

Rhino Outdoor International, Inc.  
Form 10QSB/A  
December 21, 2006

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

**FORM 10-QSB/A**

(Mark One)

☒ Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 2006

☐ Transition report under Section 13 or 15(d) of the Exchange Act for the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number: **333-62690**

**RHINO OUTDOOR INTERNATIONAL, INC.**

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

**Nevada**

(State or other jurisdiction of incorporation  
or organization)

**65-1000634**

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

**370 Amapola Ave. # 202, Torrance, California**

(Address of principal executive office)

**90501**

(Zip Code)

**1-800-288-3099**

(Issuer's telephone number)

**CYBERADS, INC.**

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

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act 1934).

Yes ☐ No ☒

As of December 21, 2006, the number of outstanding shares of the issuer's common stock was 50,748,728 shares.

TRANSITIONAL SMALL BUSINESS DISCLOSURE FORMAT: Yes ☐ No ☒

## TABLE OF CONTENTS

### PART I - FINANCIAL INFORMATION

|         |                                                                                                                                                                                                            |    |
|---------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|
| ITEM 1. | FINANCIAL STATEMENTS                                                                                                                                                                                       |    |
|         | Report of Independent Registered Public Accounting Firm                                                                                                                                                    | 3  |
|         | Consolidated Balance Sheets for the periods ended<br>September 30, 2006 and December 31,<br>2005                                                                                                           | 4  |
|         | Consolidated Statements of Operations for the Three Months<br>and Nine Months<br>ended September 30, 2006 and 2005, and<br>from inception of development<br>stage January 1, 2005 to September 30,<br>2006 | 5  |
|         | Consolidated Statement of Stockholders' Equity                                                                                                                                                             | 6  |
|         | Consolidated Unaudited Statement of Cash Flows for the Nine<br>Months<br>ended September 30, 2006 and 2005, and<br>from inception of development<br>stage January 1, 2005 to September 30,<br>2006         | 7  |
|         | Notes to Consolidated Financial Statements                                                                                                                                                                 | 8  |
| ITEM 2. | MANAGEMENT'S DISCUSSION & ANALYSIS OF<br>FINANCIAL CONDITION AND<br>RESULTS OF OPERATIONS                                                                                                                  | 19 |
| ITEM 3. | CONTROLS AND PROCEDURES                                                                                                                                                                                    | 22 |

### PART II - OTHER INFORMATION

|         |            |    |
|---------|------------|----|
| ITEM 6. | EXHIBITS   | 22 |
|         | SIGNATURES | 23 |

Board of Directors  
Rhino Outdoor International, Inc.  
Torrance, California

## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We have reviewed the accompanying consolidated balance sheets of Rhino Outdoor International, Inc., as of September 30, 2006 and 2005, and the related statements of operations, stockholders' equity, and cash flows for the nine months then ended and for the period from January 1, 2005 (inception of development stage) through September 30, 2006. All information included in these financial statements is the representation of the management of Rhino Outdoor International, Inc.

We conducted our review in accordance with standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses and has an accumulated deficit at September 30, 2006. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Williams & Webster, P.S.  
*Certified Public Accountants*  
Spokane, Washington  
December 19, 2006

**RHINO OUTDOOR INTERNATIONAL, INC.**  
**(A Development Stage Company)**  
**CONSOLIDATED BALANCE SHEETS**

|                                              | September 30,<br>2006<br>(unaudited) | December 31,<br>2005 |
|----------------------------------------------|--------------------------------------|----------------------|
| <b>ASSETS</b>                                |                                      |                      |
| <b>CURRENT ASSETS</b>                        |                                      |                      |
| Cash                                         | \$ 4,834                             | \$ -                 |
| Accounts receivable                          | 5,000                                | 7,500                |
| Loans receivable                             | -                                    | 15,000               |
| Investments                                  | 118,804                              | -                    |
| Inventory, net                               | 143,210                              | -                    |
| Other current assets                         | 9,792                                | -                    |
| <b>TOTAL CURRENT ASSETS</b>                  | <b>281,640</b>                       | <b>22,500</b>        |
| <b>FIXED ASSETS</b>                          |                                      |                      |
| Plant, property, and equipment               | 192,736                              | -                    |
| Less accumulated depreciation                | (75,050)                             | -                    |
| <b>TOTAL FIXED ASSETS</b>                    | <b>117,686</b>                       | <b>-</b>             |
| <b>OTHER ASSETS</b>                          |                                      |                      |
| Goodwill                                     | 3,013,463                            | -                    |
| <b>TOTAL ASSETS</b>                          | <b>\$ 3,412,789</b>                  | <b>\$ 22,500</b>     |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b> |                                      |                      |
| <b>CURRENT LIABILITIES</b>                   |                                      |                      |
| Accounts payable and accrued expenses        | \$ 1,253,290                         | \$ 1,063,251         |
| Accrued liabilities                          | 1,201,909                            | 971,762              |
| Bank overdraft                               | 30,975                               | 15,108               |
| Lines of credit                              | 299,896                              | -                    |
| Notes payable                                | 294,192                              | 294,192              |
| Current portion of long-term debt            | 45,105                               | -                    |
| Deferred revenues and customer deposits      | 588,652                              | 172,453              |
| Related party payable                        | 703,045                              | 1,226,161            |
| <b>TOTAL CURRENT LIABILITIES</b>             | <b>4,417,064</b>                     | <b>3,742,927</b>     |
| <b>LONG-TERM LIABILITIES</b>                 |                                      |                      |
| Bank indebtedness, net of current portion    | 42,106                               | -                    |
| Vehicle loans, net current portion           | 24,635                               | -                    |
| <b>TOTAL LONG-TERM LIABILITIES</b>           | <b>66,741</b>                        | <b>-</b>             |
| <b>TOTAL LIABILITIES</b>                     | <b>4,483,805</b>                     | <b>3,742,927</b>     |

|                                                                                                                                                 |              |              |
|-------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| COMMITMENTS AND CONTINGENCIES                                                                                                                   | -            | -            |
| <b>STOCKHOLDERS' DEFICIT</b>                                                                                                                    |              |              |
| Convertible preferred stock, \$0.001 par value;<br>5,000,000 shares authorized                                                                  |              |              |
| Series A - 835,660 shares issued and outstanding                                                                                                | 836          | 836          |
| Series B - 1,000,000 shares issued and outstanding                                                                                              | 1,000        | 1,000        |
| Series C - 2,250,000 and 0 shares issued and<br>outstanding, respectively                                                                       | 2,250        | -            |
| Common stock, \$0.001 par value; 500,000,000<br>shares authorized,<br>49,453,479 and 1,233,518 shares issued and<br>oustanding,<br>respectively | 49,453       | 1,233        |
| Additional paid-in capital                                                                                                                      | 35,214,629   | 23,295,020   |
| Accumulated deficit prior to current development<br>stage                                                                                       | (19,234,546) | (19,234,546) |
| Accumulated deficit in development stage                                                                                                        | (16,693,067) | (7,783,970)  |
| Accumulated comprehensive loss                                                                                                                  | (411,571)    | -            |
| Total Stockholders' Deficit                                                                                                                     | (1,071,016)  | (3,720,427)  |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS'<br/>DEFICIT</b>                                                                                          | \$ 3,412,789 | \$ 22,500    |

The accompanying notes are an integral part of these interim consolidated financial statements.

