



2012

Quarterly Report

**Including Financial Statements and disclosures
prescribed by OTC Pink Market for Alternative
Reporting Standards.**

**For the Three and Nine Months ended
March 31**

FLINT TELECOM GROUP INC.

A Nevada Corporation Listed on the OTC Pink Market

Current Trading Symbol: FLTT.PK

CUSIP Number: 05462T106

Tax ID Number: 36-3574355

QUARTERLY REPORT

FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2012

This statement contains certain forward-looking statements. All statements other than statements of historical fact are “forward-looking statements” for purposes of these provisions, including any projections of earnings, revenues, or other financial items; any statements of the plans, strategies, and objectives of management for future operation; any statements concerning proposed new products, services, or developments; any statements regarding future economic conditions or performance; statements of belief; and any statement of assumptions underlying any of the foregoing. These forward-looking statements involve significant risks and uncertainties, including, but not limited to, the following: the ability to secure additional sources of finance; the successful integration of acquisitions; growth and anticipated operating results; developments in our markets and strategic focus; product development and reseller relationships and future economic and business conditions. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of these and a number of other factors. These forward-looking statements are made as of the date of this filing, and we assume no obligation to update such forward-looking statements.

Item 1 The exact name of the issuer and the address of its principal executive offices.

Name of Issuer:

Flint Telecom Group, Inc. (12/16/08 – present)
Semotus Solutions, Inc. (1/11/01 – 12/15/08)

Principal executive offices:

7500 College Blvd., Suite 500
Overland Park, KS 66210
Telephone: 913-815-1570
Facsimile: 913-273-0984
Website: www.flinttelecomgroup.com
Investor Relations: investors@flinttelecomgroup.com

Item 2 Shares outstanding.

Period Ending March 31, 2012	Common Stock	Preferred Stock
Number of Shares Authorized	900,000,000	5,000,000
Number of Shares Outstanding	768,813,491	755,800
Freely Tradable Shares (public float)	766,707,158	Not Applicable
Total Number of Beneficial Shareholders	Not Available	19
Total Number of Shareholders of Record	100	19

Item 3 Interim financial statements.

**FLINT TELECOM GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

(Unaudited)

	<u>March 31, 2012</u>	<u>June 30, 2011</u>
<u>ASSETS</u>		
Current Assets		
Total cash and cash equivalents	5,420	96,897
Trade receivables	61,400	1,209,103
Inventories	570,879	268,564
Deferred offering costs	-	37,433
Prepaid expenses and other current assets	26,600	29,420
	<u>664,299</u>	<u>1,641,417</u>
Fixed Assets		
Property, plant and equipment	1,879,367	5,453,736
Capitalized leased assets	194,839	194,839
	<u>2,074,206</u>	<u>5,648,575</u>
Less: accumulated depreciation	(2,074,206)	(2,611,712)
Net assets	-	3,036,863
Investment in non-marketable securities - VOIP Acq Inc.	172,500	-
	<u>172,500</u>	<u>-</u>
Total Assets	<u>\$836,799</u>	<u>\$4,678,279</u>
<u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u>		
Current Liabilities		
Accounts payable and Accrued Liabilities	2,731,523	5,046,957
Accruals	355,535	1,045,969
Amounts due under project finance contracts	45,781	98,815
Due to Flint Limited	221,623	213,160
Capital leases - short term	781,309	781,309
Cash overdraft	-	58,732
Accrued interest payable	2,347,954	2,243,419
Secured lines of credit	1,900,000	2,823,739
Notes payable	4,382,049	3,381,425
Convertible notes payable, third party - net of discount	1,921,302	1,905,127
Convertible notes payable, related parties - net of discount	98,000	98,000
Notes Payable - related parties	711,444	1,825,894
Total current liabilities	<u>15,496,520</u>	<u>19,522,546</u>
Lines of credit - long term	-	780,000
Total liabilities	<u>15,496,520</u>	<u>20,302,546</u>

Temporary equity		
Redeemable equity securities	5,611,508	5,242,565
Convertible preferred equity	3,000,000	2,683,563
Stockholders' Equity		
Preferred shares	154	154
Common stock, \$0.001 par value; 900,000,000 shares authorized, 768,813,491 and 311,993,460 shares issued and outstanding, as of March 31, 2012 and June 30, 2011 respectively	7,688,135	3,119,935
Common stock issuable	9,091	500,238
Deferred offering costs	-	(66,000)
Additional paid in capital	30,582,960	\$33,646,434
Accumulated deficit	(61,551,570)	(60,751,156)
Total Shareholders' Equity	(23,271,299)	(23,550,395)
Total Liabilities and Stockholders' Deficit	\$836,799	\$4,678,279

See accompanying notes to the consolidated financial statements.

