involved in the design, supply and installation of sawmill equipment in Australia and part owns a company, Acora Reneco Group Pty Ltd, which performs these functions. He is the Company's Director of Engineering.

Director Positions in Other Public Companies

No director holds any directorship in a company with a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 or subject to the requirements of Section 15(d) of such Act. No director holds any directorship in a company registered as an investment company under the Investment Company Act of 1940. However, with the exception of Norman Backman, the remaining directors have other business interest and work for the Company on a part-time basis at the present time.

Code of Conduct

The Company does not have an Audit or Strategy committee. Neither does the Company have a standing nominating committee or any committee performing a similar function. For the above reasons, the Company has not adopted a code of ethics.

COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Section 16(a) of the Securities Exchange Act of 1934 requires executive officers and directors who beneficially own more than ten percent (10%) of the Company's Common Stock to file initial reports of ownership and reports of changes of ownership with the Securities and Exchange Commission. Executive officers, directors and greater than ten percent (10%) beneficial owners are required by Commission regulations to furnish the Company with copies of all Section 16(a) forms they file.

The information required to be compliant with Section 16(a) is found herein. However, at the present time the required individuals have not filed the appropriate Section 16(a) forms although it has been represented to the Company that such are being prepared and will be filed shortly after the filing of this annual report.

ITEM 10. EXECUTIVE COMPENSATION

The table below sets forth all annual and long-term compensation paid by the Company through the latest practicable date to the Chief Executive Officer of the Company and to all executive officers of the Company who received total annual salary and bonus in excess of $100,000 for services rendered in all capacities to the Company and its subsidiaries during the fiscal years ended December 31, 2004 and 2005.

The following table sets forth information concerning all remuneration paid by the Company as of December 31, 2005 to the Company's Directors and Executive Officers:

Summary Compensation Table

		Long-Term Compensation Awards			
Name and Principal Position	**Year**	**Salary**	**Bonus**	**Securities Underlying Options (#) /SARS**	**All Other Compensation**
Michael Timms - - Chairman of the Board; CEO and President	2005	$ 75,000			
	2004	56,000			
Coin Baird - Chief Financial Officer and Director	2005	60,000			
	2004	28,000			
Tony Esplin – Executive Vice President – Marketing; Director	2005	75,000			
	2004	56,000			
Norman Backman – Chief Operating Officer; Director	2005	140,000			
	2004	140,000			
Roger Timms – Executive Vice President – Marketing; Director	2005	20,000			
	2004	20,000			

Directors' Compensation

Other than minimal expenses incurred for traveling to Canberra which were reimbursed by the Company, during the fiscal year ended December 31, 2005 our Directors did not received a fee for serving in that capacity.

Employment Contracts

There are no employment agreements with the executive officers at this time.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Beneficial Owners

The following table sets forth information regarding the beneficial ownership of the shares of the Common Stock (the only class of shares previously issued by the Company) at May 15, 2006 by (i) each person known by the Company to be the beneficial owner of more than five percent (5%) of the Company's outstanding shares of Common Stock, (ii) each director of the Company, (iii) the executive officers of the Company, and (iv) by all directors and executive officers of the Company as a group. Other than the Timbermans Group Pty Ltd, each person named in the table, has sole voting and investment power with respect to all shares shown as beneficially owned by such person and can be contacted at the address of the Company.

Title of Class	Name of Beneficial Owner	Shares of Common Stock	Percent of Class
Common	Timbermans Group Pty Ltd[1]	140,000,000	54.47%
Common	Jeffrey Reade	17,000,000	6.61%
Common	Norman Backman[2]	20,000,000	7.78%
Common	Colin Baird[3]	20,000,000	7.78%
Common	Tony Esplin[4]	20,000,000	7.78%
Common	Michael Timms[5]	20,000,000	7.78%
Common	Roger Timms[6]	20,000,000	7.78%
Directors and Officers as a group		240,000,000	93.39%

[1]Timbermans Group Pty Ltd is an Australian corporation with 5 shareholders who are the same individuals as our officers and directors. For the purposes of aggregating the securities ownership of officers and directors, we have included those shares held by Timbermans Group.

[2]Mr. Backman maintains his shares in his and his wife's name

[3]Mr. Baird maintains his shares in his and his wife's name

[4]Mr. Esplin maintains his shares in his and his wife's name

[5]Mr. Michael Timms maintains his shares in his and his wife's name

[6]Mr. Roger Timms maintains his shares in his and his wife's name

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Timbermans Group Pty Ltd owns the majority of the shares of common stock of the Company and its shareholders are the same individuals as our officers and directors. Three of the directors of our Company also own 100% of Acora Reneco Group which is the largest Australian manufacturer and designer of original sawmilling equipment as well as an agent for sales and distribution for sawmilling equipment manufactured by other companies. The Company presently has an agreement in place pursuant to which Acora supplies the Company's sawmill equipment needs. All transactions between Acora and the Company are at arms length terms.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

Exhibit Number	Exhibit Description
10.1	Letter of Offer to Timbermans Group Pty Ltd from National Australia Bank Limited
10.2	Letter of Offer to Integrated Forest Products Pty Ltd from National Australia Bank Limited
10.3	Deed of Sale between Integrated Forest Products Pty Ltd and National Australia Bank Limited
10.4	Sale/Leaseback Agreement with National Bank of Australia
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K.