**RHINO OUTDOOR INTERNATIONAL, INC.**  
**(A Development Stage Company)**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

|                                      | Three Months Ended                      |                                         | Nine Months Ended                       |                                         | From<br>Inception of<br>Development<br>Stage<br>(January 1,<br>2005)<br>to |
|--------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|----------------------------------------------------------------------------|
|                                      | September<br>30,<br>2006<br>(unaudited) | September<br>30,<br>2005<br>(unaudited) | September<br>30,<br>2006<br>(unaudited) | September<br>30,<br>2005<br>(unaudited) | September 30,<br>2006<br>(unaudited)                                       |
| <b>REVENUES</b>                      | \$ 23,398                               | \$ -                                    | \$ 53,148                               | \$ -                                    | \$ 53,148                                                                  |
| <b>COST OF SALES</b>                 | 44,183                                  | -                                       | 68,837                                  | -                                       | 68,837                                                                     |
| Gross Profit (Loss)                  | (20,785)                                | -                                       | (15,689)                                | -                                       | (15,689)                                                                   |
| <b>OPERATING EXPENSES</b>            |                                         |                                         |                                         |                                         |                                                                            |
| General and administrative           | 114,301                                 | 246,974                                 | 255,652                                 | 737,222                                 | 937,383                                                                    |
| Depreciation expense                 | 8,552                                   | -                                       | 9,403                                   | -                                       | 9,403                                                                      |
| Management fees                      | 211,000                                 | -                                       | 917,729                                 | -                                       | 917,729                                                                    |
| Marketing expenses                   | 3,516,474                               | 1,169,680                               | 4,112,533                               | 4,208,463                               | 9,718,146                                                                  |
| Selling expenses                     | 3,547,474                               | 220,028                                 | 3,712,330                               | 1,236,613                               | 5,124,583                                                                  |
| <b>TOTAL OPERATING EXPENSES</b>      | 7,397,801                               | 1,636,682                               | 9,007,647                               | 6,182,298                               | 16,707,244                                                                 |
| <b>LOSS FROM OPERATIONS</b>          | (7,418,586)                             | (1,636,682)                             | (9,023,336)                             | (6,182,298)                             | (16,722,933)                                                               |
| <b>OTHER INCOME (EXPENSES)</b>       |                                         |                                         |                                         |                                         |                                                                            |
| Other income                         | 180,155                                 | -                                       | 194,218                                 | -                                       | 199,648                                                                    |
| Gain on forgiveness of debt          | -                                       | -                                       | -                                       | -                                       | 2,500                                                                      |
| Interest expense                     | (28,358)                                | (5,502)                                 | (68,216)                                | (5,502)                                 | (146,348)                                                                  |
| Loss on investments                  | (11,763)                                | -                                       | (11,763)                                | -                                       | (11,763)                                                                   |
| Loss on abandonment of assets        | -                                       | -                                       | -                                       | -                                       | (14,171)                                                                   |
| <b>TOTAL OTHER INCOME (EXPENSES)</b> | 140,034                                 | (5,502)                                 | 114,239                                 | (5,502)                                 | 29,866                                                                     |
| <b>LOSS BEFORE TAXES</b>             | (7,278,552)                             | (1,642,184)                             | (8,909,097)                             | (6,187,800)                             | (16,693,067)                                                               |
| <b>INCOME TAXES</b>                  | -                                       | -                                       | -                                       | -                                       | -                                                                          |

|                                                                                                      |                |                |                |                |                 |
|------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|-----------------|
| <b>NET LOSS</b>                                                                                      | (7,278,552)    | (1,642,184)    | (8,909,097)    | (6,187,800)    | (16,693,067)    |
| <b>OTHER<br/>COMPREHENSIVE<br/>INCOME (LOSS)</b>                                                     |                |                |                |                |                 |
| Unrealized gain (loss) on<br>investments                                                             | (920,731)      | -              | (411,571)      | -              | (411,571)       |
| <b>COMPREHENSIVE LOSS</b>                                                                            | \$ (8,199,283) | \$ (1,642,184) | \$ (9,320,668) | \$ (6,187,800) | \$ (17,104,638) |
| <b>NET LOSS PER COMMON<br/>SHARE,<br/>BASIC AND DILUTED</b>                                          | \$ (0.96)      | \$ (2.90)      | \$ (1.24)      | \$ (15.40)     |                 |
| <b>WEIGHTED AVERAGE<br/>NUMBER OF<br/>COMMON STOCK SHARES<br/>OUTSTANDING, BASIC<br/>AND DILUTED</b> | 7,564,217      | 566,270        | 7,185,378      | 401,805        |                 |

The accompanying notes are an integral part of these interim consolidated financial statements.

**RHINO OUTDOOR INTERNATIONAL, INC.****(A Development Stage Company)****CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT**

