

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D. C. 20549
FORM 10-QSB
QUARTERLY REPORT UNDER SECTION 13 or 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2006
Commission file number 0-25909

Australian Forest Industries
(Exact name of small business issuer as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

86-0931332
(I.R.S. Employer
Identification No.)

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

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. The number of shares of the issuer's outstanding common stock, which is the only class of its common equity, on June 20, 2006 was 257,400,680.

ITEM 1 FINANCIAL STATEMENTS

Description	Page No.
FINANCIAL INFORMATION:	
Financial Statements	
Consolidated Balance Sheets at March 31, 2006 (Unaudited).....	1
Consolidated Statement of Operations (Unaudited).....	2
Consolidated Statements of Cash Flows (Unaudited)	3
Notes to Consolidated Financial Statements (Unaudited).....	4

Item 1. Condensed Financial Statements

AUSTRALIAN FOREST INDUSTRIES

CONSOLIDATED BALANCE SHEETS

ASSETS

<TABLE>
<CAPTION>

	March 31, 2006	December 31, 2005
	----- (Unaudited)	-----
<S>	<C>	<C>
CURRENT ASSETS		
Cash	\$ 55,973	\$ 127,014
Accounts receivable	2,783,201	1,622,974
Inventory	2,024,004	1,778,340
Prepaid expenses and other	512,572	193,739
Total Current Assets	5,375,750	3,722,067
	-----	-----
PROPERTY, PLANT AND EQUIPMENT, net of accumulated depreciation of \$2,393,479 and \$2,402,939 in 2006 and 2005, respectively	15,075,378	13,040,126
OTHER ASSETS		
Long-term timber supply contract, net of amortization of \$82,734 and \$91,843 in 2006 and 2005, respectively	697,944	794,805
	-----	-----

\$ 21,149,072 \$ 17,556,998
=====

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES		
Bank overdraft	\$ 418,506	\$ 117,772
Accounts payable	3,937,541	2,690,957
Current portion of capitalized lease obligations	1,076,013	1,076,013
Due to Timberman shareholders	4,947,731	3,213,912
Related party payable	588,645	592,844
Accrued payroll, related taxes and benefits	837,715	599,389
	-----	-----
Total Current Liabilities	11,806,151	8,290,887
OTHER LIABILITIES		
Capitalized lease obligations	4,492,432	3,512,882
Deferred capital gain	1,281,683	1,396,481
Due to National Australian Bank	4,692,600	4,818,000
	-----	-----
Total Liabilities	22,272,866	18,018,250
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	272,706	333,619
Accumulated deficit	(6,157,317)	(5,555,688)
	-----	-----
Total Stockholders' Equity	(1,123,794)	(461,252)
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 21,149,072	\$ 17,556,998
	=====	=====

</TABLE>

See accompanying notes to financial statements.

3

AUSTRALIAN FOREST INDUSTRIES

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	For the Three Months Ended March 31,	
	2006	2005 (Restated)
	-----	-----
REVENUE - SALES	\$ 3,449,112	\$ 3,306,566
COSTS AND EXPENSES		
Cost of goods sold	1,794,836	3,036,222
Selling, general and administrative	2,060,123	732,744
Provision for doubtful accounts	131,864	
Interest expense	201,098	125,261
Depreciation and amortization	140,007	198,759
	-----	-----
Total Costs and Expenses	4,327,928	4,092,986
	-----	-----
OPERATING LOSS	(878,816)	(786,420)
NON-OPERATING INCOME		
Other income	92,500	3,904
Interest income	81,625	
Gain on disposal of assets	103,062	
	-----	-----
Total Non-Operating Income	277,187	3,904
	-----	-----
NET LOSS	\$ (601,629)	\$ (782,516)
	=====	=====
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.