None.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Audit Fees

For the Company's fiscal year ended December 31, 2005, the cost for professional services rendered for the audit of our financial statements and the review of the Form 10-KSB aggregated $15,000.

All Other Fees

The Company did not incur any other fees related to services rendered by our principal accountant for the fiscal year ended December 31, 2005.

SIGNATURES

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

AUSTRALIAN FOREST INDUSTRIES

/s/ Michael Timms
Name: Michael Timms
Title: Chief Executive Officer, President and Chairman
Date: March 28, 2008

/s/ Colin Baird
Name: Colin Baird
Title: Chief Financial Officer and Director
Date: March 28, 2008

/s/ Roger Timms
Name: Roger Timms
Title: Executive Vice President and Director
Date: March 28, 2008

EXHIBIT 10.1

Finance Proposal

II is a pleasure to present this finance proposal to Timbermans Group Pty Limited . We are keen to build on the existing relationship between our two organisations and believe that our focus on relationship management will **1** attractive to you.

At the National, we are committed to building strong relationships and understanding your business so we can h you add value and achieve your business goals.

We also understand lhat while you too value a strong relationship and having an appropriate finance partner, thi facilities that we provide must be structured to meet your needs at the appropriate price. We believe mat this proposal meets all of those objectives.

In working to prepare a finance package we have developed a structure that offers a business solution:

- Providing a finance structure with total facilities of $6,733,000, that will enable the Group to adequately fu longer-term business objectives.
- To Improve the overall efficiency of your financial arrangements by structuring an offer lhat provides total banking services to the Group built around a strong relationship with a dedicated banker who understand the Group's business.

Customers and Facility Summary

We offer to provide the ***facMies*** detailed within this ***Letter of Offer*** to Timbermans Group Pty Limiled . A summary a of these ***facilities*** fs set out below. ***Facitiffes*** marked with a + (if any) are subject to the relevant Mulli Option Facility set out In Part 1 of the Leffer of ***Offer.***

Ip FACILITY SUMMARY

Customer:	Timbermans Group Pty Ltd
ACN:	100 845 476
Facility Type:	Bill - National Flexible Rate
Facility Limit:	56,600.000
Facility Type:	Market Rate Facility
Facility Limit d	$133,000
Group Total:	$6,733,000

if there is any Inconsistency between the information set out here and that set out in the Details of Facilities sections of this ***Letter of Offer,*** then unless specifically provided the Details of Facilities sections prevail to the extent of that Inconsistency.

Details ofFacilities- New facflftfes generally subject of Offer

Facilities are detailed below.
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2 **Details of Facilities - New facilities generally subject to other**
<u>contractual documentation</u>

New ***facilities*** generally subject to other contractual documentation are summarized below. Refer to **Section** B1 or the General Terms and Conditions for how this ***Letter of*** Offer applies to them.

Not Applicable

3 Details of Facilities - Existing facilities generally subject to other

contractual documentation

Existing ***facilities*** generally subject to other contractual documentation are summarised below. Refer to Section I of the General Terms and Conditions for how this ***Letter of Offer*** applies to them.

Market Rate Facility	
Purpose/Utilisation:	To provide short term funding to Timberrnans Group Pry Ltd
Fatality limit:	$133,000
Expiry Date;	31 July20Q6
Interest Type:	Variable
Securities:	All ***securities*** detailed in Part 4
Specific Conditions:	Refer to Business Letter of Offer dated 7 July 2006

4 Security

The ***Customer*** must provide, and must ensure that each ***security provider*** provides, all the following ***securities*** in a form and substance satisfactory to ***us*** (if the ***Customer*** or the ***security provider*** has not already done so). The taking of any new ***securities*** detailed below does not prejudice or waive our right to rely upon, and enforce, earlier ***securities***

Registered Mortgage Debentures

Over the whole of the company assets including goodwill and uncalled capital and called but unpaid capital together with relative Insurance policy assigned to the National Australia Bank Limited given by.

1. integrated Forest Products Pty Ltd A.C.N 083 521 9S6
2. Timbermans ***Group*** Pty Ltd A.C.N 100 845 476

Guarantee and Indemnity

3. In support of Timbermans ***Group*** Pty Ltd A.C.N 100 845 476 for $6,733,000 and other liabilities given by>

~ Colin Wilson Baird,
- Michael Bruce Timms,
- Roger Kenneth Timms,
- Norman William Backman,
- Antony Richard Esplln.
- Integrated Forest Products Pty Ltd A.C.N 083 521 966 Registered Mortgages

4. Registered Mortgage over property situate at Tralee Street, Hume A.C.T more particularly described in Certificate of Title Volume Number 306 Folio 14 , Division Jerrabomberra, Block 285, Plan 2476 given by Integrated Forest Products Pty Ltd A.C.N 083 521 966

5. Registered Mortgage over property situate at The Wiles Cannriver Highway, Bombala, New South Wales more particularly described in Certificate of Title Folio Identifier 1/523427 and 120/756842 given by Timbermans Group Pty Ltd A.C.N 100 B45 476

Other

6. Letter of Subordination over Loans advanced to Timbermans ***Group*** Pty Ltd A.C-N 100 845 476 by

shareholders.