|                                                           | Preferred Stock |        | Common Stock |        | Additional         | Deficit         | Accumulated<br>Other<br>Comprehensive | Totals         |
|-----------------------------------------------------------|-----------------|--------|--------------|--------|--------------------|-----------------|---------------------------------------|----------------|
|                                                           | Shares          | Amount | Shares       | Amount | Paid-in<br>Capital | Accumulated     | Income                                |                |
| Balance,<br>January 1, 2005                               | 835,660         | \$ 836 | 232,258      | \$ 232 | \$ 16,193,129      | \$ (19,234,546) | \$ -                                  | \$ (3,040,349) |
| Shares issued<br>for consulting<br>expense                | -               | -      | 996,260      | 996    | 6,945,396          | -               | -                                     | 6,946,392      |
| Shares issued<br>for debt                                 | -               | -      | 5,000        | 5      | 57,495             | -               | -                                     | 57,500         |
| Shares issued in<br>exchange for<br>compensation          | 1,000,000       | 1,000  | -            | -      | 99,000             | -               | -                                     | 100,000        |
| Net loss for<br>year ending<br>December 31,<br>2005       | -               | -      | -            | -      | -                  | (7,783,970)     | -                                     | (7,783,970)    |
| Balance,<br>December 31,<br>2005                          | 1,835,660       | 1,836  | 1,233,518    | 1,233  | 23,295,020         | (27,018,516)    | -                                     | (3,720,427)    |
| Shares issued<br>for management<br>and consulting<br>fees | -               | -      | 513,951      | 514    | 1,207,116          | -               | -                                     | 1,207,630      |
| Shares issued<br>for accrued<br>liabilities               | -               | -      | 225,000      | 225    | 449,775            | -               | -                                     | 450,000        |
| Shares issued<br>for acquisition<br>of subsidiary         | 1,650,000       | 1,650  | -            | -      | 1,648,350          | -               | -                                     | 1,650,000      |
|                                                           | 600,000         | 600    | -            | -      | 599,400            | -               | -                                     | 600,000        |

|                                                           |           |          |            |           |               |                 |              |                |  |
|-----------------------------------------------------------|-----------|----------|------------|-----------|---------------|-----------------|--------------|----------------|--|
| Shares issued<br>for accrued<br>management<br>fees        |           |          |            |           |               |                 |              |                |  |
| Shares issued<br>for marketing<br>and selling<br>expenses | -         | -        | 43,481,010 | 43,481    | 7,018,968     | -               | -            | 7,062,449      |  |
| Shares issued<br>for debt                                 | -         | -        | 4,000,000  | 4,000     | 996,000       | -               | -            | 1,000,000      |  |
| Net loss for<br>period ending<br>September 30,<br>2006    | -         | -        | -          | -         | -             | (8,909,097)     | -            | (8,909,097)    |  |
| Unrealized loss<br>on investments                         | -         | -        | -          | -         | -             | -               | (411,571)    | (411,571)      |  |
| Balance,<br>September 30,<br>2006<br>(unaudited)          | 4,085,660 | \$ 4,086 | 49,453,479 | \$ 49,453 | \$ 35,214,629 | \$ (35,927,613) | \$ (411,571) | \$ (1,071,016) |  |

The accompanying notes are an integral part of these interim consolidated financial statements.

**RHINO OUTDOOR INTERNATIONAL, INC.**  
**(A Development Stage Company)**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

|                                                                             | Nine Months<br>Ended<br>September 30,<br>2006<br>(unaudited) | September 30,<br>2005<br>(unaudited) | From<br>Inception of<br>Development<br>Stage<br>(January 1,<br>2005)<br><br>to<br>September 30,<br>2006<br>(unaudited) |
|-----------------------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                |                                                              |                                      |                                                                                                                        |
| Net loss                                                                    | \$ (8,909,097)                                               | \$ (6,187,800)                       | \$ (16,693,067)                                                                                                        |
| Adjustments to reconcile net loss to net cash used by operating activities: |                                                              |                                      |                                                                                                                        |
| Depreciation and amortization                                               | 9,403                                                        | -                                    | 9,403                                                                                                                  |
| Stock issued for accrued wages                                              | 450,000                                                      | -                                    | 550,000                                                                                                                |
| Common stock issued for compensation and services                           | 1,207,630                                                    | 5,878,119                            | 8,154,022                                                                                                              |
| Preferred shares issued for accrued management fees                         | 600,000                                                      | -                                    | 600,000                                                                                                                |
| Loss on sale of investment                                                  | 11,763                                                       | -                                    | 11,763                                                                                                                 |
| Shares issued for marketing and selling expenses                            | 7,062,449                                                    | -                                    | 7,062,449                                                                                                              |
| Shares issued for debt                                                      | 1,000,000                                                    | -                                    | 1,000,000                                                                                                              |
| Forgiveness of debt                                                         | -                                                            | -                                    | (2,500)                                                                                                                |
| Loss on abandonment of assets                                               | -                                                            | -                                    | 14,171                                                                                                                 |
| (Increase) decrease in:                                                     |                                                              |                                      |                                                                                                                        |
| Accounts receivable                                                         | 7,500                                                        | -                                    | 7,500                                                                                                                  |
| Inventories                                                                 | 40,000                                                       | -                                    | 40,000                                                                                                                 |
| Other current assets                                                        | (7,740)                                                      | -                                    | (7,740)                                                                                                                |
| Increase (decrease) in:                                                     |                                                              |                                      |                                                                                                                        |
| Accounts payable and accrued expenses                                       | 76,443                                                       | (25,002)                             | 270,472                                                                                                                |
| Accrued liabilities                                                         | (526,958)                                                    | 800                                  | (208,332)                                                                                                              |
| Deferred revenues and customer deposits                                     | (109,165)                                                    | 142,472                              | 63,288                                                                                                                 |
| Net cash provided (used) by operating activities                            | 912,228                                                      | (191,411)                            | 871,429                                                                                                                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                |                                                              |                                      |                                                                                                                        |
| Increase in loans receivable                                                | 15,000                                                       | -                                    | 7,500                                                                                                                  |
| Cash acquired in acquisition                                                | 18,578                                                       | -                                    | 18,578                                                                                                                 |

|                                                  |        |   |        |
|--------------------------------------------------|--------|---|--------|
| Cash received from sale of investment            | 20,362 | - | 20,362 |
| Net cash provided (used) by investing activities | 53,940 | - | 46,440 |

**CASH FLOWS FROM FINANCING ACTIVITIES:**

|                                                  |           |         |           |
|--------------------------------------------------|-----------|---------|-----------|
| Advances from related parties                    | (969,380) | 191,609 | (929,774) |
| Increase in bank overdrafts                      | 15,867    | -       | 9,452     |
| Decrease in lines of credit                      | (54)      | -       | (54)      |
| Increase (decrease) in bank indebtedness         | (4,081)   | -       | 11,027    |
| Decrease in vehicle loans                        | (3,686)   | -       | (3,686)   |
| Net cash provided (used) by financing activities | (961,334) | 191,609 | (913,035) |

|                |       |     |       |
|----------------|-------|-----|-------|
| Change in cash | 4,834 | 198 | 4,834 |
|----------------|-------|-----|-------|

|                                  |   |   |   |
|----------------------------------|---|---|---|
| <b>Cash, beginning of period</b> | - | - | - |
|----------------------------------|---|---|---|

|                            |          |        |          |
|----------------------------|----------|--------|----------|
| <b>Cash, end of period</b> | \$ 4,834 | \$ 198 | \$ 4,834 |
|----------------------------|----------|--------|----------|

**SUPPLEMENTAL CASH FLOW INFORMATION:**

|                   |          |      |           |
|-------------------|----------|------|-----------|
| Interest paid     | \$ 4,618 | \$ - | \$ 10,120 |
| Income taxes paid | \$ -     | \$ - | \$ -      |

**NON-CASH INVESTING AND FINANCING ACTIVITIES:**

|                                        |              |      |              |
|----------------------------------------|--------------|------|--------------|
| Common stock issued for debt           | \$ -         | \$ - | \$ 57,500    |
| Preferred shares issued for subsidiary | \$ 1,650,000 | \$ - | \$ 1,650,000 |

The accompanying notes are an integral part of these interim consolidated financial statements.

