

## **NANOTECH ENTERTAINMENT, INC.**

### **FINANCIAL INFORMATION FOR PERIOD ENDING MARCH 31, 2012.**

#### **FINANCIAL STATEMENTS**

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission ("SEC"), and should be read in conjunction with the financial statements and notes thereto contained in the Company's June 30, 2011 Year End Financial Statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the periods presented have been reflected herein. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

#### **CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS**

All readers of this document and any document incorporated by reference herein are advised that this document and documents incorporated by reference into this document contain forward-looking statements and statements of historical facts. Forward-looking statements are subject to certain risks and uncertainties, which could cause actual results to differ materially for those indicated by the forward-looking statements. Examples of forward-looking statements include, but are not limited to (i) revenue projections, income (loss), earnings (loss) per share, capital expenditures, dividends, capital structure and other financial items, (ii) statements of the plans and objectives of the Company or its management or Board of Directors, including the introduction of new products, or estimates or predictions with regards to customers, suppliers, competitors or regulatory authorities, (iii) statements of future performance, and (iv) statements of assumptions underlying other statements about the Company or its business.

This document and all documents incorporated herein by reference also identify factors which could cause actual results to differ materially from those indicated by the forward-looking statements.

The cautions outlined made in this statement and elsewhere in this document should not be construed as complete or exhaustive. In many cases, we cannot predict factors which could cause results to differ materially from those indicated by the forward-looking statements. Additionally, many items or factors that could cause actual results to differ materially from forward-looking statements are beyond our ability to control. The Company will not undertake an obligation to further update or change any forward-looking statement, whether as a result of new information, future developments, or otherwise.

**NanoTech Entertainment, Inc.**  
**(A Development Stage Company)**  
**Balance Sheet**

	March 31, 2012 <u>(unaudited)</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 152
Inventory	11,924
Prepaid expenses	-
Prepaid royalties	40,000
Total current assets	<u>52,077</u>
Property and equipment (Note B)	2,961
Less: accumulated depreciation	<u>(2,961)</u>
Net property and equipment	<u>0</u>
Total assets	<u><u>\$ 52,077</u></u>
 <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable and Accrued Expenses	\$ 352,502
Cash drawn in excess of bank balance	-
Accounts Payable Related Parties	402,831
Accrued Salaries	73,206
Notes Payable	33,144
Notes Payable – Related Parties	101,563
Convertible Notes Payable	500,975
Convertible Notes Payable – Related Parties	48,700
Discount on Convertible Debt	<u>(2,381,312)</u>
Total liabilities	<u>866,391</u>
 <b>STOCKHOLDERS' DEFICIT</b>	
Common stock, \$.001 par value, 990,000,000	
shares authorized, 678,217,149 OS as of March 31, 2012	678,181
Additional paid-in capital	3,350,310
Deficit accumulated during the development stage	<u>(4,948,960)</u>
Total stockholders' deficit	<u>(920,469)</u>
Total liabilities and stockholders' deficit	<u><u>\$ 52,077</u></u>

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

**NanoTech Entertainment, Inc.**  
**(A Development Stage Company)**  
**Changes in Stockholders Deficit**  
*(unaudited)*

	Common Stock	Additional	Deficit Accum	Total
	Shares	Amount	Paid in capital	Shareholders
			During Dev Stage	Deficit
Balance Dec 31, 2011	15,910,000	\$ 15,910	\$ 1,700,932	\$ (4,792,317)
Issuance of Previously Booked Shares	11,476,330	\$ 11,476	\$ -	\$ 11,476
Settlement of Debt @ \$0.04	965,250	\$ 965	\$ 37,645	\$ 38,610
Settlement of Debt @ \$0.01	105,000,000	\$ 105,000	\$ -	\$ 105,000
Reduction in UnPaid Wages @ \$0.04	38,859,391	\$ 38,859	\$ 1,515,517	\$ 1,554,376
Reduction in UnPaid Expenses @ \$0.04	2,467,100	\$ 2,467	\$ 96,217	\$ 98,684
Contract Obligations @ \$0.04	3,503,078	\$ 3,503	\$ -	\$ 3,503
Contract Obligations @ \$0.001	500,000,000	\$ 500,000.00	\$ -	\$ 500,000
Net Loss March 31, 2012			\$ (156,643)	\$ (156,643)
Balance March 31, 2012	678,181,149	\$ 678,181	\$ 3,350,310	\$ (4,948,960)