EXHIBIT 10.2

Corporate Letter of Offer

Integrated Forest Products Pty Ltd

29 April 2005

National Australia Bank untiled ABN 12 004 044 937

<u>Facility Summary</u>

We offer to provide the *facilities* detailed within this *Letter of Offer* to Integrated Forest Products Pty Ltd. A summary of these *facilities* is set out below. *Facilities* marked with a + {if any) are subject to the relevant Multi Option Facility set out in Part 1 of the *Letter of Offer.*

FACILITY SUMMARY

Customer.	Integrated Forest Products Pty Ltd
ABN:	52 **083** 521 966
Facility Type:	Overdraft
Facility Llmm	$500,000
Facility Type:	Bank Guarantee
Facility Limit:	$670,000
Facility Type:	Bank Guarantee
Facility Lirnif:	$120,000
Facility Type:	Revolving Hire Purchase / Financa Lease (Master Limit)
Facility Limit:	$7,200,000
Total:	$8,490,000

If there is any Inconsistency between the information set out here and that set out in the Details of Facilities sections of this *Letter of Offer,* then unless specifically provided the Detaifs of Facilities sections prevail to the extent of that inconsistency.

Details of Facilities - New facilities generally subject to this Letter of Offer

New *facilities* are detailed below.

Overdraft Facility	
Purpose/Utilisation:	To assist with the day to day working capital requirements for Sawmill operations.
Facility limit	$500,000 Five Hundred Thousand Dollars (reduction of $500,000)
Expiry Date:	30 April 2006
Account Number:	45-742-3433
Interest Rets:	The total of the *National's* Base Lending Indicator Rate, currently 9-85%, plus a customer margin of 1.80%. Currently 11.65% per annum.
Default Interest Rate:	**The** total of the *Nationats* **Base** Lending Indicator Rate, currently 9.85%, plus a customer margin of 1.80% plus a default margin of 6.5% Currently 18.15% per annum.
Service Fee:	$2,000 payable each half year in March and September in arrears and when the *facility* is paid in full.
Securities:	All *securities* detailed In Part 4 with the exception of the *securities* numbered 4,6 & 8
Specific Conditions:	Specific Conditions - Overdraft Facility
Bank Guarantee Facility	
Purpose/U tilisetfon:	Security bond for the NSW State Forest Log Supply Agreement
Facility limit: f	$670,000 (Six Hundred and Seventy Thousand Dollars)
Expiry Date:	30 April 2006
Issuing **Fee;**	2.80% of ihe face value of each *bank guarantee* payable on issue
Half Yearly Fee:	1.40% of the face value of each *bank* guarantee, payable half yearly in arrears from issue
Securities:	All *securities* detailed in Part 4 with the exception of the *securities* numbered 1,2,3,5.7 & 8
Specific Conditions:	Specific Conditions - Bank Guarantee Facility
Bank Guarantee Facility	
Purpose/Utilisation:	Security bond for the ACT Forests of Department of Urban Services
Facility limit:	$120,000 (One Hundred and Twenty Thousand Dollars)
Expiry **Date;**	30 April 2006
Issuing Fee:	2.80% of the face value of each *bank guarantee* payable on issue
Half Yearly Fee:	1.40% of the face value of each *bank guarantee,* payable half yearly in arrears from issue
Securities:	All *securities* detailed in Part 4 with the exception of the *securities* numbered 4,6 & 8
Specific Conditions:	Specific Conditions - Bank Guarantee Facility

3 Details? of Facilities - Existing facilities generally subject to other

contractual documentation

Existing *facilities* generally subject to other contractual documentation are summarised below. Refer to Section B1 of the General Terms and Conditions for how this *Letter of Offer* applies to them.

Master Lease /.Hire Purchase Facility

Purpose/Utilisation:	Finance Plant & Eqipment
Facility limit:	$7,200,000 (Sevan Million Two Hundred Thousand Dollars)
•	(Increase of $2,510,000 to accommodate the finance of the Quad Saw - from $4,690,000)
Expiry:	30 April 2006
Repayments:	Hire Purchase finance to be structured over 5 years with nil balloon.
Securities:	All *securities* detailed In Part 4 with the exception of *securities* numbered 2, 3,4,6 & **7**
Specific Conditions:	Specific Conditions - Master Lease/Hire Purchase Agreement

4 Security

The *Customer* must provide, and must ensure that each *security provider* provides, all the following *securities* in a form and suhsiance satisfactory to *us* (if the *Customer* or the *security provider* has not already done so). The taking of any new *securities* detailed below does not prejudice or waive our right to rely upon, and enforce, earlier *securities.*

Registered Mortgage Debentures

Over the whole of the company assets including goodwill and uncalled capital and called but unpaid capital together with relative insurance policy assigned to the National Australia Bank Limited given by.