**RHINO OUTDOOR INTERNATIONAL, INC.**

**(A Development Stage Company)**

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2006**

---

**NOTE 1 - BASIS OF PRESENTATION AND DESCRIPTION OF THE BUSINESS**

Rhino Outdoor International, Inc. (fka Cyberads, Inc), was incorporated on April 12, 2000 in the State of Florida. On August 10, 2005, the Company changed domicile from Florida to Nevada.

The Company provides management and sales support to businesses focused in the Extreme Sports/Lifestyle market segment. The Company earns commissions/fees on securing distribution for the businesses and products it represents. Additionally, the Company will earn commissions when product deliveries are made through the distribution channel. The Company and its management has devoted their attention toward restructuring debt and seeking profitable products in 2005 and 2006. The Company's year-end is December 31.

As of January 1, 2005, the Company abandoned its previous business plan of marketing cellular phone services and began a new development stage where it intends to provide management and sales support to businesses focused in the Extreme Sports/Lifestyle market segment.

On June 21, 2006, the Company entered into a share exchange agreement and plan of reorganization with Rhino Off Road Industries, Inc. Under this agreement and plan of reorganization, the Company acquired 100 percent of the outstanding common stock of Rhino in exchange for 1,650,000 shares of the Company's Series C convertible preferred stock. Furthermore, the Company issued another 600,000 shares of Series C convertible preferred stock for the retention of the subsidiary's officers and agreed to issue 400,000 shares of Series C convertible preferred stock for loan guarantees. As of September 30, 2006, the 400,000 shares had not yet been issued. Rhino Off Road Industries, Inc. was incorporated on September 25, 2003 in the State of Nevada. The principal business of the Company is the design, manufacturing and sale of off road vehicles and related parts. The Company's operations are located in Henderson, Nevada. See Note 3.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Rhino Outdoor International, Inc. is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, and have been consistently applied in the preparation of the financial statements.

Accounting Method

The Company's financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Accounts Receivable

The Company carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions.

**RHINO OUTDOOR INTERNATIONAL, INC.**

**(A Development Stage Company)**

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2006**

---

The Company's policy is to accrue interest on trade receivables 90 days after invoice date. A receivable is considered past due if payments have not been received by the Company for 90 days. At that time, the Company will discontinue accruing interest and turn the account over for collection. If a payment is made after it has been turned over for collection, the Company will apply the payment to the outstanding principal first and resume accruing interest. Accounts are written off as uncollectible if no payments are received 180 days after they have been turned over for collection.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments and short-term debt instruments with original maturities of three months or less to be cash equivalents.

Compensated Absences

Employees of the Company are entitled to paid vacation, and sick days, depending on job classification, length of service, and other factors. Management has deemed that any liability arising from this policy would be immaterial and has accrued no compensated absences liabilities for the period ended September 30, 2006.

Cost of Sales

Cost of sales consists of the purchase price of materials and supplies, shipping, labor and benefits, and other overhead costs associated with production.

Development Stage Activities

Since the inception of the current development stage (which began January 1, 2005), the Company has realized minimal revenue from operations. It expects to be engaged to provide management and sales support to businesses focused in the Extreme Sports/Lifestyle market segment.

Going Concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As shown in the financial statements, the Company has limited cash and revenues, has incurred a net loss for the nine months ended September 30, 2006, and has an accumulated deficit since the inception of the Company. These factors indicate that the Company may be unable to continue in existence. The Company is currently putting business plans in place which will, if successful, mitigate these factors which raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments related to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue existence.

Management has established plans designed to increase the sales of the Company's products and services and decrease debt. These plans will include providing management and sales support to businesses focused in the Extreme/Lifestyle market segment where the Company anticipates earning commissions/fees on securing distribution from business and products it represents.

**RHINO OUTDOOR INTERNATIONAL, INC.****(A Development Stage Company)****NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS****SEPTEMBER 30, 2006**

---

An estimated \$2 million is believed necessary to continue operations and increase development through the next fiscal year. The timing and amount of capital requirements will depend on a number of factors, including demand for products and services and the availability of opportunities for international expansion through affiliations and other business relationships. Management intends to seek new capital from new equity securities issuances to provide funds needed to increase liquidity, fund internal growth, and fully implement its business plan.

**Goodwill**

Goodwill represents the excess of the purchase price and related direct costs over the fair value of net assets acquired as of the date of the acquisition of Rhino Off Road Industries, Inc. The Company reviews periodically its goodwill to assess recoverability based on projected undiscounted cash flows from operations. Impairments are recognized in operating results when a permanent diminution in value occurs. At September 30, 2006, no impairment was deemed necessary for the Company's goodwill.

**Inventories**

The Company records inventories at the lower of cost or market on a first-in, first-out basis. At September 30, 2006, the Company has a reserve for obsolescence of \$50,000.

|                                   | September<br>30,<br>2006 | December<br>31,<br>2005 |
|-----------------------------------|--------------------------|-------------------------|
| Raw materials and work-in-process | \$ 112,107               | \$ -                    |
| Finished goods                    | 81,103                   | -                       |
| Reserve for obsolescence          | (50,000)                 | -                       |
| Total Inventory                   | \$ 143,210               | \$ -                    |

**Investments**

The Company's investments in securities are classified as either trading, held to maturity, or available-for-sale in accordance with Statement of Financial Accounting Standards No. 115. Available-for-sale securities consist of equity securities not classified as trading securities or as securities to be held to maturity. Unrealized holding gains and losses, net of tax, on available-for-sale securities are reported as a net amount in a separate component of other comprehensive income. Gains and losses on the sale of available-for-sale securities are determined using the average cost method and are included in earnings. The Company determines the gain or loss on investment securities held as available-for-sale, based upon the accumulated cost basis of specific investment accounts. On the Company's balance sheet, short-term available for sale securities are classified as "investments."

