

## OTC Pink® Basic Disclosure Guidelines

Federal securities laws, such as Rules 10b-5 and 15c2-11 of the Securities Exchange Act of 1934 (“Exchange Act”) as well as Rule 144 of the Securities Act of 1933 (“Securities Act”), and state Blue Sky laws, require issuers to provide *adequate current information* to the public markets. With a view to encouraging compliance with these laws, OTC Markets Group has created these OTC Pink Basic Disclosure Guidelines. We use the basic disclosure information provided by OTC Pink companies under these guidelines to designate the appropriate tier in the OTC Pink marketplace: Current, Limited or No Information. OTC Markets Group may require companies with securities designated as Caveat Emptor to make additional disclosures in order to qualify for OTC Pink Current Information tier.

### Qualifications for the OTC Pink - Current Information Tier

Companies that make the information described below publicly available on a timely basis (90 days after fiscal year end for Annual Reports; 45 days after each fiscal quarter end for Quarterly Reports) qualify for the Current Information Tier. Financial reports must be prepared according to U.S. GAAP or IFRS, but are *not required to be audited* to qualify for the OTC Pink Current Information tier.

#### Initial Qualification:

1. Subscribe to the [OTC Disclosure & News Service](#) on [www.OTCIQ.com](http://www.OTCIQ.com) to publish your financial reports and material news.
2. Create the following documents, save them in PDF format and upload them via [www.OTCIQ.com](http://www.OTCIQ.com):
  - Annual Financial statements (Document must Include: Balance Sheet, Income Statement, Statement of Cash Flows, Notes to Financial Statements) for the previous two fiscal years. If these reports are audited, please attach the audit letter from the [PCAOB](#) registered audit firm. Each year’s Annual Financial statements should be posted separately under the report type “Annual Report” in OTCIQ.
  - Any subsequent Quarterly Reports since the most recent Annual Report.
  - The most recent fiscal period end report should also include information in accordance with these OTC Pink Basic Disclosure Guidelines; use the fillable form beginning on page 3.
3. If financial reports are not audited by a [PCAOB](#) registered audit firm:
  - Submit a signed Attorney Letter Agreement (first two pages of the [Attorney Letter Guidelines](#)).
  - After following the appropriate procedures with a qualified attorney, upload an Attorney Letter complying with [Attorney Letter Guidelines](#) through your [otciq.com](http://otciq.com) account.

#### Ongoing Qualification:

1. **For each Fiscal Quarter End**, upload a Quarterly Report via [www.OTCIQ.com](http://www.OTCIQ.com) within **45 days** of the quarter end. (A separate quarterly report is not required for the 4<sup>th</sup> quarter.) The Quarterly Report should include:
  - Information in accordance with these OTC Pink Basic Disclosure Guidelines -- use the fillable form beginning on page 3.
  - Quarterly financial statements (Balance Sheet, Income Statement, Statement of Cash Flows, Notes to Financial Statements).
  - No Audit Letter or Attorney Letter is required.
2. **For each Fiscal Year End**, upload an Annual Report within **90 days** of the fiscal year end. The Annual Report should include:
  - Information in accordance with these OTC Pink Basic Disclosure Guidelines -- use the fillable form beginning on page 3.
  - Annual financial statements (Balance Sheet, Income Statement, Statement of Cash Flows, Notes to Financial Statements, and Audit Letter, if the financial statements are audited).
3. If financial reports are not audited by a PCAOB registered audit firm, upload an Attorney Letter via [www.OTCIQ.com](http://www.OTCIQ.com) complying with the [Attorney Letter Guidelines](#) within **120 days** of the fiscal year end.

### Qualifications for the OTC Pink - Limited Information Tier

Companies that make the information described below publicly available within the prior 6 months qualify for the Limited Information Tier.

1. Subscribe to the [OTC Disclosure & News Service](#) on [www.OTCIQ.com](http://www.OTCIQ.com) to publish your financial reports and material news.
2. Create a Quarterly Report or Annual Report for a fiscal period ended within the previous 6 months, save it in PDF format and upload it via [www.OTCIQ.com](http://www.OTCIQ.com). The Quarterly Report or Annual Report includes:
  - Balance Sheet, Income Statement, and Total Number of Issued and Outstanding Shares. Financial statements must be prepared in accordance with US GAAP, but are not required to be audited. (Please note that Cash Flow Statements are not required to qualify for the Limited Information tier; however, unless the financial statements include a Cash Flow Statement, no financial data will be included in the OTC Financials Data Service, which distributes company financial data to online investor portals and makes the data available on your company's Financials tab on [www.otcm Markets.com](http://www.otcm Markets.com))
  - A company in the Limited Information tier, may, but is not required to, include information in accordance with these OTC Pink Basic Disclosure Guidelines using the fillable form beginning on page 3.