1. Integrated Forest Products Pty Ltd A.C.N. 083 521 966
2. Timbermans Group Pty Ltd AC.N. 100 845 476

Guarantees and Indemnities

3. In support of Integrated Forest Products Pty Ltd for $1,120,000 and other liabilities given by:- Colin Wilson

   Baird, Michael Bruce Timms, Roger Kenneth Timms, Norman William Backman. Antony Richard Esplin and

   Timbetrnans *Group Pty* Ltd A.C.N. 100 845 476

4. In support of Integrated Forest Products Pty Ltd for $670,000 and other liabilities given by:- Glulia Marie Timms

Registered Mortgage

5. Registered Mortgage over property situate at Tralee Street Hume, A-C.T. more particularly described In Certificate of Title Volume 306 Folio 014 given by Integrated Forest Products Ply Ltd

6. General Mortgage over Crown Lease (85 years) over The Grimus Apartments', Apartment 3, Car Park 3A & Ski Locker 3, Site 224 Mount Buller Alpine Resort Vic given by Giulia "Marie Timms '

7. Letter of Subordination over Loans advanced to Timbermans Group Pty Ltd A.C.N. 100 845 476 by shareholders.

8. Master Lease/Hire Purchase Agreement secured by the following:

   First Ranking Mortgage Debenture over all the assets and undertakings of Integrated Forest Products Pty Ltd A.C.N. 083 521 966 - Charge Number 667546
   First Ranking Mortgage Deed6 ovBr land and buildings located at Tralee Street Hume, A.C.T. more specifically described in Certificate of Title Volume 306 Folio 014. Mortgage Number 1196285. Individual Directors Guarantees

COLIB PTY LTD

07/02/2007 14:12 FAX 0386454341

National Australia Raok LiOirlcd A UN IZ004U44VJ7
Melbourne Mainr Client flroun it/330 Collins Street

Outlet

Date 09/11/2004

(Name and Address of Customer)

Tunhermans Group Pry Ltd ACN 100 845 476
4/95 Salmon Street
Port Melbourne VIC 3207

Dear Sir/Madam

National Australia Bank Limited whose principal office in the State set out in item 1 of the Schedule is set out in item 2 of the Schedule ("the Bank") hereby offers to provide to the Drawer a bill acceptance facility not exceeding the aggregate amount set out in item 4 of the Schedule or such other amount as may hereafter be agreed upon by the parties in writing ("the Limit") upon the following terms and conditions:-1. in this Letter unless the context otherwise requires:-

"Letter" means mis Letter as the same may stand amended, varied or added to from time to time. "Availability Period" means the period during which the Drawer may draw Bills and require the Bank to accept the same in accordance with this Letter commencing on the Commencement Date and ending on the date set out in item 5 of the Schedule or such later date as the parties hereto shall agree upon in writing, "Bill" and "Bills" has the meaning assigned to the expression "Bill of Exchange" by the Bills of Exchange Act 1909 of the Commonwealth of Australia and shall mean any Bill drawn and accepted pursuant to this Letter of Offer. Any reference in this letter to the drawing, accepting, or other dealings of or with a Bill of Exchange shall have the meaning ascribed thereto in that Act and shall also mean drawing or accepting a Bill of Exchange by means of a facsimile signature.

"Business Day" means any day on which trading banks are open for business in the place set out in item 1 of the Schedule.
"Commencement Date" means the date as set out in item 6 of the Schedule.

"Drawer" means the person set out in item 3 of the Schedule, and includes his successors and permitted assigns. "Event of Default" means an event under clause 17.
"Expiry Date" means the last day of the Availability Period.
"Facility" means the bill acceptance facility up to the Limit to be provided by the Bank to the Drawer-
"Maturity Date" means the maturity date of each Bill drawn and accepted pursuant to this Letter.
A reference in this Letter to any Act of Parliament or to any section or provision thereof shall be read as though the words "or any statutory provision substituted therefore" were added to such a reference.
A reference in this Letter to a natural person shall include his legal personal representatives.
Anything to be done, or which may be done, by the Drawer under this Letter may be done for or on behalf of the Drawer by a duly appointed and authorised attorney.
Words denoting the singular number shall include the plural and vice versa.
Words denoting natural persons only shall include corporations and vice versa, and words denoting the masculine gender shall include every other gender.

2. Where the Drawer has appointed the Bank as the attorney of the Drawer in connection with this Letter.*
   (a) The Bank is not obliged to comply with any request or direction ("instruction") of the Drawer for the Bank to exercise its power as attorney;
   (b) The Bank may act on verbal instructions or instructions received by facsimile but may require instructions from the Drawer to be in writing'
   (c) The Bank will not have any liability (and the Drawer shall indemnify the Bank against any liability) for anything done or omitted to be done by the Bank acting on instructions which purport to be instructions of the Drawer.