**Long-lived Assets**

The Company accounts for its long-lived assets in accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This standard establishes a single accounting model for long-lived assets to be disposed of by sale, including discontinued operations, and requires that these long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations. Accordingly, the Company reviews the carrying amount of long-lived assets for impairment where events or changes in



**RHINO OUTDOOR INTERNATIONAL, INC.**

**(A Development Stage Company)**

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2006**

---

circumstances indicate that the carrying amount may not be recoverable. The determination of any impairment would include a comparison of estimated future cash flows anticipated to be generated during the remaining life of the assets to the net carrying value of the assets.

Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to seven years. See Note 5.

Principles of Consolidation

The accompanying consolidated financial statements at September 30, 2006 include the accounts of Rhino Outdoor International, Inc. and its wholly owned subsidiaries: IDS Cellular, Inc. ("IDS") and Rhino Off Road Industries, Inc. All significant transactions and balances among the companies included in the consolidated financial statements have been eliminated. The operations of IDS are currently idle.

Provision for Taxes

Income taxes are provided based upon the liability method of accounting pursuant to Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (hereinafter "SFAS No. 109). Under this approach, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. A valuation allowance is recorded against deferred tax assets if management does not believe the Company has met the "more likely than not" standard imposed by SFAS No. 109 to allow recognition of such an asset.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (hereinafter "SFAS No. 157"), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. Where applicable, SFAS No. 157 simplifies and codifies related guidance within GAAP and does not require any new fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Earlier adoption is encouraged. The Company does not expect the adoption of SFAS No. 157 to have a significant effect on its financial position or results of operations.

In June 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" (hereinafter "FIN 48"), which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company does not expect the adoption of FIN 48 to have an immediate material impact on its financial reporting, and the Company is currently evaluating the impact, if any, the adoption of FIN 48 will have on its disclosure requirements.

**RHINO OUTDOOR INTERNATIONAL, INC.**

**(A Development Stage Company)**

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2006**

---

In March 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 156, "Accounting for Servicing of Financial Assets—an amendment of FASB Statement No. 140." This statement requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in any of the following situations: a transfer of the servicer's financial assets that meets the requirements for sale accounting; a transfer of the servicer's financial assets to a qualifying special-purpose entity in a guaranteed mortgage securitization in which the transferor retains all of the resulting securities and classifies them as either available-for-sale securities or trading securities; or an acquisition or assumption of an obligation to service a financial asset that does not relate to financial assets of the servicer or its consolidated affiliates. The statement also requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable and permits an entity to choose either the amortization or fair value method for subsequent measurement of each class of servicing assets and liabilities. The statement further permits, at its initial adoption, a one-time reclassification of available for sale securities to trading securities by entities with recognized servicing rights, without calling into question the treatment of other available for sale securities under Statement 115, provided that the available for sale securities are identified in some manner as offsetting the entity's exposure to changes in fair value of servicing assets or servicing liabilities that a servicer elects to subsequently measure at fair value and requires separate presentation of servicing assets and servicing liabilities subsequently measured at fair value in the statement of financial position and additional disclosures for all separately recognized servicing assets and servicing liabilities. This statement is effective for fiscal years beginning after September 15, 2006, with early adoption permitted as of the beginning of an entity's fiscal year. Management believes the adoption of this statement will have no impact on the Company's financial condition or results of operations.

In February 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 155, "Accounting for Certain Hybrid Financial Instruments, an Amendment of FASB Standards No. 133 and 140" (hereinafter "SFAS No. 155"). This statement established the accounting for certain derivatives embedded in other instruments. It simplifies accounting for certain hybrid financial instruments by permitting fair value remeasurement for any hybrid instrument that contains an embedded derivative that otherwise would require bifurcation under SFAS No. 133 as well as eliminating a restriction on the passive derivative instruments that a qualifying special-purpose entity ("SPE") may hold under SFAS No. 140. This statement allows a public entity to irrevocably elect to initially and subsequently measure a hybrid instrument that would be required to be separated into a host contract and derivative in its entirety at fair value (with changes in fair value recognized in earnings) so long as that instrument is not designated as a hedging instrument pursuant to the statement. SFAS No. 140 previously prohibited a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. This statement is effective for fiscal years beginning after September 15, 2006, with early adoption permitted as of the beginning of an entity's fiscal year. Management believes the adoption of this statement will have no impact on the Company's financial condition or results of operations.

**RHINO OUTDOOR INTERNATIONAL, INC.**

(A Development Stage Company)

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2006**

---

Reclassifications

Certain amounts from prior periods have been reclassified to conform to the current period presentation. This reclassification has resulted in no changes to the Company's accumulated deficit or net losses presented.

Revenue Recognition

The Company recognizes revenue for product sales when there is a mutually executed sales contract, when the products are shipped and title passes to customers, when the contract price and terms are fixed, and when collectibility is reasonably assured.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 3 - ACQUISITION OF RHINO OFF ROADS INDUSTRIES, INC.**

On June 21, 2006, the Company acquired one hundred percent of the issued and outstanding shares of Rhino Off Roads Industries, Inc. for 1,650,000 convertible preferred shares Series C of Rhino Outdoor International, Inc. Per the merger agreement, the Company issued another 600,000 shares of Series C convertible preferred stock for the retention of the subsidiary's officers. Furthermore, 400,000 shares were to be issued for loan guarantees that the subsidiary's officers had for lines of credit and bank indebtedness. As of September 30, 2006, these shares have not been issued.

The purchase price was allocated as follows:

|                                              |                |
|----------------------------------------------|----------------|
| Cash                                         | \$ 18,578      |
| Accounts receivable                          | 5,000          |
| Investments                                  | 562,500        |
| Inventories                                  | 183,210        |
| Plant, property & equipment, net             | 126,238        |
| Other assets                                 | 2,052          |
| Total Assets Acquired                        | 897,578        |
| Current liabilities                          | (2,186,533)    |
| Other liabilities                            | (74,508)       |
| Total Liabilities Assumed                    | (2,261,041)    |
| Net liabilities acquired in excess of assets | \$ (1,363,463) |

**NOTE 4 - BANK OVERDRAFTS**

Bank overdrafts consist of checks written in excess of funds on deposit. The underlying bank is used as an imprest account with automatic transfers from the Company's general account as checks are presented.