### **Current Reporting of Material Corporate Events**

OTC Markets Group encourages companies to make public disclosure available regarding corporate events that may be material to the issuer and its securities. Persons with knowledge of such events would be considered to be in possession of material nonpublic information and may not buy or sell the issuer's securities until or unless such information is made public. If not included in the issuer's previous public disclosure documents or if any of the following events occur after the publication of such disclosure documents, the issuer shall publicly disclose such events by disseminating a news release within 4 business days following their occurrence, and posting such news release through the OTC Disclosure & News Service.

Material corporate events include:

- Entry or Termination of a Material Definitive Agreement
- Completion of Acquisition or Disposition of Assets, Including but not Limited to mergers
- Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of an Issuer
- Triggering Events That Accelerate or Increase a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement
- Costs Associated with Exit or Disposal Activities
- Material Impairments
- Sales of Equity Securities
- Material Modification to Rights of Security Holders
- Changes in Issuer's Certifying Accountant
- Non-Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review
- Changes in Control of Issuer
- Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers
- Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year
- Amendments to the Issuer's Code of Ethics, or Waiver of a Provision of the Code of Ethics
- Other events the issuer considers to be of importance

## OTC Pink Basic Disclosure Guidelines

### 1) Name of the issuer and its predecessors (if any)

In answering this item, please also provide any names used by predecessor entities in the past five years and the dates of the name changes.

Tapinator, Inc. (Evolution Resources, Inc. prior to November 4, 2013)

### 2) Address of the issuer's principal executive offices

#### Company Headquarters

Address 1: 140 West 57th Street

Address 2: Suite 9C

Address 3: New York, NY 10019

Phone: (914) 930-6232

Email: info@tapinator.com

Website(s): www.tapinator.com

#### IR Contact

Address 1: \_\_\_\_\_

Address 2: \_\_\_\_\_

Address 3: \_\_\_\_\_

Phone: \_\_\_\_\_

Email: \_\_\_\_\_

Website(s): \_\_\_\_\_

### 3) Security Information

Trading Symbol: TAPM

Exact title and class of securities outstanding: Common

CUSIP: 876037102

Par or Stated Value: \$0.001

Total shares authorized: 75,000,000 as of: 12/31/13

Total shares outstanding: 55,031,871 as of: 12/31/14

Exact title and class of securities outstanding: Series A Preferred Stock

Par or Stated Value: \$0.001

Total shares designated: 22,500 as of: 05/27/09

Total shares outstanding: 0 as of: 12/31/14

Exact title and class of securities outstanding: Series B Preferred Stock

Par or Stated Value: \$0.001

Total shares designated: 10,000 as of: 12/12/13

Total shares outstanding: 10,000 as of: 12/31/14

Exact title and class of securities outstanding: Series C Preferred Stock

Par or Stated Value: \$1.00

Total shares designated: 500,000 as of: 12/12/13

Total shares outstanding: 0 as of: 12/31/14

Exact title and class of securities outstanding: Series D Preferred Stock

Par or Stated Value: \$1.00

Total shares designated: 1,000,000 as of: 06/10/14

Total shares outstanding: 0 as of: 12/31/14

Transfer Agent

Name: Action Stock Transfer

Address 1: 2469 E. Fort Union Blvd

Address 2: Suite 214

Address 3: Salt Lake City, Utah 84121

Phone: (801) 274 1088

Is the Transfer Agent registered under the Exchange Act?\*      Yes:       No:

\*To be included in the OTC Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

The certificates of preferred stock and the resulting converted common stock bear Rule 144 restrictive legends

List any restrictions on the transfer of security:

None

Describe any trading suspension orders issued by the SEC in the past 12 months.

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

On June 16, 2014, the Company executed a securities exchange agreement with the members of Tapinator, LLC, a New York limited liability company, whereby the Company issued 36,700,000 shares of its common stock to the members of Tapinator, LLC in exchange for 100% of the outstanding membership interest units of Tapinator, LLC (the "Securities Exchange Transaction"). The exchange resulted in a business combination, and a change of control within its business purpose.

Previously reported results for periods prior to October 1, 2014 have been restated to reflect changes in the accounting treatment of the Securities Exchange Transaction. This restatement resulted in reductions to goodwill and stockholders' equity, and did not affect previously reported net income (loss) or cash flows.

On October 1, 2014, the Company executed a purchase agreement with InAppFuel, Inc., a Delaware corporation and related entity ("IAF"), and IAF's majority note holders to acquire certain assets and liabilities of IAF's mobile minigame software development business (the "IAF Business") in exchange for (i) the assumption of certain promissory notes owed by IAF, (ii) providing a revolving line of credit for the IAF Business, and (iii) the issuance of new Series A preferred stock to the equity holders of IAF.