FLINT TELECOM GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	For the Three Months ended		For the Nine Months ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
Revenues	\$3,612,906	\$3,779,682	\$9,485,944	\$12,640,351
Cost of revenues	(3,266,280)	(3,537,781)	(8,872,827)	(11,966,446)
Gross profit (loss)	346,626	241,901	613,117	673,905
Operating expenses				
Sales and general administrative	16,844	971,267	1,468,665	1,870,777
Stock compensation expense	151,854	151,854	303,708	783,396
Depreciation and amortization	-	403,298	392,692	710,177
Research and development	-	94,346	-	300,560
Total operating expenses	168,698	1,620,765	2,165,065	3,664,910
Profit / (Loss) from operations	177,928	(1,378,864)	(1,551,947)	(2,991,005)
Other (income) expense				
Other (income) expense	-	76	-	76
Interest expense	(151,030)	(812,137)	(598,751)	(3,467,920)
Gain (Loss) on foreign exchange	(40,893)	39,079	(38,991)	(4,242)
Profit (Loss) on debt settlement	-	-	23,738	-
Gain (Loss) on disposal of subsidiaries	2,050,920	-	2,050,920	-
Net Profit / (Loss)	\$2,036,925	\$(2,151,846)	\$(115,032)	\$(6,463,091)
Accrued dividends and penalties	\$(181,131)	\$(189,215)	\$(368,943)	\$(550,618)
Discount on Convertible Equities	-	\$(250,000)	\$(316,438)	\$(433,562)
Net profit (loss) attributable to common stockholders	\$ 1,855,794	\$ (2,591,061)	\$ (800,413)	\$ (7,447,271)
Net profit (loss) per share - basic and diluted	\$ 0.00	(\$0.05)	\$ (0.00)	(\$0.25)
Weighted average shares outstanding:				
Basic	768,813,491	50,166,160	676,978,100	29,999,833
Diluted	955,581,776			

See accompanying notes to the consolidated financial statements.

FLINT TELECOM GROUP, INC. AND SUBSIDIARIES
STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT) AND OTHER COMPREHENSIVE LOSS

(Unaudited)

	Preferred stock issued		Common stock issued		Common stock issuable		Additional paid-in Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount			
Balances at June 30, 2011	153,780	\$154	311,993,460	\$3,119,935	50,023,795	\$500,238	\$33,646,434	\$(60,751,156)	(23,484,395)
Conversion of notes payable			382,711,577	3,827,116			(3,566,318)		260,798
Beneficial conversion feature on convertible notes payable							312,000		312,000
Stock payable			35,000,000	350,000			(293,000)		57,000
Stock Issuable Issued			49,114,704	491,147	(49,114,704)	(491,147)			-
Stock compensation expense							151,854		151,854
Offering costs paid in stock							(103,433)		(103,433)
Accrual of redeemable equity securities, dividends and penalties								(187,812)	(187,812)
Discount on Preferred Shares								(316,438)	(316,438)
Net operating loss for the period								(2,151,957)	(2,151,957)
Balances at December 31, 2011	153,780	\$154	778,819,741	\$7,788,197	909,091	\$9,091	\$30,147,537	\$(63,407,363)	\$(25,462,384)
Accrual of redeemable equity securities, dividends and penalties								(181,131)	(181,131)
Stock compensation expense							151,854		151,854
Shares returned for Sale of Phone House Inc.			(10,006,250)	(100,063)			111,069		11,007
Sale of Assets							172,500		172,500
Net operating profit / (loss) for the period								2,036,925	2,036,925
Balances at March 31, 2012	153,780	\$154	768,813,491	\$7,688,135	909,091	\$9,091	\$ 30,582,960	\$(61,551,570)	\$23,271,229

See accompanying notes to consolidated financial statements.