**RHINO OUTDOOR INTERNATIONAL, INC.****(A Development Stage Company)****NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS****SEPTEMBER 30, 2006****NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment are stated at cost less depreciation taken. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. The useful lives of property, plant and equipment for purposes of computing depreciation are five to forty years. The following is a summary of property, equipment, and accumulated depreciation:

|                               | September 30,<br>2006 | December<br>31,<br>2005 |
|-------------------------------|-----------------------|-------------------------|
| Plant assets                  | \$ 183,687            | \$ -                    |
| Office furniture              | 7,445                 | -                       |
| Leasehold improvements        | 1,604                 | -                       |
|                               | 192,736               | -                       |
| Less accumulated depreciation | (75,050)              | -                       |
| Net, property and equipment   | \$ 117,686            | \$ -                    |

Depreciation and amortization expense for the period ended September 30, 2006 was \$9,403. The Company evaluates the recoverability of property and equipment when events and circumstances indicate that such assets might be impaired. The Company determines impairment by comparing the undiscounted future cash flows estimated to be generated by these assets to their respective carrying amounts. Maintenance and repairs are expensed as incurred. Replacements and betterments are capitalized. The cost and related reserves of assets sold or retired are removed from the accounts, and any resulting gain or loss is reflected in results of operations.

**NOTE 6 - INCOME TAXES**

At September 30, 2006, the Company had deferred tax assets calculated at an expected rate of 34% of approximately \$12,200,000 principally arising from net operating loss carryforwards for income tax purposes. As management of the Company cannot determine that it is more likely than not that the Company will realize the benefit of the its deferred tax asset, a valuation allowance equal to the deferred tax asset was recorded at September 30, 2006. The significant components of the deferred tax asset at September 30, 2006 and December 31, 2005 were as follows:

|                                           | September 30,<br>2006 | December 31,<br>2005 |
|-------------------------------------------|-----------------------|----------------------|
| Net operating loss<br>carryforward:       | \$ 35,900,000         | \$ 27,018,000        |
| Deferred tax asset                        | \$ 12,200,000         | \$ 9,148,000         |
| Deferred tax asset valuation<br>allowance | (12,200,000)          | (9,148,000)          |
| Net deferred tax asset                    | \$ -                  | \$ -                 |



**RHINO OUTDOOR INTERNATIONAL, INC.**

**(A Development Stage Company)**

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2006**

---

At September 30, 2006, the Company has net operating loss carryforwards of approximately \$35,900,000 which begin to expire in the year 2020. The change in the allowance account from December 31, 2005 to September 30, 2006 was \$3,052,000.

**NOTE 7 - CAPITAL STOCK**

Preferred Stock

The Company is authorized to issue 5,000,000 shares of preferred stock with a par value of \$0.001. These shares are convertible to common stock. As of September 30, 2006, the Company has issued 835,660 shares of preferred Series A, 1,000,000 shares of preferred Series B, and 2,250,000 shares of preferred Series C.

On June 26, 2005, the Company issued 1,000,000 shares of its convertible preferred Series B stock in exchange for partial payment of accrued salary to an officer of the Company. The shares were recorded at \$0.10 value, which was a fair price average during the period of accrual. The Company recorded a reduction in accrued salary liability as a result of this issuance. While each share of Series B preferred was originally entitled to 100 votes per share, this was increased to 255 votes per share on June 21, 2006.

On June 21, 2006, the Company issued 1,650,000 shares of its convertible preferred Series C stock in a share exchange agreement and plan of reorganization when the Company acquired 100 percent of the outstanding common stock of Rhino Off Road Industries, Inc. The Company also issued another 600,000 shares of Series C convertible preferred stock for the retention of the subsidiary's officers. Per the merger agreement, 400,000 shares were to be issued for loan guarantees that the subsidiary's officers had for lines of credit and bank indebtedness. As of September 30, 2006, these shares have not been issued.

Common Stock

The Company is authorized to issue 500,000,000 shares of common stock. All shares have equal voting rights, are non-assessable and have one vote per share. Voting rights are not cumulative and, therefore, the holders of more than 50% of the common stock could, if they choose to do so, elect all of the directors of the Company.

On August 30, 2006, the board of directors approved and the Company effected a one hundred-for-one reverse stock split of the Company's common stock. All references in the financial statements to shares, share prices, per share amounts and stock plans have been adjusted retroactively for the one hundred-for-one reverse stock split.

During the nine month ended September 30, 2006, the Company issued 513,951 and 225,000 shares of its common stock for \$1,207,630 and \$450,000 in exchange for management and consulting services and accrued wages, respectively. The services were measured at the fair market value of the shares received on the day the shares were issued. Also, during the period ended September 30, 2006, the Company issued 43,481,010 shares of common stock in exchange for marketing and selling expenses for \$7,062,449. Also, during the period ended September 30, 2006, the Company issued 4,000,000 shares of common stock for related party debt of \$1,000,000.

During the year ended December 31, 2005, the Company issued 996,260 shares of its common stock in exchange for consulting services for \$6,946,392. The services were measured at the fair market value of the shares received on the day the shares were issued.



**RHINO OUTDOOR INTERNATIONAL, INC.****(A Development Stage Company)****NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS****SEPTEMBER 30, 2006**

---

During the year ended December 31, 2005, the Company issued 5,000 shares of its common stock in exchange for debt of \$60,000 and recorded a gain of forgiveness of debt of \$2,500 for this exchange. The services were measured at the fair market value of the shares received on the day the shares were issued.

**NOTE 8 - LEASE COMMITMENTS**Lease Payments

The Company has operating lease commitments for its premises. The monthly lease commitment is approximately \$6,000. For years ended December 31, 2005, and 2004, the Company had paid approximately \$72,000 for rent of facilities costs. The lease expired in April 2006. No replacement lease agreement has been signed and the Company continues to rent the facilities on a month-to-month basis.