**4) Issuance History**

List below any events, in chronological order, that resulted in changes in total shares outstanding by the issuer in the past two fiscal years and any interim period. The list shall include all offerings of equity securities, including debt convertible into equity securities, whether private or public, and all shares or any other securities or options to acquire such securities issued for services, describing (1) the securities, (2) the persons or entities to whom such securities were issued and (3) the services provided by such persons or entities. The list shall indicate:

- A. The nature of each offering (e.g., Securities Act Rule 504, intrastate, etc.);
- B. Any jurisdictions where the offering was registered or qualified;
- C. The number of shares offered;
- D. The number of shares sold;
- E. The price at which the shares were offered, and the amount actually paid to the issuer;
- F. The trading status of the shares; and

- G. Whether the certificates or other documents that evidence the shares contain a legend (1) stating that the shares have not been registered under the Securities Act and (2) setting forth or referring to the restrictions on transferability and sale of the shares under the Securities Act.

On October 1, 2014, as part of the consideration of the IAF transaction, the Company issued \$773,499 worth of new redeemable Series A preferred stock, having a par value of \$1.00 per share, to the equity holders of IAF. Such Series A preferred stock shall be redeemable in cash based on a schedule of net profits as defined in the purchase agreement, or convertible into common stock upon consensus of the parties.

On July 12, 2014, the Company issued 334,266 shares of restricted common stock to certain note holders of a related company in exchange for the assignment to the Company of such note holders' principal promissory notes of \$91,000 and \$20,422 of accrued interest.

On June 16, 2014, the Company cancelled 36,500,000 shares of its common stock, and issued 36,700,000 shares of restricted common stock (representing 80% of its then common stock outstanding after giving effect to the transaction) to the members of Tapinator, LLC, a New York limited liability company, pursuant to the share exchange agreement executed by the Company and the members. The certificates of stock issued pursuant to this transaction bear Rule 144 restrictive legends and state that the shares have not been registered under the Securities Act.

On June 9, 2014, the Company issued 885,500 shares of Series D preferred stock to various directors, advisory board members and consultants. The shares are convertible into restricted common shares at a conversion price of \$0.154. For more information on the Series D shares, see Note 6 – Stockholders' Equity to the Company's Unaudited Consolidated Financial Statements.

From October 2013 to April 2014, the Company issued 461,100 shares of Series C preferred stock at a price per share of \$1.00 pursuant to a private placement offering of up to 500,000 shares in which the Company received \$351,000 of net cash proceeds. All Series C Preferred shares were subsequently converted to 3,074,000 restricted common shares in July 2014. The certificates of stock issued pursuant to this offering bear Rule 144 restrictive legends and state that the shares have not been registered under the Securities Act.

From December 2013 to June 2014, a total of 36,574,372 shares of restricted common stock were issued pursuant to the Company's acquisition of Tapinator, Inc. (Colorado); a total of 6,825,000 shares of free trading stock were issued to owners of the Company's Series A preferred stock in response to notices of conversion of such preferred stock; and a total of 2,237,117 shares of free trading stock were issued in response to a notice of conversion of \$212,526.16 of the Company's convertible debt.

## 5) Financial Statements

Provide the financial statements described below for the most recent fiscal year end or quarter end to maintain qualification for the OTC Pink Current Information tier. For the initial disclosure statement (qualifying for Current Information for the first time) please provide reports for the two previous fiscal years and any interim periods.

- A. Balance sheet;
- B. Statement of income;
- C. Statement of cash flows;
- D. Financial notes; and
- E. Audit letter, if audited

The financial statements requested pursuant to this item shall be prepared in accordance with US GAAP by persons with sufficient financial skills.

You may either (i) attach/append the financial statements to this disclosure statement or (ii) post such financial statements through the OTC Disclosure & News Service as a separate report using the appropriate report name for the applicable period end. ("Annual Report," "Quarterly Report" or "Interim Report").

If you choose to publish the financial reports separately as described in part (ii) above, you must state in the accompanying disclosure statement that such financial statements are incorporated by reference. You may reference the document(s) containing the required financial statements by indicating the document name, period end date, and the date that it was posted to otcq.com in the field below.

---

Information contained in a Financial Report is considered current until the due date for the subsequent Financial Report. To remain in the OTC Pink Current Information tier, a company must post its Annual Report within 90 days from its fiscal year-end date and Quarterly Reports within 45 days of its fiscal quarter-end date.