3. Bills drawn by the Drawer during the Availability Period shall be accepted by the. Bank for the accommodation of the Drawer provided that the face value of all Bills so accepted by the Bank and outstanding shall not exceed the Limit at any time
4. No Bills shall be drawn by the Drawer and the Bank shall have no obligation to accept any Bills pursuant to this Letter having a Maturity Date later than the Expiry Date.
5. Bills shall be drawn by the Drawer on the Bank with face values, payable on such days to such persons and at

such places in Australia as the Drawer and the Bank shall agrec.

6. The Drawer hereby agrees to observe the several requirements of the Bills of Exchange Act 1909 as to anything necessary to be done lo ensure the validity of any Bills to be drawn or accepted hereunder or to attract the benefit of any provisions of that Act.
7. Within file Availability Period and subjeel to the provisions of this Letter upon the maturity of each Bill drawn and accepted pursuant to this Letter, the Drawer may draw a replacement Bill having a face value no greater than the face value of the maturing Bill which shall be accepted by the Bank. Such replacement Bill shall, except with the consent of the Bank, be delivered to the Bank at least 5 Business Days prior to the Maturity Date of the maturing Bill.

8. (a) (i) Subject to sub-clause (ii) hereof, the Drawer shall pay to the Bank the face value of each Bill on its Maturity Date.

(ii) Where the Bank>

(a) provides a Bill discounting facility to the Drawer; and

(b) has agreed to accept a replacement Bill (pursuant to clause 7),

the obligation of the Drawer to pay to the Bank the face value of a maturing Bill on its Maturity Dale may, at the discretion of the Bank, be satisfied by the Banlc-

(a) debiting the face value of the maturing Bill to an internal suspense account of the Bank;

(b) accepting the replacement Bill;

(c) crediting the discounted proceeds of the replacement Bill in reduction of the debit created to the suspense account; and

(d) debiting the account of the Drawer for the amount of the reinsuring balance of the debit to the suspense account.

(iii) The procedure outlined in sub-clause (ii) hereof, shall be adopted for administrative convenience only and shall not prejudice the right of the Bank at any time to require the Drawer to pay to it the face value of any Bill on its Maturity Date.

(b) The obligations and liabilities of the Drawer hereunder and in relation to each Bill drawn and accepted hereunder shall continue notwithstanding that the Bank is/or becomes the holder of a Bill in its own right on or after its Maturity Date.

(c) The Bank may pay any Bill on or after its Maturity Date without being under any obligation to enquire as to the title of the person presenting the same for payment.

9. Upon each Bill being accepted by the Bank the Drawer shall pay to the Bank an activation fee being the percentage per annum set out in item 7 of the Schedule of the face value of the Bill for the term thereof.
10. Upon each Bill being accepted by the Bank the Drawer Shall pay to the Bank a drawdown fee of the amount set out in item 8 of the Schedule. The Bank may increase the drawdown fee during the Availability Period by giving at least thirty (30) days[7] notice to the Drawer of any such increase.
11. During the Availability Period the Drawer Shall pay to the Bank a facility fee being the percentage per annum Set out in item *9* of the Schedule of the amount of the Facility payable in advance as determined by the Bank. The first of such payments shall be made on the Commencement Date.
12. The Drawer shall pay to the Bank on demand the application fee set out in item 10 of the Schedule.
13. The Drawer agrees that the Bank: may debit all fees payable by the Drawer under or tn connection with the Facility to the account set out in item 14 of the Schedule.
14. The obligation of the Bank lo accept Bills hereunder shall be subject to the Drawer's performance of and compliance with his obligations hereunder.
15. The Drawer represents and warrants to the Bank as fbllows;-

(a) There is no action suit or proceeding pending or to the knowledge of the Drawer (or if the Drawer is a corporation - known lo any of its officers) threatened before any Court or Government agency which may result in this Letter or any provision thereof being rendered invalid or unenforceable;

(b) The execution and performance of this Letter and the payment of all amounts due under this Letter will not violate any provision of any applicable law or Government directive having the force of law;

(c) A legal valid and binding obligation on the Drawer enforceable m accordance with its terms is constituted if and whenever a Bill is accepted by the Bank;

(d) Bach Bill required to be accepted by the Bank shall be binding on the Drawer and enforceable according to its tenor;

(e) If the Drawer is a corporation, the Drawer is duly incorporated or registered in the State set out in item 1! of the Schedule and has all requisite power and authority to enter into and comply with the provisions of this Letter;

(f) If the Drawer is a natural person:-

(i) The Drawer has full capacity to accept the offer constituted by thus Letter and draw Bills pursuant to this Letter,

(ii) Any statement of assets, liabilities and income given by the Drawer to the Bank prior to the execution hereof is true and correct in all particulars.