**NanoTech Entertainment, Inc.**  
**(A Development Stage Company)**  
**Statements of Operations**  
*(unaudited)*

	Three Months Ending March 31, 2012
Revenues:	
Sales, net	\$ 0
Less: costs of goods sold	(0)
Gross profit	(0)
Operating Expenses:	
General and Administration Expense	8,188
Depreciation Expense	0
Payroll Expense	70,500
Professional Fees	0
Rent Expense	43,500
Other Income (Expenses)	
Interest expense	(34,455)
Net loss before income taxes	(156,643)
Provision for income taxes	-
Net loss available to common stockholders	\$ (156,643)

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

**NanoTech Entertainment, Inc.**  
**(A Development Stage Company)**  
**Statement of Cash Flows**  
*(unaudited)*

Three Months Ended  
March 31, 2012

Cash flows from operating activities:	
Net loss	\$ (156,643)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation expense	-
Amortization of debt discount	-
Common stock issued for finder fees	-
Common stock issued for services	-
Amortization of services prepaid with common stock	-
Interest on debt converted to common stock	-
Loss on disposal of fixed assets	-
Changes in operating assets and liabilities:	
Decrease in accounts receivable	-
Decrease (increase) in inventory	-
Decrease in prepaid expenses	-
Decrease in prepaid expenses – related party	-
Increase in prepaid royalties	-
Increase in accounts payable	58,752
Increase in accrued liabilities – related party	38,926
Increase in accrued interest, convertible debentures	34,068
Increase in accrued interest, notes payable	6,250
Increase in accrued interest, notes payable – related party	3,087
Increase in royalties payable	-
Net cash used in operating activities	<u>(15,560)</u>
Cash flows from financing activities:	
Increase (decrease) in cash drawn in excess of bank balance	
Proceeds from issuance of convertible debentures	15,500
Proceeds from issuance of common stock	-
Proceeds from notes payable – related party	-
Repayment of notes payable – related party	-
Proceeds from notes payable	-
Net cash provided by financing activities	<u>15,500</u>
Increase (decrease) in cash	(60)
Cash, beginning of period	<u>212</u>
Cash, end of period	<u>\$ 152</u>

**NanoTech Entertainment, Inc.**  
**(A Development Stage Company)**  
**Notes to Unaudited Financial Statements**  
**Three Months Ended March 31, 2012**

**A. ORGANIZATION**

NanoTech Entertainment, Inc. (“NEI”) was incorporated under the laws of the state of Nevada on July 15, 2004. The Company operates as a virtual manufacturer, developing technology and games, and then licensing such products to third parties for manufacturing and ultimate distribution.

**DEVELOPMENT STAGE COMPANY**

The Company is considered to be in the development stage as defined in Statement of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic No. 915. The Company’s efforts have been devoted primarily to raising capital, borrowing funds and attempting to implement its planned, principal activities.

**B. SIGNIFICANT ACCOUNTING POLICIES**

**USE OF ESTIMATES**

The preparation of the Company’s financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company’s periodic filings with the Securities and Exchange Commission include, where applicable, disclosures of estimates, assumptions, uncertainties and markets that could affect the financial statements and future operations of the Company.

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash in banks, money market funds, and certificates of term deposits with maturities of less than three months from inception, which are readily convertible to known amounts of cash and which, in the opinion of management, are subject to an insignificant risk of loss in value. The Company’s cash balance totaled \$152 as of March 31, 2012.

**INVENTORY**

The Company’s inventory is stated at the lower of cost or market using the FIFO costing method. Inventory on hand totaled \$11,924 at March 31, 2012 and consisted components and finished goods gaming equipment available and ready for sale.

**PROPERTY AND EQUIPMENT**

The Company’s property and equipment is comprised of office and computer equipment, which are stated at cost. Depreciation is calculated over the estimated useful lives ranging from 3 to 7 years using the straight – line method. The Company is in the development stage and has only acquired \$2,961 in fixed assets since inception, which had accumulated depreciation of \$2,961 at March 31, 2012.