## **6) Describe the Issuer's Business, Products and Services**

Describe the issuer's business so a potential investor can clearly understand the company. In answering this item, please include the following:

A. a description of the issuer's business operations;

The Company conceptualizes, designs, develops, publishes, markets and monetizes mobile games for the Apple iOS, Google Play and Amazon Kindle gaming platforms. The Company offers original, full-featured premium games, as well as rapidly developed, mass-appeal games utilizing its cost-effective offshore development resources and technology. The Company focuses on operating its own titles, publishing properties where it holds substantial ownership positions, and making strategic investments into promising mobile companies.

The Company's owned and operated portfolio includes over 80 mobile gaming titles that, collectively, have over 50 million installations. A number of these games have been featured and have risen to the top of the mobile leaderboards. With the acquisition of the IAF Business (defined earlier herein), the Company offers a minigame platform to mobile application developers which increases in-app purchases and user engagement.

B. Date and State (or Jurisdiction) of Incorporation:

March 15, 2005 Nevada, migrated to Delaware on December 12, 2013

C. the issuer's primary and secondary SIC Codes;

7372

D. the issuer's fiscal year end date;

December 31

E. principal products or services, and their markets;

Mobile games and applications for the Google Android, Apple iOS and Amazon Kindle mobile platforms.

## **7) Describe the Issuer's Facilities**

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

In November 2014, the Company entered into a lease for office space which expires in November 2017. Future minimum payments under this lease for the fiscal years ending December 31, 2014, 2015, 2016 and 2017 are \$4,995, \$60,080, \$61,769 and \$58,080, respectively.

## **8) Officers, Directors, and Control Persons**

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant shareholders.

- A. Names of Officers, Directors, and Control Persons. In responding to this item, please provide the names of each of the issuer's executive officers, directors, general partners and control persons (control persons are beneficial owners of more than five percent (5%) of any class of the issuer's equity securities), as of the date of this information statement.

Ilya Nikolayev, Director & CEO

Co-Founder and CEO of Familybuilder and its Family Tree application until the successful sale of the Company to Intelius in 2011. Raised venture capital funding for the business and grew the Company to profitability, with over 45 million users on the web, and over 2 million users on mobile (iOS and Android). Prior to Familybuilder, worked in banking for JP Morgan. Graduated cum laude from New York University.

Khurram Samad, President & CTO

Leads Tapinator's offshore engineering and design team. Prior to Tapinator, founded GeniTeam, an outsourced development Company focused on mobile with over 40 developers in-house. Experienced leader of offshore technical teams. Earned BS in Computer Science from National University of Computer and Emerging Science. MBA from LUMS.

Robert Crates, Director

Has over 25 years experience in private equity, investing in a broad range of industries and asset categories. He has invested in technology, entertainment, health care, manufacturing, distribution, industrial, commercial, financial, and oil & gas services business, including venture capital, buy-and-build, leveraged buyout, and distressed securities strategies. Has served on numerous boards of directors, including public and private companies

- B. Legal/Disciplinary History. Please identify whether any of the foregoing persons have, in the last five years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

none

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

none

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

none

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred suspended or otherwise limited such person's involvement in any type of business or securities activities.

none

- C. Beneficial Shareholders. Provide a list of the name, address and shareholdings or the percentage of shares owned by all persons beneficially owning more than ten percent (10%) of any class of the issuer's equity securities. If any of the beneficial shareholders are corporate shareholders, provide the name and address of the person(s) owning or controlling such corporate shareholders and the resident agents of the corporate shareholders.

Ilya Nikolayev owns 22.8% of Common Stock. 140 West 57<sup>th</sup> St #9C, New York, NY 10019

Ilya Nikolayev owns 50% of Series B Preferred Stock. 140 West 57<sup>th</sup> St #9C, New York, NY 10019.

Khurram Samad owns 27.8% of Common Stock. 140 West 57<sup>th</sup> St #9C, New York, NY 10019

Riverview Capital Partners, Inc. owns 1.8% of Common Stock, of which Robert Crates serves as President, 2409 Faron St, Fort Worth, TX 76107.

Riverview Capital Partners, Inc. owns 50% of Series B Preferred Stock, of which Robert Crates serves as President, 2409 Faron St, Fort Worth, TX 76107.