16. Each request by the Drawer to the Bank to accept a Bill shall constitute confirmation by the Drawer that at the date thereof no Event of Default and no event in relation to which the giving of notice or the passing of time, or hoth would constitute an Event of Default, has occurred and that the representations and warranties of the Drawer contained herein remain true and correct as of that date.

17. During the term of the Facility each of the following events and occurrences shall constitute an Event of Defauli:-

(a) If the Drawer fails to pay the face value of any Bill to the Bank on the Maturity Date of such Bill;

(b) If the Drawer fails to pay ou the due date any other amount payable hereunder;

(c) If the Drawer defaults m the performance or observance of any term or condition of the Facility or of this Letter **ed)** If any order for payment is made or judgment is entered or signed against ihe Drawer and the same is not satisfied within 7 days thereafter; (e) If, in the opinion of the Bank, the Drawer becomes unable to pay its debts, or the assets or position of the Drawer are not sufficiently maintained; (I) If the Drawer fails to make any paymenL when due, or within any applicable period of grace, in respect of any financial obligation or any such obligation shall, by reason of default on the part of the Drawer, become due or capable of being declared due prior to its stated maturity;

(g) If the Drawer, without the prior written consent of the Bank, enters into any arrangement to factor all or any of the Drawer's book debts or charges or encumbers the whole or any part of the Drawer's assets or estate;

(h) If at any time die Drawer should fail to pay to the Bank any moneys from time to time due and payable to the Bank pursuant to any other arrangement or facility, or fail to comply with any other provision of such arrangement or facility or the provisions of any security given to the Bank;

(i) If the Drawer is a corporation;-

(i) If the Drawer convenes a meeting of or proposes or enters into any arrangement or composition for the benefit of its creditors; *{ii)* If an application is made or a resolution is passed for the winding up of the Drawer or for the reduction of the capital of the Drawer or notice or intention to propose such a resolution is given;

(iii) If a receiver and manager, liquidator or provisional liquidator or an administrator under Part 5.3 A of the Corporations Law is appointed in respect of the Drawer or the whole or any part of its undertaking property or assets;

(iv) If the Drawer stops payment generally or ceases or threatens to cease to cany On its business or the major part thereof;

(v) If a ground for winding up the Drawer shall arise:

<vi) H, without the prior consent in writing of the Bank, the Drawer shall sell, assign or transfer the whole or major part of its undertaking or attempt so to do; (vii) If the Drawer determines tliat any portion of its share capita] which has not been already called up shall not be capable of being called up except in the event and for the purposes of the company being wound up: (J) If the Drawer is a natural person:-

(I) If the Drawer commits an act of bankrup Ley;

(ii) If apetition for an order of bankruptcy or sequestration of the estate of the Drawer is presented;

(iii) If the Drawer convenes a meeting of or proposes or enters into any arrangement or composition for the benefit of his creditors;

(iv) If a receiver is appointed of any part of the property or the estate of the Drawer.

For the purposes of this clause 17 where the Drawer is a firm or partnership any Event of Default which occurs in relation to one member of the firm or partnership Shall be deemed to have occurred in relation to all the members ■thereof.

18. If an Event of Default occurs the Bank shall have the right to serve a notice of termination of the Facility on the Drawer. Upon service of such notice the Drawer's right to have Bills accepted by the Bank shall terminate and ail amounts payable hereunder, including an amount equal to the aggregate face value of all Bills accepted by the Bank hereunder which remain outstanding (notwithstanding that the Maturity Dates of such outstanding Bills have yet to occur) shall become immediately due and payable by the Drawer to the Bank.

19. In the Event that the Drawer should fail to pay to the Bank the face value of any Bill either on its Maturity Date or upon service of a notice of termination of Facility pursuant to clause 18 (whichever the case may be) the Bank may debit an account in the name of the Drawer (whether opened by the Bank or the Drawer) with the face value of each such Bill and any costs expenses and outgoings referred to in clause 22. The overdrawn balance of such

18.

account shall hear interest at the rate calculated in accordance with item 12 of the Schedule from time to time.

20. Notwithstanding anything herein contained to the contrary fee Bank shall not be obliged to accept any Bills presented for acceptance hereunder unless the securities referred to in item 13 of the Schedule have been executed and have been delivered lo the Bank and remain in full force and effect in respect of all current Bills accepted by the Bank and Bills so presented to the Bank for acceptance.

21. No delay in exercising or omission to exercise any right, power Or remedy accruing to the Bank under this Letter shall affect its right, power or remedy or be construed to be a waiver of any Event of Default. Each and every right granted to the Bank herein or in connection herewith or allowed to it at law or in equity shall be cumulative and may be exercised from time to time.

22. The Drawer shalI pay to the Bank the Bank's costs, expenses and outgomgs:-

(a) Of and incidental to the preparation, execution and stamping of this Letter and the securities herein referred to;

(b) In respect of any other liability of the Bank for stamp duty under stamp duty legislation of any State or Territory arising out of this Letter or any transaction hereunder or contemplated hereby including drawing, accepting, discounting and negotiating of Bills Or for which the Bank or the Drawer maybe liable and which fee Bank at its discretion may pay;

(c) Incurred in consequence of any default of the Drawer in the due performance or observance of any term or condition or provision binding expressly or by implication on the Drawer under this Letter;

(d) Of and incidental to the exercise by the Bank of any power express or implied in this Letter or the securities referred to herein or in relation to or in respect of any Bill.