FLINT TELECOM GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)

	For the nine months ended	
	March 31, 2012	March 31, 2011
Cash Flows from Operating Activities:		
Net Profit (Loss)	\$(115,032)	\$(6,463,091)
<i>Adjustments to reconcile net loss to net cash used in operations</i>		
Depreciation and amortization	392,692	710,177
Bad Debts	14,538	107,789
Stock based compensation	303,708	808,146
Amortization / accretion of debt discount	-	1,141,870
Amortization of beneficial conversion feature	312,000	761,444
(Profit)/Loss on debt settlement	(23,738)	-
Gain on disposal of subsidiaries	(2,050,962)	-
<i>Changes in assets and liabilities, net of acquisition and disposals:</i>		
Accounts receivable and prepaid expenses	457,371	(543,149)
Prepaid expense	-	(29,421)
Amounts due on project finance	(53,034)	-
Inventories	(502,385)	140,427
Accounts and other payables	420,587	459,597
Accrued liabilities	55,111	440,448
Debt issuance and deferred offering costs	-	(37,433)
Net due Flint Telecom Limited	8,463	121,626
Cash overdraft	-	34,398
Accrued interest	319,587	1,516,175
Net cash used in operating activities	(461,094)	(830,997)
Cash Flows from Investing Activities:		
Cash assumed (disposed) in acquisitions (disposals)	(64,037)	15,063
Net cash used in investing activities	(64,037)	15,063
Cash Flows From Financing Activities:		
Proceeds from debt	107,000	720,000
Proceeds from related party debt	-	90,611
Proceeds from lines of credit	364,332	-
Proceeds from sale of common stock	-	32,500
Payments on lines of credit	(14,977)	(5,630)
Payments on notes payable	(61,692)	-
Net cash provided by financing activities	394,663	837,481
Cash Flows From Foreign Currency Activities:		
Exchange gain (loss) on loan notes and other instruments	38,991	4,602
Net cash provided by (used in) foreign currency activities	38,991	4,602
Net increase (decrease) in cash and cash equivalents	(91,477)	26,149
Cash and cash equivalents, beginning of the period	96,897	19,419
Cash and cash equivalents, end of the period	5,420	45,568
Cash paid for interest	\$-	\$-
Cash paid for taxes	\$-	\$-

See accompanying notes to consolidated financial statements.

FLINT TELECOM GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
SUPPLEMENTAL DISCLOSURES

(Unaudited)

	For the nine months ended March 31,	
	<u>2012</u>	<u>2011</u>
Supplemental disclosure of non-cash investing and financing activities:		
Discount - warrants	\$-	\$50,000
Discount - beneficial conversion features	\$312,000	\$1,141,870
Conversion of notes payable and accrued interest	\$260,798	\$892,392
Capitalization of accrued interest to principal	\$90,000	\$43,634
Accrued dividends and penalties on preferred shares	\$368,943	\$-
Discount on preferred convertible equities	\$316,438	\$-
Deferred stock compensation	\$-	\$66,000
<u>Disposal of Ingedigit International, Inc. and Gotham Ingedigit Financial Processing Corp.</u>		
Cash	\$760	\$-
Fixed assets	\$2,644,171	\$-
Accounts payable	\$(1,239,142)	\$-
Accrued interest	\$(131,161)	\$-
Accrued payables	\$(492,783)	\$-
Lines of credit	\$(1,885,400)	\$-
	<u>\$(1,103,554)</u>	<u>\$-</u>
<u>Disposal of Phone House, Inc.</u>		
Cash	\$63,276	\$-
Accounts receivable	\$697,308	\$-
Inventories	\$200,070	\$-
Accounts payable	\$(1,496,879)	\$-
Cash overdraft	\$(58,732)	\$-
Accrued payables	\$(195,763)	\$-
Lines of credit	\$(167,694)	\$-
	<u>\$(958,414)</u>	<u>\$-</u>
<u>Preferred shares issues for acquisitions:</u>		
Cash	\$-	\$15,063
Other assets	\$-	\$10,297
Fixed assets	\$-	\$3,845,655
Other intangible assets	\$-	\$1,041,717
Accounts payable	\$-	\$(361,068)
Accrued interest	\$-	\$(92,807)
Other payable	\$-	\$(35,961)
Line of credit	\$-	\$(1,422,896)
	<u>\$-</u>	<u>\$3,000,000</u>

See accompanying notes to the consolidated financial statements.