## 9) **Third Party Providers**

Please provide the name, address, telephone number, and email address of each of the following outside providers that advise your company on matters relating to operations, business development and disclosure:

### Legal Counsel

Name: Joseph Pittera

Firm: The Law Offices of Joseph L. Pittera

Address 1: 2214 Torrance Blvd, Suite 101

Address 2: Torrance, CA 90501

Phone: (310) 328-3588

Email: jpitteralaw@gmail.com

### Legal Counsel

Name: Jeffrey M. Quick

Firm: Quick Law Group PC

Address 1: 1035 Pearl Street, Suite 403

Address 2: Boulder, CO 80302

Phone: (720) 259-3393

Email: jquick@quicklawgroup.com

### Accountant or Auditor

Name: \_\_\_\_\_

Firm: \_\_\_\_\_

Address 1: \_\_\_\_\_

Address 2: \_\_\_\_\_

Phone: \_\_\_\_\_

Email: \_\_\_\_\_

### Investor Relations Consultant

Name: \_\_\_\_\_

Firm: \_\_\_\_\_

Address 1: \_\_\_\_\_

Address 2: \_\_\_\_\_

Phone: \_\_\_\_\_

Email: \_\_\_\_\_

Other Advisor: Any other advisor(s) that assisted, advised, prepared or provided information with respect to this disclosure statement.

Name: \_\_\_\_\_

Firm: \_\_\_\_\_

Address 1: \_\_\_\_\_

Address 2: \_\_\_\_\_

Phone: \_\_\_\_\_

Email: \_\_\_\_\_

## **10) Issuer Certification**

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles, but having the same responsibilities).

The certifications shall follow the format below:

I, Ilya Nikolayev certify that:

1. I have reviewed this Quarterly Disclosure Statement of Tapinator, Inc.;
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

February 16, 2015

/s/ Ilya Nikolayev

Director, CEO

Tapinator, Inc.  
Consolidated Financial Statements  
*(Unaudited)*

Year Ended December 31, 2014 and  
Six Months Ended Inception to December 31, 2013

Table of Contents

|  |     |
|--|-----|
| Consolidated Balance Sheets                | F-2 |
| Consolidated Statements of Operations      | F-3 |
| Consolidated Statements of Cash Flows      | F-4 |
| Notes to Consolidated Financial Statements | F-5 |

Tapinator, Inc.  
Consolidated Balance Sheets  
(Unaudited)

|  | December 31,<br>2014 | December 31,<br>2013 |
|--|----------------------|----------------------|
| <b>Assets</b>  |                      |                      |
| Current assets   |                      |                      |
| Cash and cash equivalents  | \$ 121,740           | \$ 12,418            |
| Accounts receivable  | 130,681              | 34,199               |
| Due from related parties   | -                    | 9,790                |
| Total current assets   | 252,421              | 56,407               |
| Fixed assets, net  | 17,500               | 2,158                |
| Intangible assets, net   | 1,268,383            | 72,964               |
| Investments  | 19,086               | -                    |
| Security deposits  | 19,840               | 5,690                |
| Total assets   | <u>\$ 1,577,230</u>  | <u>\$ 137,219</u>    |
| <b>Liabilities and stockholders' equity</b>  |                      |                      |
| Liabilities  |                      |                      |
| Current liabilities  |                      |                      |
| Accounts payable   | \$ 6,596             | \$ 9,750             |
| Accrued expenses   | 50,329               | 7,000                |
| Payable to related parties   | 129,327              | 25,811               |
| Deferred royalty revenue   | 55,000               | -                    |
| Deferred stock subscription  | -                    | 32,500               |
| Total current liabilities  | 241,253              | 75,061               |
| Notes payable  | 261,454              | -                    |
| Total liabilities  | <u>502,707</u>       | <u>75,061</u>        |
| Redeemable preferred stock   | 773,499              | -                    |
| Stockholders' equity   |                      |                      |
| Common Stock, \$0.001 par value; 75,000,000 shares authorized at December 31, 2014 and 2013; 55,031,871 and 36,700,000 shares issued and outstanding at December 31, 2014 and 2013, respectively | 55,032               | 36,700               |
| Series A Preferred Stock, \$0.001 par value; 22,500 shares authorized at December 31, 2014 and 2013; no shares issued and outstanding at December 31, 2014 and 2013                              | -                    | -                    |
| Series B Preferred Stock, \$0.001 par value; 10,000 shares authorized at December 31, 2014 and 2013; 10,000 and zero shares issued and outstanding at December 31, 2014 and 2013, respectively   | 10                   | -                    |
| Series C Preferred Stock, \$1.00 par value; 500,000 shares authorized at December 31, 2014 and 2013; no shares issued and outstanding at December 31, 2014 and 2013                              | -                    | -                    |
| Series D Preferred Stock, \$1.00 par value; 1,000,000 and zero shares authorized at December 31, 2014 and 2013, respectively; no shares issued and outstanding at December 31, 2014 and 2013     | -                    | -                    |
| Additional paid-in capital   | 1,448,864            | -                    |
| Retained earnings  | (1,202,881)          | 25,457               |
| Total stockholders' equity   | <u>301,025</u>       | <u>62,157</u>        |
| Total liabilities and stockholders' equity   | <u>\$ 1,577,230</u>  | <u>\$ 137,219</u>    |

See accompanying notes.