23. If the Bank is liable to pay goods and services tax or any similar tax (GST) on a supply (as defined in relevant legislation) ("the supply") made in connection with this Letter, then the Drawer agrees to pay the Bank an additional amount equal to the consideration payahle for the supply multiplcd by the prevailing GST rate.

24. The Drawer shall indemnify the Bank against any liability which it may incur on, and any moneys it may pay under, any Bill the Bank may accept hereunder or in connection with any such Bill including any Bill accepted or drawn by means of a facsimile signature (and whether or not such facsimile signature was authorised by the Bank or Drawer). This indemnity shall be in addition to and not in derogation of any other indemnity or obligation in favour of the Bank contained herein or given by the Bills of Exchange Act 1909 or at law or in equity.

25. Anything herein required to be done .or any payment to be made on a day which is not a Business Day shall be valid if done or made on the next succeeding Business Day.

26. This Letter will be construed in accordance with the laws of the State set out in item 1 of the Schedule.

27. Any notice or demund hereunder may be given by the Bank under the hand of any class of Manager of the Bank and served by being delivered to the address or registered office of the Drawer as set out in item 3 of the Schedule or as last advised to the Bank and may be posted to any of such addresses by prepaid post and if posted shall be deemed to be served on the day following the date of posting whether actually received or not and may be delivered to the Drawer or should the Drawer be a corporation then to any Director or Secretary of the Drawer.

28. In a case where this Letter is given in respect of the indebtedness of a firm or partnership:-

(a) This Letter shall continue to be binding notwithstanding any changes which may from time to time take place in the partners thereof, whether by the death or retirement of any partner or partners or the admission of any new partner or partners or otherwise howsoever, and notwithstanding that the firm or partnership no longer carries on business;

(b) This Letter shall be binding on the Drawer notwithstanding thai the Drawer is not or having once been a member of the firm or partnership is no longer a member thereof.

29. fci the event of the death of the Drawer prior to the Maturity Date of any Bill current at the date of such death interest shall accrue to the Bank pursuant to the provisions of clause 19 in the same manner as if an account in the name of such deceased Drawer had been debited with the face value of such Bill pursuant to the provisions of that clause.

30. The drawing of a Bill by the Drawer for acceptance byahe Bank after ihe date oflhis Leller shall constitute acceptance by the Drawer of the Bank's offer to provide the Facility upon the terms and conditions hereinbefore set out and an acknowledgment that all prior arrangements arc cancelled and that these terms and conditions apply to all Bills so drawn and accepted prior to such date.

31. The Drawer must give the Bank promptly any information i I reasonably asks for from time to time.

Yours faithfully.

Manager

Page 6 Schedule

Item 1
State
Victoria Item 2
Principal Office of the Bank 500 Bourkc Street Melbourne VIC 3000
Item 3
Name, & Address or Registered Office of Drawer 1
Timbermans Group Pty Ltd
4-95 Salmon Street Port Melbourne VIC 3207
Item 4
Limit
£6,650,000.00 Item 5
End of Availability Period 31/07/2008
Item *6*
Commencement Date 09/11/2004
Item 7
Activation fee 0.0000% p.a-
Item 8
Drawdown fee $150.00
Item 9
Facility fee
1.5000% p.a.
Item 10
Application fee $0.00
Item 11
State of incorporation of Drawer Victoria

, * Page 7
Schedule (eont*d)

Item 12

Default Rate

The total of the Bank's Lending Indicator Rate for Base Rate plus a customer margin of 3,4000% per annum plus a default margin of 6.5000% per annum being 18.5000% per annum.

Item 13-Securities

Registered Mortgage Debenture over the whole of Timbermans Group Pty Ltd assets including goodwill and uncalled

capital end called but unpaid capital together with relative insurance policy assigned to the National Australia Bank

Limited.

Guarantee and Indemnity for $ 6,650,000.00 given by Colin Wilson Baird, Michael Bruce Timins, Roger Kenneth Tinuns, Norman William Backman Anthony Richard Esplin and Integrated Forest Products Pty Ltd supported bv.

Registered Mortgage Debenture over the whole of Integrated Forest Products Pry Ltd assets including goodwill and uncalled capital and called but unpaid capital together with relative insurance policy assigned to the National Australia Bank Limited.