**REVENUE RECOGNITION**

Revenues for gaming equipment sales are recognized when risks associated with ownership have passed to unaffiliated customers, and when all criteria of ASB Topic No. 605 (SAB Topic 13) have been met. Typically, this occurs when finished products are shipped.

**NanoTech Entertainment, Inc.**  
**(A Development Stage Company)**  
**Notes to Unaudited Financial Statements**  
**Three Months Ended March 31, 2012**

**SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**RECENTLY-ISSUED ACCOUNTING PRONOUNCEMENTS**

In June 2009 the FASB established the Accounting Standards Codification ("Codification" or "ASC") as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in accordance with generally accepted accounting principles in the United States ("GAAP"). Rules and interpretive releases of the Securities and Exchange Commission ("SEC") issued under authority of federal securities laws are also sources of GAAP for SEC registrants. Existing GAAP was not intended to be changed as a result of the Codification, and accordingly the change did not impact our financial statements. The ASC does change the way the guidance is organized and presented.

Statement of Financial Accounting Standards ("SFAS") SFAS No. 165 (ASC Topic 855), "*Subsequent Events*," SFAS No. 166 (ASC Topic 810), "*Accounting for Transfers of Financial Assets-an Amendment of FASB Statement No. 140*," SFAS No. 167 (ASC Topic 810), "*Amendments to FASB Interpretation No. 46(R)*," and SFAS No. 168 (ASC Topic 105), "*The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles-a replacement of FASB Statement No. 162*," were recently issued. SFAS No. 165, 166, 167, and 168 have no current applicability to the Company or their effect on the financial statements would not have been significant.

Accounting Standards Update ("ASU") ASU No. 2009-05 (ASC Topic 820), which amends Fair Value Measurements and Disclosures - Overall, ASU No. 2009-13 (ASC Topic 605), "*Multiple-Deliverable Revenue Arrangements*," ASU No. 2009-14 (ASC Topic 985), "*Certain Revenue Arrangements that include Software Elements*," and various other ASU's No. 2009-2 through ASU No. 2010-18 which contain technical corrections to existing guidance or affect guidance to specialized industries or entities were recently issued. These updates have no current applicability to the Company or their effect on the financial statements would not have been significant.

**C. RELATED PARTY TRANSACTIONS**

The Company pays rent expense to one founder pursuant to long-term rent agreements (see Note N) for the use of property for business purposes. The amounts incurred by the Company and paid to the related parties for rent for the period ended March 31, 2012 totaled \$43,500. This amount has been recorded in selling, general and administrative expenses for the same period.

Several of the Company's current and former officers and their affiliates have provided funding in the form of notes payable, totaling \$101,563. The notes carry interest rates ranging from 14% to 20%, resulting in interest expense of \$4,291 for the period ended March 31, 2012. The notes are due on demand and therefore classified as current liabilities. Interest has not been imputed due to its immaterial impact on the financial statements.

The Company has employment agreements with one of its remaining founders, David Foley, who, as part of the employment agreement has provided the gaming properties and intellectual property being used by the company for the core of its product offerings.. The Annual salary has been adjusted and is payable in the form of \$210,000 in cash and 2,250,000 in stock.

The salaries have been accrued and will be paid as cash flows allow. Interest has not been imputed due to its immaterial impact on the financial statements.

The Company has incurred liabilities in the ordinary course of business with several individuals and entities affiliated with the Company. These amounts totaled \$39,424.49 at March 31, 2012. Interest has not been imputed due to its immaterial impact on the financial statements.

**NanoTech Entertainment, Inc.**  
**(A Development Stage Company)**  
**Notes to Unaudited Financial Statements**  
**Three Months Ended March 31, 2012**

**D. NOTES PAYABLE**

The Company has originated the following notes payable with unaffiliated entities and individuals:

	Principal	March 31, 2012	Interest  2012
Note 1, 10% interest, due April 30, 2011		\$ 250,000	\$ 6,250
Note 2, 20% interest, due on demand		25,000	1,250
Note 3, 20% interest, due on demand		5,000	250
Totals		<u>280,000</u>	<u>\$ 7,750</u>

The notes are interest payments only, with principal and accrued interest payable upon maturity or demand, as indicated above.

**E. STOCKHOLDERS' DEFICIT**

The Company has authorized 990,000,000 shares of common stock with a par value of \$.001, and no preferred stock. As of March 31, 2012 the total shares issued and outstanding was 678,181,149.