Tapinator, Inc.  
Consolidated Statements of Operations  
(Unaudited)

|                            | Year Ended<br>December 31,<br>2014 | Inception to<br>December 31,<br>2013 |
|----------------------------|------------------------------------|--------------------------------------|
| Revenue                    | \$ 943,449                         | \$ 130,980                           |
| <b>Expenses</b>            |                                    |                                      |
| Platform fees              | 280,689                            | 40,269                               |
| Research and development   | 236,161                            | 9,396                                |
| General and administrative | 273,890                            | 26,159                               |
| Impairment loss            | 156,209                            | -                                    |
| Total expenses             | 946,948                            | 75,823                               |
| Operating income (loss)    | (3,499)                            | 55,157                               |
| Interest expense           | 15,941                             | -                                    |
| Pretax income (loss)       | (19,440)                           | 55,157                               |
| Income taxes               | 614                                | -                                    |
| Net income (loss)          | \$ (20,054)                        | \$ 55,157                            |

*See accompanying notes.*

Tapinator, Inc.  
Consolidated Statements of Cash Flows  
(Unaudited)

|   | Year Ended<br>December 31,<br>2014 | Inception to<br>December 31,<br>2013 |
|---|------------------------------------|--------------------------------------|
| <b>Cash flows from operating activities</b>   |                                    |                                      |
| Net income (loss)   | \$ (20,054)                        | \$ 55,157                            |
| Adjustments to reconcile net income to net cash used in operating activities:                 |                                    |                                      |
| Depreciation and amortization   | 95,214                             | 15,764                               |
| Impairment loss   | 156,209                            | -                                    |
| Accounts receivable   | (96,483)                           | (34,199)                             |
| Due from related parties  | 9,790                              | (9,790)                              |
| Security deposits   | (14,150)                           | (5,690)                              |
| Accounts payable  | 4,846                              | 9,750                                |
| Accrued expenses  | 43,329                             | 7,000                                |
| Payable to related parties  | 103,516                            | 25,811                               |
| Deferred royalty revenue  | 55,000                             | -                                    |
| Deferred stock subscription   | 77,500                             | 32,500                               |
| Net cash provided by operating activities   | <u>414,717</u>                     | <u>96,304</u>                        |
| <b>Cash flows from investing activities</b>   |                                    |                                      |
| Investments   | (19,086)                           | -                                    |
| Capitalized software development costs and other fixed assets                                 | (593,465)                          | (90,886)                             |
| Net cash used in investing activities   | <u>(612,551)</u>                   | <u>(90,886)</u>                      |
| <b>Cash flows from financing activities</b>   |                                    |                                      |
| Issuance of capital stock   | 148,922                            | 7,000                                |
| Issuance of promissory notes  | 158,235                            | -                                    |
| Net cash provided by financing activities   | <u>307,156</u>                     | <u>7,000</u>                         |
| Net change to cash and cash equivalents   | 109,322                            | 12,418                               |
| Cash and cash equivalents at beginning of period  | 12,418                             | -                                    |
| Cash and cash equivalents at end of period  | <u>\$ 121,740</u>                  | <u>\$ 12,418</u>                     |
| <b>Non-cash investing and financing activities</b>  |                                    |                                      |
| Issuance of redeemable preferred stock and assumption of promissory notes to acquire software | <u>\$ 876,718</u>                  | <u>\$ -</u>                          |

See accompanying notes.

Tapinator, Inc.  
Notes to Consolidated Financial Statements  
(Unaudited)

**NOTE 1 — ORGANIZATION AND DESCRIPTION OF BUSINESS**

Tapinator, Inc. (the “Company”) conceptualizes, designs, develops, publishes, markets and monetizes mobile games for the Apple iOS, Google Play and Amazon Kindle gaming platforms. The Company offers original, full-featured premium games, as well as rapidly developed, mass-appeal games utilizing its cost-effective offshore development resources and technology.

The Company, originally incorporated in the state of Nevada, migrated from Nevada to Delaware in December 2013, and acquired Tapinator, Inc., a Colorado corporation, on the migration date.

In June 2014, the Company executed a securities exchange agreement (the “SEA”) with the members of Tapinator LLC, a New York limited liability company, whereby the Company issued 36,700,000 shares of its common stock (representing 80% of its then common stock outstanding after giving effect to the transaction) to the members of Tapinator LLC in exchange for 100% of the outstanding membership interests of Tapinator LLC (the “Securities Exchange Transaction”). The Securities Exchange Transaction resulted in a business combination and a change of control within its business purpose.