**NOTE 9 - LINES OF CREDIT AND LOANS PAYABLE**

Corporate debt consisted of the following at September 30:

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 2006       | 2005    |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|---------|
| The Company has a \$100,000 operating line of credit with Nevada First Bank that bears interest at a rate of 8.5% per annum, and was completely drawn down at September 30, 2006. This line of credit has no security directly associated with it. The Company has a second operating line of \$199,896 with Nevada First Bank that bears interest at 8.5% per annum, and was completely drawn down at September 30, 2006. This line of credit is 100% secured with a CD owned by related parties. | \$ 299,896 | \$ -    |
| The Company has a 5-year term loan with Nevada First Bank which had an initial value of \$125,000. With 3 years left on the term, it bears interest at an annual rate of 7.5%, and is secured by all physical assets of the business. This loan is secured by a personal guarantee by related parties.                                                                                                                                                                                             | 72,242     | -       |
| The Company has two vehicles 5-year loans with lending companies and pays approximately \$1,250 in payments at an average interest rate of approximately 2.5% on these vehicles. The loans mature in 2009.                                                                                                                                                                                                                                                                                         | 39,604     | -       |
| Note payable was due in installments of \$5,000 on January 15, 2004 and February 15, 2004 with final payment due March 15, 2004, plus interest at 10% per annum; secured by all of the Company's accounts receivable, inventories, and computer hardware and software and is personally guaranteed by two former officers of the Company. In default.                                                                                                                                              | 109,000    | 109,000 |



**RHINO OUTDOOR INTERNATIONAL, INC.**

**(A Development Stage Company)**

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2006**

---

|                                                                                                                                                                           |            |            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|
| Note payable to cellular phone service provider; due in installments of \$92,596 payable on January 2, 2005 and August 2, 2005, plus interest at Libor index. In default. | 185,192    | 185,192    |
| Total Lines of Credit and Loans Payable                                                                                                                                   | \$ 705,934 | \$ 294,192 |

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

On June 9, 2006, the Company signed an agreement with Hebei Sida Industry Group Col, Ltd (“Sida”), pursuant to which Sida will become an authorized exclusive distributor of the Company’s products in China. Sida has agreed to purchase 1,000 units over a three year period. Under the agreement, Sida will manufacture these units in China and pay the Company a license fee of 10% over its purchase costs for distribution rights.

The Company is non-compliant with respect to certain federal and state payroll related taxes. Included in accrued payroll and payroll related liabilities at September 30, 2006 is approximately \$647,931 of unpaid payroll taxes.

In April 2004, the Company agreed to indemnify a former officer of the Company for any loss he sustained in a settlement reached with a cellular phone service provider against IDS and him personally. Under the indemnification agreement, the Company was obligated to pay an aggregate of \$72,261 with the balance due October 1, 2004. These amounts were never paid. The indemnification had no effect on the accompanying financial statements as the amount owed to the cellular phone service provider was previously recorded as accounts payable in the records of IDS.

The Company is currently in negotiations with an individual who has threatened a lawsuit against the Company, a former officer and a cellular phone service provider. The Company has offered to issue the individual 250,000 shares of common stock to settle any claims he may have against the Company. This individual has verbally accepted the settlement offer. The offer had no effect on the accompanying consolidated financial statements as consulting services totaling \$27,500 owed this individual were previously recorded as accounts payable in the records of Rhino Outdoor International, Inc. The Company has reserved 250,000 shares of common stock to be issued under this settlement offer.

A claim against the Company of approximately \$500,000 has been threatened by the Creditors Committee of World Com. The Company does not believe that it owes the amount and intends to vigorously defend the claim. The claim has not been pursued and the Company is not subject to any legal action pursuing this claim. Any claims asserted may be challenged by claims of the Company concerning funds owed to Rhino Outdoor International, Inc. for its prior trade relationship with World Com.

**RHINO OUTDOOR INTERNATIONAL, INC.**

**(A Development Stage Company)**

**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2006**

---

**NOTE 11 - RELATED PARTY TRANSACTIONS**

Accrued payroll and accrued taxes represents amounts owed to management for services provided. At September 30, 2006, the Company had accrued payroll of \$422,333.

Related party payables represent amounts due to management and shareholders, who have loaned money to the Company to pay expenses on behalf of the Company. At September 30, 2006, short-term related party payables were \$703,045. These loans are unsecured, non-interest bearing, and payable on demand. During the period ended September 30, 2006, related party debt of \$1,000,000 was converted to 4,000,000 shares of common stock.

**NOTE 12 - INVESTMENTS**

The Company's securities investments are classified as trading securities and are recorded at fair value as of the balance sheet date, with the change in fair value during the period included in accumulated comprehensive income.

In May 2006, the Company acquired shares of common stock in Luvoo, Inc, a public company, for sponsorship and visual representation on Rhino vehicles in competition for a consecutive twelve months beginning on June 1, 2006. The deferred revenue received from this sponsorship is being amortized at a rate of \$46,875 per month as other income.

The Company carries this investment at fair market value. See Note 2.

The Company's investments are summarized as follows:

|                         | September 30,<br>2006 |
|-------------------------|-----------------------|
| Fair value:             |                       |
| Luvoo, Inc              | \$ 118,804            |
| Total fair value        | 118,804               |
| Gross unrealized (loss) | (411,571)             |
| Cost                    | \$ 562,500            |

**NOTE 13 - SUBSEQUENT EVENT**

The Company has signed a letter of intent to acquire Great Vans West, a privately held Canadian company that manufacturers recreational class "B" motor homes.

**Management's Discussion and Analysis of Financial Condition and Results of Operations**

Management's discussion and analysis contains various forward-looking statements within the meaning of the Securities and Exchange Act of 1934. These statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward looking terminology such as "may", "expect", "anticipate", "estimates", or "continue" or use of negative or other variations of comparable terminology. We caution that these statements are further qualified by important factors that could cause actual results to differ materially from those contained in our forward looking statements, that these forward looking statements are necessarily speculative, and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in our forward looking statements.

Management's discussion and analysis should be read in conjunction with the financial statements and the notes thereto.

**RESULTS OF OPERATIONS (3 mos.)****Three months ended September 30, 2006 compared to the three months ended September 30, 2005**

|         | Three months ended September<br>30, |      | Increase  |      |
|---------|-------------------------------------|------|-----------|------|
|         | 2006                                | 2005 | Amount    | %    |
| Revenue | \$ 23,398                           | \$ - | \$ 23,398 | 100% |

The revenues posted during the three months ended September 30, 2006 were attributable to Rhino Off Road vehicle sales compared with no revenues posted during the three months ended September 30, 2005. The Company has been in development stage during both reporting periods.

|                          | Three months ended September<br>30, |            | Decrease  |     |
|--------------------------|-------------------------------------|------------|-----------|-----|
|                          | 2006                                | 2005       | Amount    | %   |
| General & administrative | \$ 114,301                          | \$ 246,174 | (131,873) | 53% |

General & administrative expenses for the three months ended September 30, 2006 decreased by \$131,873 to the comparable period in 2005. This decrease in G & A expenses in the three month period ending September 30, 2006 is related to the Company not expending funds on of XBoard pending delivery and production of the product.