**F. CONVERTIBLE DEBENTURES**

During period ending March 31, 2012, the Company issued convertible debentures bearing interest of 30% with terms of two to three years. The debenture principle and accrued interest may be converted into shares of the Company's common stock at a conversion price at a discount of up to 60% of the three lowest closing bid prices during the ten days prior to conversion. During the period ended March 31, 2012, the Company issued debentures totaling \$8,875 (convertible into potentially 221,875 shares of common stock based on a conversion rate on March 31, 2012). The fair market value of the stock on the convertible debenture issuance dates was \$.04

**G. INCOME TAXES**

The Company recognizes the tax effects of transactions in the year in which such transactions enter into the determination of net income, regardless of when reported for tax purposes. Deferred taxes are provided in the financial statements under ASC Topic No. 740 to give effect to the resulting temporary differences which may arise from differences in the bases of fixed assets, depreciation methods, allowances, and start-up costs based on the income taxes expected to be payable in future years.

**H. GOING CONCERN CONSIDERATIONS**

The Company's financial statements have been prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. During the period ended March 31, 2012, the Company incurred net losses totaling \$156,643 resulting in total accumulated deficit of \$3,992,369 at March 31, 2012. These conditions raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty. The Company's ability to meet its ongoing financial requirements is dependent on management being able to obtain additional equity and/or debt financing, the realization of which is not assured.

**NanoTech Entertainment, Inc.**  
**(A Development Stage Company)**  
**Notes to Unaudited Financial Statements**  
**Three Months Ended March 31, 2012**

**I. ROYALTIES**

The Company has entered into several licensing agreements whereby the Company licenses certain gaming software from various developers. The Company is responsible for paying royalties to the developers based on product sales. In the event that no product is sold, the Company is also required to pay a minimum royalty in order to maintain exclusivity (i.e., the developer cannot license the same software to the Company's competitors). Certain developers also require prepayment of royalties that are either offset by future sales, or expire at the end of a calendar year - at which point they are expensed. No sales of the licensed products had occurred during the period ending March 31, 2012.

**J. SUBSEQUENT EVENTS**

In April, 2012, The company entered into a share exchange agreement and formed a partnership to focus on the mobile app space with a newly formed communications company NanoTech Communications Corporation. This business unit will develop and publish technology for the smartphone app industry including iPhone, Android and Blackberry. This business will include the publishing of original apps, licensing and distribution of licensed apps, and the development and licensing of proprietary mobile technology to third parties.

In June, 2012 The company entered into a licensing agreement providing its proprietary TV technology to a customer for publication on the Roku IPTV platform. This contract will provide ongoing revenue for the company in the form of shared revenue from video rentals.

In June 2012, The Company entered into a licensing agreement providing its proprietary mobile technology to a customer for use in a Consumer device to be developed by NanoTech Communications and distributed by the customer. The agreement provides for revenue in the form on development fees paid by the customer as well as profit sharing on the sales of the consumer device.

In June, 2012, The Company entered into a share exchange agreement and formed a partnership to focus on the live event space with a well establish business, Clear Memories Inc. This partnership will focus on the creation of computer generated ice sculptures, including the creation and licensing of proprietary ice technology and franchising of the business model in other regions around the world. As part of this agreement, founder and CEO of Clear Memories, Jeffrey A Foley has joined NanoTech Entertainment as its new Chairman and CEO.

**N. COMMITMENTS AND CONTINGENCIES**

The Company has previously entered into a rental contracts with one of the founders for use of storage facilities, offices, development labs, and utilities for the Company's operations, production, research and development, sales, and marketing. The Contract requires \$16,400 in monthly payments (plus other related minimal costs) to over the Contracts' extended term of December 1, 2007 through November 30, 2013. The Contracts are cancellable with a 15-day advance notice only if all security interest has been removed and there are no liens on the properties for loans to the Company in effect. The amounts incurred by the Company and paid for rent for the periods ended March 31, 2012 totaled \$43,500. This amount has been recorded in selling, general and administrative expenses for the same period (see Note C). Future minimum rental payments for the remaining life of the Contracts are as follow:

Year Ended June 30,

2012	87,000
Total	<u>\$ 87,000</u>