The SEA resulted in Tapinator, Inc. being recognized the “legal acquirer,” and Tapinator LLC the “accounting acquirer.” The prospective filings with the Securities and Exchange Commission included the historical financial results of Tapinator LLC as of and for the periods ended December 31, 2014 and 2013, and the results of Tapinator, Inc. only as of and for the period commencing June 2014, the date of the Securities Exchange Transaction. References herein to Tapinator LLC equity has been retrospectively adjusted to reflect the exchange ratio of Tapinator, Inc. common shares for each unit of Tapinator LLC established in the SEA.

In October 2014, the Company executed a purchase agreement with InAppFuel, Inc., a Delaware corporation and related entity (“IAF”), and IAF’s majority note holders to acquire certain assets and liabilities of IAF’s mobile minigame software development business (the “IAF Business”) in exchange for (i) the assumption of certain promissory notes owed by IAF, (ii) providing a \$250,000 revolving line of credit for the IAF Business, and (iii) the issuance of new Series A preferred stock to the equity holders of IAF. Such Series A preferred stock shall be redeemable in cash based on a schedule of net profits as defined in the purchase agreement, or convertible into common stock upon consensus of the parties.

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

*Basis of Presentation and Consolidation*

The accompanying unaudited consolidated financial statements and related notes have been prepared in conformity with United States generally accepted accounting principles (“GAAP”). The consolidated financial statements include the operations of the Company and its wholly-owned subsidiaries for the year ended December 31, 2014 and for the six month period from the Company’s inception to December 31, 2013. All significant intercompany balances and transactions have been eliminated in consolidation.

Previously reported results for periods prior to October 1, 2014 have been restated to reflect changes in the accounting treatment of the Securities Exchange Transaction. This restatement resulted in reductions to goodwill and stockholders’ equity, and did not affect previously reported net income (loss) or cash flows.

*Revenue recognition*

The Company recognizes revenue on an accrual basis in the periods in which user transactions occur and ads are served, in accordance with ASC 605-10, *Revenue Recognition*, as applied to developers of software games and applications.

*Capitalized Software Development Costs*

In accordance with ASC 985-20, *Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed*, the Company capitalizes certain costs related to the development of new software products or the enhancement of existing software products for use in its product offerings. These costs are capitalized from the point in time that technological feasibility has been established, as evidenced by a working model or detailed working program design to the point in time that the product is available for general release to customers. Capitalized development costs

are amortized on a straight-line basis over the estimated economic lives of the products, beginning when the product is placed into service. Research and development costs incurred prior to establishing technological feasibility, and costs incurred subsequent to general product release to customers, are charged to expense as incurred. The Company periodically evaluates whether events or circumstances have occurred that indicate that the remaining useful lives of capitalized software development costs should be revised or that the remaining balance of such assets may not be recoverable.

#### Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

#### Platform Fees

The Company, along with all mobile application publishers, is required to pay platform fees to Apple, Google and Amazon equal to 30% of gross revenue. The Company is also required to pay a revenue share of approximately 30% to Advertising Networks and similar service providers.

#### Research and Development

Research and development expenses consist of costs incurred for mobile game development. Such costs are capitalized and charged to expense as game revenues are recognized, which is currently estimated, based on historical measures, to be over an 18 month period.

#### Income taxes

The Company accounts for income taxes pursuant to the asset and liability method under ASC 740, *Income Taxes*, which requires deferred income tax assets and liabilities to be computed annually for temporary differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted laws and rates applicable to the periods in which the temporary differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

#### Impairment of Assets

In accordance with ASC 360, *Property, Plant, and Equipment*, and ASC 985, *Software*, the Company reviews its long-lived assets and identifiable intangibles for impairment whenever changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. The analysis of the recoverability utilizes discounted cash flows. The measurement of the loss, if any, will be calculated as the amount by which the carrying amount of the assets exceeds the fair value. In September 2014, the Company recognized an impairment loss of \$156,209 on previously capitalized gaming engine costs which are deemed to be unrecoverable.

#### Reclassification

Certain reclassifications have been made to the prior years' data to conform to the current year presentation. These reclassifications had no effect on reported income (losses).

### **NOTE 3 — PROMISSORY NOTES**

During the third quarter of 2014, the Company issued convertible promissory notes in the principal amount of \$150,000. Such notes provide for the payment of interest and are convertible into shares of the Company's stock pursuant to the note agreement. As of December 31, 2014, accrued interest on these notes was \$4,217.

In October 2014, as part of the consideration of the IAF transaction referred to above, the Company assumed \$95,513 of convertible promissory notes that mature in May and June of 2017, which can be extended up to twelve months at the Company's discretion. The notes bear interest at the rate of 13% through maturity, increasing to 20% during the extension period. On the assumption date, the notes contained an original issue discount of \$66,444, which is being accreted through maturity. At December 31, 2014, the amount due on the notes was \$107,237, which included \$6,403 of accreted original issue discount and \$5,321 of accrued interest.