Flint Telecom Group, Inc. and Subsidiaries **Notes to Consolidated Financial Statements**

1. Organization and Formation

Flint Telecom Group, Inc. (“Flint”, “We” or the “Company”), is a Nevada Corporation. We were originally formed in 2005 as Flint Telecom, Inc., a Delaware Corporation, and started operations in April 2006 as a wholly owned subsidiary of Flint Telecom Limited, headquartered in Dublin, Ireland. Flint Telecom Limited is a holding company whose sole operating business in the United States was Flint Telecom, Inc. Flint Telecom Limited was a vehicle for the initial funding of Flint and for the development of proprietary intellectual property.

On October 1, 2008, Semotus Solutions, Inc. (“Semotus”) acquired substantially all of the assets and liabilities of Flint Telecom, Inc. in exchange for 28,460,094 shares of restricted common stock pursuant to a definitive Contribution Agreement dated April 23, 2008. Although Semotus is the legal acquirer, for accounting purposes Flint is the accounting acquirer. The name was changed to Flint Telecom Group, Inc. The existing Semotus operations became a division of Flint, and were subsequently sold in January 2009.

We are headquartered at 7500 College Blvd., Suite 500, Overland Park, Kansas 66210, and our telephone number is 913-815-1570. The address of our website is www.flinttelecomgroup.com. Information on our website is not part of this prospectus.

For the three and nine months ended March 31, 2012, we operated our business through six wholly-owned subsidiaries, Cable and Voice Corporation, Phone House, Inc., Flint Prepaid, Inc. (previously named Wize Communications, Inc.), Digital Phone Solutions, Inc., Ingedigit International, Inc. and Gotham Ingedigit Financial Processing Corp. (dba Power2Process), as further described below.

The subsidiaries provide the following telecom services and / or distribute the following telecom products:

- (1) **Cable and Voice Corporation** – Cable and Voice Corporation was established on June 1, 2008, and is located in Tampa, Florida. Through Cable and Voice, the Company is a leading value-added master distributor of advanced broadband products and services to cable, telecommunications, enterprise and service provider customers throughout the United States. Through Cable and Voice, the Company offers a wide range of products and services which include cable modems, cables, UPS units, AV Powerline and Homeplug adapters, Wi-Fi and cellular wireless hardware and software applications, Intelligent Telephone Adapters (ITA) and IP Telephones for VoIP services and other customer premise equipment.
- (2) **Phone House, Inc.** – Phone House, Inc. was established on June 12, 2001, and is located in Artesia, California. Phone House is a master distributor for discount calling products that enable users who purchase cards in the United States to call China, India, Mexico, Africa, South America, Brazil, Bangladesh, and other countries throughout the world at significant savings. The international calling cards may be used to call from the United States to other countries, to call from other countries to the United States, or to call between countries outside the United States. These products are currently sold through a network of over 90 private distributors. Through this network, the Company estimates that its calling products are sold through over 10,000 retail outlets in the United States, of which more than 5,000 retail outlets are located in Southern California.
- (3) **Digital Phone Solutions, Inc. (“DPSI”)** – Digital Phone Solutions, Inc. was established on January 29, 2009, and is located in Overland Park, Kansas. Through Digital Phone Solutions, the Company provides a suite of enhanced IP telephonic solutions aimed primarily at small and medium sized enterprises in the United States. Digital Phone delivers all the value added services that manage the entire value-chain including billing, customer care, call routing, service provisioning. Advanced features such as voicemail-delivered-to-email, free inter-office calling, and virtual phone numbers provide additional revenue opportunities. Digital Phone Solutions enables its customers to establish reliable, feature rich and cost effective digital phone services very quickly with zero capital investment.