The Company has redirected activities. The redirection is related to acquisition and business development with companies in the outdoor lifestyle and recreation category.

|                          | Three months ended September<br>30, |              | Increase     |      |
|--------------------------|-------------------------------------|--------------|--------------|------|
|                          | 2006                                | 2005         | Amount       | %    |
| Selling & Mrktg. Expense | \$ 7,063,948                        | \$ 1,389,708 | \$ 5,674,240 | 408% |

Selling & Marketing Expense of \$7,063,948 for the three months ended September 30, 2006 were related to the Company's continued development of Rhino Off Road and development of our pending acquisition of GWV. Selling Expenses increased by \$5,674,240 compared to the three months ended September 30, 2005 due to increased activities as noted above.

|              | Three months ended September<br>30, |      | Increase   |      |
|--------------|-------------------------------------|------|------------|------|
|              | 2006                                | 2005 | Amount     | %    |
| Other Income | \$ 180,155                          | \$ - | \$ 180,155 | 100% |

Other Income of \$180,155 for the three months ended September 30, 2006 were attributable to the Company's receiving compensation related to consulting in the development of the Off Road industry, and on compensation for a marketing effort related to a sponsorship. There was no other income in the same period of 2005.

|                  | Three months ended September<br>30, |          | Increase  |      |
|------------------|-------------------------------------|----------|-----------|------|
|                  | 2006                                | 2005     | Amount    | %    |
| Interest Expense | \$ 28,358                           | \$ 5,502 | \$ 22,856 | 415% |

Interest expense of \$28,358 during the three months ended September 30, 2006 compared with \$5,502 during same period 2005 is an increase of \$22,856 directly from interest expense related to Rhino Off Road bank loans and credit lines.

**RESULTS OF OPERATIONS (9 mos.)****Nine months ended September 30, 2006 compared to the nine months ended September 30, 2005**

|         | Nine months ended September<br>30, |      | Increase  |      |
|---------|------------------------------------|------|-----------|------|
|         | 2006                               | 2005 | Amount    | %    |
| Revenue | \$ 53,148                          | \$ - | \$ 53,148 | 100% |

There was \$53,148 in revenues posted during the nine months ended September 30, 2006, and no revenues posted during the nine months ended September 30, 2005. The Company has been in development stage during both reporting periods, and is now recognizing revenue from Rhino Off Road effective June 21, 2006. The revenue was attributable to vehicle sales from Rhino Off Road.

|                          | Nine months ended September<br>30, |            | Decrease    |     |
|--------------------------|------------------------------------|------------|-------------|-----|
|                          | 2006                               | 2005       | Amount      | %   |
| General & administrative | \$ 255,652                         | \$ 737,222 | (\$481,570) | 65% |

General & administrative expenses for the nine months ended September 30, 2006 decreased by \$481,570 to the comparable period in 2005. This decrease in G & A expenses in the nine month period ending September 30, 2006 is directly related to the Company not taking part in trade show events and administrative activities on XBoard.

|                          | Nine months ended September<br>30, |              | Increase     |     |
|--------------------------|------------------------------------|--------------|--------------|-----|
|                          | 2006                               | 2005         | Amount       | %   |
| Selling & Mrktg. Expense | \$ 7,824,863                       | \$ 5,445,076 | \$ 2,379,787 | 44% |

Selling Expense of \$7,824,863 for the nine months ended September 30, 2006 were related to the Company's continued exploration of the development of Rhino and GWV sales and marketing activities. Selling Expenses increased by \$2,379,787 compared to the nine months ended September 30, 2005 due to increased activities as noted above.

|              | Nine months ended September<br>30, |      | Increase   |      |
|--------------|------------------------------------|------|------------|------|
|              | 2006                               | 2005 | Amount     | %    |
| Other Income | \$ 194,218                         | \$ - | \$ 194,218 | 100% |

Other Income of \$194,218 for the nine months ended September 30, 2006 were attributable to the Company's consulting revenue, and sponsorship income in the Off Road industry. There was no revenue for the same period in 2005 as this other income is directly related to the Rhino Off Road acquisition which was finalized on June 21, 2006.

|                  | Nine months ended September<br>30, |          | Increase  |        |
|------------------|------------------------------------|----------|-----------|--------|
|                  | 2006                               | 2005     | Amount    | %      |
| Interest Expense | \$ 68,216                          | \$ 5,502 | \$ 62,714 | 1,139% |

Interest Expense for the nine months ended September 30, 2006 were attributable to the Company's accrual of Interest on related parties notes in comparison to nine months interest accrual in same period of 2005. The increase of \$62,714

is attributable to 3<sup>rd</sup> party notes.

## **FINANCIAL POSITION & LIQUIDITY AND CAPITAL RESOURCES**

As of September 30, 2006 compared to September 30, 2005 :

|      | Nine months ended September<br>30, |      | Decrease |    |
|------|------------------------------------|------|----------|----|
|      | 2006                               | 2005 | Amount   | %  |
| Cash | \$ 4,834                           | \$ 0 | \$ 0     | na |

## **ACQUISITION OF SUBSIDIARY**

On June 21, 2006, the Company entered into a share exchange agreement and plan of reorganization with Rhino Off Road Industries, Inc. Under this agreement and plan of reorganization, the Company acquired 100 percent of the outstanding common stock of Rhino in exchange for 1,650,000 shares of Cyberads Series C convertible preferred stock. Furthermore, the Company issued another 600,000 shares of Series C convertible preferred stock for the retention of the subsidiaries officers and agreed to issue 400,000 shares of Series C convertible preferred stock for loan guarantees. As of September 30, 2006, the 400,000 shares had not yet been issued.

### ITEM 3. CONTROLS AND PROCEDURES

As required by Rule 13a-15 under the Exchange Act, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer. Based upon that evaluation, we concluded that our disclosure controls and procedures are effective in ensuring that material information related to us, required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the rules and regulations of the SEC. There have been no significant changes in our internal controls subsequent to the date we carried out our evaluation.

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

## **PART II - OTHER INFORMATION**

### ITEM 6. EXHIBITS

| <b>Exhibit<br/>Number</b> | <b>Description of Document</b>                |
|---------------------------|-----------------------------------------------|
| 31.1                      | <u>Rule 13a-14(a)/15d-14(a) Certification</u> |
| 31.2                      | <u>Rule 13a-14(a)/15d-14(a) Certification</u> |
| 32.1                      | <u>Section 1350 Certification</u>             |
| 32.2                      | <u>Section 1350 Certification</u>             |

**SIGNATURES**

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

Date: December 21, 2006

RHINO OUTDOOR INTERNATIONAL,  
INC.

By: /s/ JEFF CRISWELL  
Jeff Criswell, President