#### **NOTE 4 — RELATED PARTY TRANSACTIONS**

The Company utilizes the services of an officer/shareholder for the development of its mobile games. Amounts due to this officer/shareholder, pursuant to a development agreement, were \$129,039 and \$25,811 at December 31, 2014 and 2013, respectively.

In September 2013, the Company was issued promissory notes from two shareholders (one of whom is also an officer) that were repaid in June 2014. The combined balance of these promissory notes at December 31, 2013 of \$7,000 is included in the Due From Related Parties line within the unaudited consolidated balance sheet. Also included in this line item are loans the Company had extended to a related company. The amount due from these shareholders and related company was zero on December 31, 2014.

In July 2014, the Company purchased promissory notes with principal of \$91,000 plus accrued interest of \$20,422 from certain note holders of a related company in exchange for 334,266 shares of the Company's common stock. Concurrent with this transaction, the Company entered into a services agreement with this related company whereby the Company received mobile game development services in exchange for (i) waiving of interest payments on the purchased notes, and (ii) a development fee of \$180,000. Such development fee was paid in increments through December 2014, and at Company's discretion, was offset against the outstanding balance on the notes and other loans extended to this related company. At December 31, 2014, the development fee was fully paid and the outstanding balance on the notes was zero.

In December 2014, in exchange for \$110,000, the Company sold a 12.5% royalty interest in the net revenues, as defined in the royalty agreements, to be generated by one of its original, full-featured premium games to two separate investors (6.25% was sold to each investor at \$55,000), one of which is a shareholder, and the other a related entity of another shareholder. As of December 31, 2014, \$55,000 had been received in total from the two investors, with the remaining \$55,000 to be received in the first quarter of 2015. The amount received is recorded in the Deferred Royalty Revenue line within the unaudited consolidated balance sheet. This deferred revenue will be recognized by the Company over an 18 month period commencing in the month the game starts to generate revenue. When royalty earnings of the investors reach \$240,000 (\$120,000 to each investor), the royalty rate shall be reduced to 2.5% (1.25% to each investor) for the remaining life of the game.

#### **NOTE 5 — COMMITMENTS AND CONTINGENCIES**

In November 2014, the Company entered into a lease for office space which expires in November 2017. Future minimum payments under this lease for the fiscal years ending December 31, 2014, 2015, 2016 and 2017 are \$4,995, \$60,080, \$61,769 and \$58,080, respectively.

#### **NOTE 6 — STOCKHOLDERS' EQUITY**

##### Common Stock

On June 16, 2014, the Company executed a securities exchange agreement with the members of Tapinator, LLC, a New York limited liability company, whereby the Company issued 36,700,000 shares of its common stock to the members of Tapinator, LLC in exchange for 100% of the outstanding membership interest units of Tapinator, LLC. The exchange resulted in a business combination, and a change of control within its business purpose.

##### Preferred Stock

The holders of all 22,500 shares Series A preferred stock converted their shares into common stock prior to the Securities Exchange Transaction. Accordingly, no Series A shares are issued or outstanding as of December 31, 2014.

The Company has a Series B preferred stock that provides the holders of such stock the right to vote 20,000 votes for every share held. Additionally, 2/3 of the holders of the Series B stock must consent to any major action taken by the Company, including changes to its Articles of Incorporation. There are 10,000 shares of series B preferred stock issued and outstanding as of December 31, 2014.

During 2014, the Company issued 461,100 shares of its Series C preferred stock. In July 2014, all shares were converted into 3,074,000 shares of restricted common shares at a conversion price equal to 25% of the average of such first 20 trading days' closing market price, with a floor of \$0.05 and a ceiling of \$0.15 per share.

In June 2014, the Company issued 885,500 shares of Series D preferred stock, with a par value of \$1.00 per share. By consent of the Company and unanimous consent of the holders of this Series D, a mutual agreement was reached during

the third quarter to amend the Series D designation. This amendment allowed the company to retire all of the Preferred D shares by issuing restricted common shares. The newly issued common shares will be subject to the same holding period as described in the Series D designation.

In July, 2014, the Company issued 334,266 shares of restricted common stock to certain note holders of a related company in exchange for the assignment to the Company of such note holders' principal promissory notes of \$91,000 and \$20,422 of accrued interest.

In October 2014, as part of the consideration of the IAF transaction, the Company issued \$773,499 worth of new redeemable Series A preferred stock, having a par value of \$1.00 per share, to the equity holders of IAF. Such Series A preferred stock shall be redeemable in cash based on a schedule of net profits as defined in the purchase agreement, or convertible into common stock upon consensus of the parties.