- (4) **Flint Prepaid, Inc.** – Flint Prepaid, Inc. (previously Wize Communications, Inc.) was incorporated on March 30, 2009, and is located in Overland Park, Kansas. Flint Prepaid is a retail focused company selling directly to end-users through master distributors and retailers. Flint Prepaid provides pre-paid calling services primarily to immigrant customers wanting to make inexpensive quality calls to their home countries. These value-based calling cards are regionalized and selectively marketed depending on the geographical area and user community.
- (5) **Ingedigit International Inc. (“III”)** – a U.S. based international pre-paid debit card company, partnered with both U.S. banks and international banks to offer debit cards to their customers. Included with the debit card services are additional services, allowing the partnering banks to add new customers, share funds between existing card holders and perform international fund remittance. All transactions are fully compliant with U.S. and international money laundering laws, as well as counter-terrorism regulations. Transactions are practically instantaneous, available to the card-holder on a 24/7, 365-day basis. The Company’s current markets include the United States, Canada, Mexico, India, Central and South America, Gulf Coast Countries, and the Philippines. The Company intends to expand into the U.K., Africa, Sri Lanka, Bangladesh and the Pacific Rim markets in the near future. As of March 31, 2010, this company has not yet generated any revenue.
- (6) **Gotham Ingedigit Financial Processing Corp. dba Power2Process (“P2P”)** – a U.S. based advanced financial transaction processing and technology company, working with banking clients and other program sponsors globally. Using P2P solutions, clients can deliver ‘own brand’ financial transaction processing services, such as pre-paid products, virtual accounts, money remittances and other stored value services. Both MasterCard and fully PCI Certified, as well as being SAS-70 compliant, P2P is in the unique position of having complete control of all its services from applications development and processing to marketing and support for a full array of back office processing, including ATM and POS network integration and management. As of March 31, 2010, this company has not yet generated any revenue

In March and April of 2012, four of these subsidiaries, Phone House, DPSI, III & P2P, were sold. (See Note 5: Disposition of Subsidiaries for more detail).

2. Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared by us, without audit and in accordance with US GAAP. On January 14, 2011 a 1:20 reverse stock split went effective and we have retroactively adjusted all our common share amounts and per share stock prices accordingly. In the opinion of our management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine months ended March 31, 2012 are not necessarily indicative of the results that may be expected for the year ending June 30, 2012. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. We believe that the disclosures provided are adequate to make the information presented not misleading.

Certain reclassifications have been made to the prior year in order to conform to the current year.

3. Going Concern

The financial statements at March 31, 2012 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of our business. As reflected in the accompanying financial statements, Flint had a net loss of \$115,032 and \$6,463,091 for the nine months ended March 31, 2012 and 2011, respectively; negative cash flows from operating activities of \$461,094 for the nine months ended March 31, 2012; accumulated stockholder’s deficit of \$23,271,229 and a working capital deficit of \$14,832,221 as of March 31, 2012. Also, as of March 31, 2012, we had very limited liquid and capital resources. We are currently highly dependent upon obtaining sufficient short and long term financing in order to continue running our operations.

As at March 31, 2012, the Company was in default on the majority of notes payable and other debt repayment plans of the approximately \$10.4 million total due on notes payable and leases, representing 14 individual parties. As a result, all outstanding principal and accrued interest, if any, outstanding and owed as of the date of default shall be immediately due and payable, including the following (these amounts reflect principal amounts only): Secured lender Thermocredit (\$2,000,000); second secured lenders Cape One Capital Advisors LLC, Chestnut Ridge Partners LP and Mr. J. Lavery totaling (\$1,090,000); Mr. T. Davis (\$2,365,144); Mr. P. McCarthy (\$1,114,450). (See Note 13: Promissory Notes for more details). In addition, by filing Form 15-12G on October 7, 2011 the Company automatically defaulted on all outstanding Convertible Notes in the aggregate principal amounts of approximately \$913,000. The Company has accrued approximately \$3.2 million of accumulated interest, preferred share dividends and related penalties in the financial statements ending March 31, 2011. We have also not made any dividend payments on our Series E preferred stock as these payments have become due (See Note 15: Stockholders Equity). In addition to these loans, we have approximately \$1.0 million of trade payables that are past due and four vendors have received summary judgments against us.