Registered Mortgage over property situate at Bolck 28, Hume Canberra Sawmill, Hume ACT more particularly

described in Certificate of Title Division. Certificate of title Volume 306 Folio 014

Letter Qf Subordination

Registered Mortgage over property situate at The Wiles CannHver Highway, Bombala NSW more particularly

described in Certificate of Title Polio Identifier 1/523427 and 120/756842

Item 14

Account title

Timbermans Group Pty Ltd

Account number 155-865-9517

Outlet

Major Cleint Group

EXHIBIT 10.3

Deed of Sale

COLIB PTY LTD

Tax Invoice
Part A - Details

Us

Name: *AB.N.:* Address;

NATIONAL AUSTRALIA BANK LTD

ABN 12 004 044 937

AUSTRALIAN ASSET FINANCE 24™ FLOOR 500 BOURKE STREET MELBOURNE VICTORIA 3000

You

Name: A.B.N.: Address:

INTERGRATED FOREST PRODUCTS PTY LTD

52 083 521 966

95 SALMON STREET, PORT MELBOURNE . VIC 3207

Complete if you are actfnfl in a (rust capacity Trust name:

Date of Trust

the Used Goods Description: serial No; Identification No: Regular Location:

LOGGING SAWMILL REFER ANNEXURE

TRALEE STREET. HUME, A.C.T

Purchase Price

$ 4.950,000.00 (Inclusive of OST)

Disbursement S

to tha financier to dJacharpe toe security interest (refer befow)

to

to

Security Intfi res*t* Name of financier: A.C.N. or AJ3.N.: Address; Contact number Details xifGaeurity:

r

EXHIBIT 10.4

3 May 2005

INTEGRATED FOREST PRODUCTS PTY LTD

Melbourne Major Client Group Telephone: 03 8636 5600 Facsimile: 03 8636 5652

Dear

Indicative Quotation

Sale Hireback

Our *Reference No:*
051180370A

Description of Equipment:	**Timber/Sawmilling Plant**		
Quote Given Date:	**28/04/2005**	*Latest Settlement Date:*	**02/06/2005**
Supplier Tax Invoice Amount:	**$ 4,950,000.00**	*Interest Rate:*	**7.7999 %**
Less *Deposit or Trade In:*	**$ 0.00**		
Amount Financed:	**$ 4,950,000.00**	*Term:*	**60** months
Balloon:	**$ 0.00**	*Total Amount Repayable:*	**5,863,623.00**
Instalments:			
Instalments due:	Monthly In Advance		

Date	No	Period (months)	Base Instalment $	Gov't Charges $	GST $	Fee with each Instalment $	Gross Instalment $
May 2005	**1**	**1**	**540,227.05**	**4,051.70**	**405.17**	**0.00**	**544,683.92**
Jun 2005	**CO**	**1**	**90,227.05**	**676.70**	**67.67**	**0.00**	**90,971.42**
Feb 2006	**1**	**1**	**90,227.05**	**534.70**	**53.47**	**0.00**	**90,815.22**
Mar 2006	**50**	**1**	**90,227.05**	**0.00**	**0.00**	**0.00**	**90,227.05**

Hire Establishment Fees Due at Settlement:

Type of Fee

Fee Amount
GST on Fee S

Total Fee Inc GST S
Document Preparation Fee350.00
Total Hire Establishment Fees Due at Settlement

35.00
385.00
385.00

This indicative quotation does not confer an offer by the bank nor a commitment on its part to the transaction. The quotation is valid for your acceptance until, 12/05/2005. After this date the details may change without notice.

Please contact the writer for any further assistance or variations to this indicative quotation. We will contact you soon to confirm that this indicative quotation meets your individual needs. We can then quickly arrange the necessary documentation, subject to satisfactory credit assessment, to enable you to enjoy the benefits of your investment decision as soon as possible.

Yours Faithfully

/s/ Ralph Faifalla

EXHIBIT 31.1

CERTIFICATION OF PRESIDENT

PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO SECTION 302 OF

THE SARBANES-OXLEY ACT OF 2002

I, Michael Timms, certify that:

1. I have reviewed this annual report of Australian Forest Industries;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

/s/ Michael Timms

Name: Michael Timms

Title: CEO, President and Chairman of the Board

Date: March 28, 2008

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO SECTION 302 OF

THE SARBANES-OXLEY ACT OF 2002

I, Colin Baird, certify that:

1. I have reviewed this annual report of Australian Forest Industries;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

4. The small business issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and

5. The small business issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

/s/ Colin Baird

Name: Colin Baird

Title: Chief Financial Officer

Date: March 28, 2008

EXHIBIT 32.1

Certification Pursuant to 18 U.S.C. Section 1350 As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Michael Timms, President of Australian Forest Industries (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Annual Report on Form 10-KSB of the Company for the period ended December 31, 2005 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 28, 2008

/s/ Michael Timms

Michael Timms

Chief Executive Officer and President

EXHIBIT 32.2

Certification Pursuant to 18 U.S.C. Section 1350 As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, <?xml:namespace prefix = st1 ns = "urn:schemas-microsoft-com:office:smarttags" />Colin Baird, Chief Financial Officer of Australian Forest Industries (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Annual Report on Form 10-KSB of the Company for the period ended December 31, 2005 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 28, 2008

/s/ Colin Baird

Colin Baird

Chief Financial Officer