4

AUSTRALIAN FOREST INDUSTRIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

<TABLE>
 <CAPTION>

	For the Three Months Ended March 31,	
	----- 2006 -----	----- 2005 ----- (Restated) <C>
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (601,629)	\$ (782,516)
Adjustments to reconcile net income to cash flows used in operating activities:		
Depreciation	129,854	198,759
Amortization of Timber contract	10,153	
Amortization of leaseback gain	81,625	
Changes in operating activities:		
(Increase) decrease in prepaid expenses	5,555	116,240
(Increase) decrease in inventories	(245,664)	(116,981)
(Increase) decrease in receivables	(1,160,228)	(920,468)
(Increase) decrease in related party receivable		(45,260)
Increase (decrease) in accounts payable and other liabilities	1,246,584	723,305
Increase (decrease) in bank overdraft	300,734	531,983
Increase (decrease) in related party payable	(4,199)	
Increase (decrease) in accrued payroll	238,326	33,281
Increase (decrease) in taxes payable	(324,387)	
	-----	-----
Net Cash (Used in) Provided by Operating Activities	(323,276)	(261,657)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital additions	(2,424,654)	(79,551)
Disposition of capital assets	103,062	
	-----	-----
Net Cash Used in Investing Activities	(2,321,592)	(79,551)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loans from shareholders	1,733,819	(8,724)
Capital leases	979,550	196,366
National Australian bank loan	(125,400)	(50,920)
	-----	-----
Net Cash Provided by (Used In) Financing Activities	2,587,969	136,722
EFFECT OF EXCHANGE RATES ON CASH	(14,142)	8,980
	-----	-----
(DECREASE) INCREASE IN CASH	(71,041)	(195,506)
CASH AT BEGINNING OF PERIOD	127,014	225,189
	-----	-----
CASH AT END OF PERIOD	\$ 55,973	\$ 29,683
	=====	=====

</TABLE>

See accompanying notes to financial statements.

5

AUSTRALIAN FOREST INDUSTRIES

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary in order to make the financial statements not misleading have been included. Results for the three months ended March 31, 2006 are not

necessarily indicative of the results that may be expected for the year ending December 31, 2006. For further information, refer to the financial statements and footnotes thereto included in Australian Forest Industries' annual report on Form 10-KSB for the year ended December 31, 2005.

NOTE 2 - LOAN TO TIMBERMANS GROUP (RELATED PARTY)

During the three months ended March 31, 2006, the company received an additional \$1,733,819 from Timberman investors.

NOTE 3 - CAPITALIZED LEASE OBLIGATIONS

During the three months ended March 31, 2006, the Company purchased \$3,900,000 in new equipment of which \$1,981,000 was financed under capitalized leases over a five year period.

6

PART II

Item 1. Legal Proceedings
None.

Item 2. Changes in Securities
None

Item 3. Defaults Upon Senior Securities
None

Item 4. Submission of Matters to a Vote of Security Holders
None

Item 5. Other Information
None

Item 6. Exhibits and Reports on Form 8-K

a. Exhibit Index

Exhibit 31.1 Certification of Chief Executive Officer

Exhibit 31.2 Certification of Chief Financial Officer

Exhibit 32.1 Certification of Chief Executive Officer

Exhibit 32.1 Certification of Chief Financial Officer

b. Reports on Form 8-K

None.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AUSTRALIAN FOREST INDUSTRIES

/s/ Michael Timms

- -----

Name: Michael Timms
Title: CEO, President and Chairman of the Board
Date: June 21, 2006

/s/ Colin Baird

- -----

Name: Colin Baird
Title: Chief Financial Officer
Date: June 21, 2006

7

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND PRESIDENT

I, Michael Timms, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Australian Forest Industries;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report my conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

8

6. I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of my most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 21, 2006

/s/ Michael Timms

Name: Michael Timms
Title: Chief Executive Officer and President

9

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Colin Baird, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Australian Forest Industries;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report my conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

10

6. I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of my most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 21, 2006

/s/ Colin Baird

Name: Colin Baird

Title: Chief Financial Officer

11

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, Chief Executive Officer and 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 Quarterly Report on Form 10-QSB of the Company for the quarter ended March 31, 2006 (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: June 21, 2006

/s/ Michael Timms

- -----

Michael Timms

Chief Executive Officer and President

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

I, 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 Quarterly Report on Form 10-QSB of the Company for the quarter ended
March 31, 2006 (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: June 21, 2006

/s/ Colin Baird

- -----

Colin Baird
Chief Financial Officer