Of the 14 outstanding note holders, six have initiated legal proceedings and five have received summary judgments against Flint in the total aggregate amount of \$5,386,468 as of March 31, 2012.

THE FOREGOING FACTORS RAISE SUBSTANTIAL DOUBT ABOUT OUR ABILITY TO CONTINUE AS A GOING CONCERN. ULTIMATELY, OUR ABILITY TO CONTINUE AS A GOING CONCERN IS DEPENDENT UPON OUR ABILITY TO ATTRACT NEW SOURCES OF CAPITAL, TO ATTAIN A REASONABLE THRESHOLD OF OPERATING EFFICIENCY AND ACHIEVE SUSTAINABLE PROFITABLE OPERATIONS. THIS CANNOT BE GUARANTEED GIVEN THE CURRENT LACK OF OPERATING CAPITAL. THE FINANCIAL STATEMENTS DO NOT INCLUDE ANY ADJUSTMENTS THAT MIGHT BE NECESSARY IF WE ARE UNABLE TO CONTINUE AS A GOING CONCERN.

GIVEN OUR LACK OF OPERATING CAPITAL AND CURRENT INABILITY TO ISSUE ADDITIONAL SHARES, NO GUARANTEE CAN BE GIVEN THAT WE WILL REACH ANY SUCCESSFUL CONCLUSION WITH OUR DEBT HOLDERS.

Following the filing of Form 15-12G on October 7, 2011, our previously announced \$15 million Equity Funding Line with Kodiak Capital was automatically terminated. The Company had not drawn any funds under this facility prior to the termination.

4. Acquisition of Ingedigit International, Inc. and Gotham Ingedigit Financial Processing Corp.

On October 25, 2010, Flint Telecom Group, Inc. ("Flint") acquired all of the stock of Ingedigit International, Inc. ("III") and Gotham Ingedigit Financial Processing Corp dba Power2Process ("P2P"), both Florida corporations and together, the "Targets", through a merger of each of those companies into two wholly-owned subsidiaries of Flint, in exchange for a maximum potential total of 600,000 shares of Flint's Series H Convertible Preferred Stock (the "Merger Stock"), pursuant to an Agreement and Plan of Merger dated October 5, 2010 (the "Merger Agreement"). 300,000 shares of the Merger Stock were issued on the closing date. Under the merger agreement, the remaining 300,000 shares of the Merger Stock would be issued, in two tranches of 150,000 each, during the 12 and 24 months following the Closing Date if either or both of the Targets meet or exceed the revenue and/or other operating targets as mutually agreed upon by Flint and the Targets as of the closing date. As of October 2011, the end of the first year earn out period, the operating targets had not been met.

Subsequently, on March 23, 2012, Flint sold the Targets (See Note 5: Sale of Subsidiaries). As a result, the additional 300,000 shares will not be issued. Flint has therefore booked the transactions based on a total of 300,000 shares of Merger Stock issued at the closing date.

The Series H Convertible Preferred Stock has a \$0.001 per share par value, and one vote for each preferred share issued. The fair value of the common stock into which the Series H Convertible Preferred Stock can be converted is \$10.00 per preferred share. Each preferred share has a conversion value of \$10.00 of common stock. The 300,000

shares of Series H Convertible Preferred Stock therefore represents an aggregate value of \$3 million in common stock when converted.

Subsequently, following the sale of the Targets in March 2012, the Series H Convertible Preferred Stockholders have the option, pursuant to the terms of a settlement agreement, to return their Series H Shares in exchange for a portion of the contingent deferred cash to be paid by the Targets to Flint under the Sale Agreement. If not redeemed for cash, the Series H Convertible Preferred Stock is convertible on or after October 25, 2011 into common stock at a 25% discount to the Market Price. Market Price is defined as the average closing price per share over the twenty trading days prior to the date of conversion. Provided, however, that the conversion price shall never be lower than ten percent of the Market Price on the closing date, or \$0.0118. The closing price for our common stock on October 25, 2010 was \$0.118. Therefore, the applicable conversion price for the full amount of Series H preferred stock at the transaction date was \$0.0885 per share, representing a potential total of 67,796,610 common shares on the transaction date.

Under ASC 470-20, we have recorded a beneficial conversion feature of \$1,000,000 as a discount on the Series H Convertible Preferred Stock of which we accreted \$316,438 for the nine months ended March 31, 2011. Under ASC-10-S99, we have presented the total net value of the Series H Convertible Preferred Stock as temporary equity.

If the 300,000 currently issued Series H Convertible Preferred Shares were converted as of March 31, 2012, a total of 254,237,288 common shares would be issued based on the lowest per share conversion price of \$0.0118. However, the Power2Process and Ingedigit shareholders as a group cannot hold more than 4.99% of Flint's total issued and outstanding common stock at any one time.

Our preliminary allocation of the consideration to the assets and liabilities are as follows:

Cash	\$	15,063
Other assets	\$	10,297
Fixed assets	\$	3,845,655
Other intangible assets	\$	1,041,717
Accounts payable	\$	(361,068)
Accrued interest	\$	(92,807)
Other payable	\$	(35,961)
Line of credit	\$	(1,422,896)
	\$	<u>3,000,000</u>

The allocation of the consideration to the assets and liabilities as listed above is preliminary and was not carried out by a third party expert valuation firm. Following the sale of the Targets in March 2012 for contingent deferred cash payments, management elected not to book an impairment charge in the nine months ended March 31, 2012.

Separate from the Merger Agreement, as a hiring and retention incentive and in lieu of issuing stock options under the Company's stock option plan, during the fiscal nine months ended March 31, 2011, we issued a total of 390,000 shares of restricted common stock, vesting over a period of three years with one third vesting at the first annual anniversary of employment with the company and quarterly thereafter, to the officers and employees at III and P2P. These shares of restricted common stock were valued at \$0.118 per share. We recorded approximately \$7,667 in expense in the nine months ended March 31, 2011, related to the shares of restricted common stock granted to these officers and employees.

5. Disposition of Subsidiaries

On March 20, 2012, Flint sold three of its subsidiaries, Ingedigit International, Inc. ("III"), Gotham Ingedigit Financial Processing Corp ("P2P") and Connect2Family USA, Inc. ("C2F"), pursuant to a definitive Share Purchase Agreement entered into on March 5, 2012 with Brankib Holdings Pty. Ltd., an Australian company, and III, P2P & C2F (together the "Targets"), as well as with the Targets' executive officers, Mitchell Siegel, Joseph Seroussi and Abu Karim (the "Share Purchase Agreement").

In accordance with the Share Purchase Agreement, Flint sold all of the stock of the Targets owned by Flint in exchange for a potential maximum of \$11,000,000 in deferred cash payments, to be paid over a period of five years and contingent on future revenues earned by the Targets. The payments shall be made in the form of a revenue share based on actual customer usage and include a minimum total of \$2,440,000 in cash, to be paid through minimum monthly payments of \$40,000 payable from month 14 to month 29 and minimum monthly payments of \$60,000 payable from month 30 to month 60. This total consideration is subject to a number of third party deductions, as follows and in accordance with an escrow agreement by and among Flint and Flint's secured lender, Thermo Credit LLC: \$2,000,000 must be used to repay Flint's outstanding secured loan issued from Thermo Credit, LLC; \$3,000,000 shall be set aside and paid to Flint's Series H Convertible Preferred Stock Holders in exchange for the return of the Series H Preferred Shares, at the Preferred Holder's option and pursuant to a settlement agreement, and \$1,000,000 must be used to repay certain accrued payroll liabilities of the Targets. The foregoing descriptions of the Share Purchase Agreement, the Escrow Agreement and the Settlement Agreement are qualified in their entirety by reference to the full text of the Share Purchase Agreement, the First Amendment to the Share Purchase Agreement, the Escrow Agreement and the Settlement Agreement, which are attached to Flint's Supplemental Information Filing dated March 21, 2012 as Exhibits 2.1, 2.2, 2.3 and 2.4, and are incorporated herein by reference.

The company recorded a gain of \$1,103,554 on the disposal of the above companies for the three and nine months ending March 31, 2012.

On March 30, 2012, Flint sold one of its wholly owned subsidiaries, Phone House, Inc. ("PHI") to Mr. Deepak Hiranandani pursuant to a Share Purchase Agreement by and among Flint, PHI and Mr. Hiranandani, whereby Mr. Hiranandani acquired all of the shares of PHI in exchange for the return of 10,006,250 shares of Flint's common stock owned by Mr. Hiranandani. The foregoing description of the Share Purchase Agreement is qualified in its entirety by reference to the full text of the Share Purchase Agreement, which are attached to Flint's Initial Issuer Filing dated May 31, 2012 as exhibits and are incorporated herein by reference.

The company recorded a gain of \$947,366 on the disposal of the above companies for the three and nine months ending March 31, 2012.

On March 30, 2012, Flint sold certain assets of one of its wholly owned subsidiaries, Digital Phone Solutions, Inc. ("DPSI") related to its VOIP activities and strategy to VOIP ACQ, Inc. ("VOIP") in exchange for 60 (representing 6% of the issued share capital) shares of restricted common stock of VOIP pursuant to an Asset Purchase Agreement by and among Flint, DPSI and VOIP. VOIP is controlled by Mr. Browne. The VOIP Shares owned by DPSI may not be sold for at least five years and will be voted by Mr. Vincent Browne pursuant to a proxy voting agreement. The foregoing description of the Asset Purchase Agreement and the voting agreement is qualified in its entirety by reference to the full text of the Asset Purchase Agreement and the Voting Agreement, which are attached to Flint's Initial Issuer Filing dated May 31, 2012 as exhibits and are incorporated herein by reference. On January 17, 2012, VOIP completed a reverse merger with Axiologix Education Corp. (AXLX.PK) for 1,150,000,000 shares of common stock whereby VOIP became the accounting acquirer. As a result Flint is the beneficial owner to 69,000,000 of AXLX by way of the 60 shares owned in VOIP.

VOIP is a deemed a related party as it is controlled by Mr. Browne and therefore Flint recorded an addition to Fixed Assets and a contribution to Additional Paid in Capital of \$172,500 in the quarter ending March 31, 2012, reflecting the \$0.0025 closing price of AXLX shares on March 30, 2012.

6. Recent Accounting Pronouncements

On December 21, 2010, the FASB issued Accounting Standards Update ("ASU") 2010-29, which impacts any public entity that enters into business combinations that are material on an individual or aggregate basis. The guidance specifies that if a public entity presents comparative financial statements, the entity should disclose revenues and earnings of the combined entity as though the business combination(s) that occurred during the year had occurred at the beginning of the prior annual period when preparing the pro forma financial information for both the current and prior reporting periods. The guidance also requires that pro forma disclosures be accompanied by a narrative description regarding the nature and amount of material, nonrecurring pro forma adjustments directly

attributable to the business combination included in reported pro forma revenues and earnings. This guidance is effective for business combinations consummated in periods beginning after December 15, 2010. We are currently evaluating the impact of this ASU.

In January 2010, the FASB issued ASU No. 2010-06 regarding fair value measurements and disclosures and improvement in the disclosure about fair value measurements. This ASU requires additional disclosures regarding significant transfers in and out of Levels 1 and 2 of fair value measurements, including a description of the reasons for the transfers. Further, this ASU requires additional disclosures for the activity in Level 3 fair value measurements, requiring presentation of information about purchases, sales, issuances, and settlements in the reconciliation for fair value measurements. This ASU is effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. We are currently evaluating the impact of this ASU; however, we do not expect the adoption of this ASU to have a material impact on our consolidated financial statements.

In February 2010, the FASB issued ASU No. 2010-09 regarding subsequent events and amendments to certain recognition and disclosure requirements. Under this ASU, a public company that is a SEC filer, as defined, is not required to disclose the date through which subsequent events have been evaluated. This ASU is effective upon the issuance of this ASU. The adoption of this ASU did not have a material impact on our consolidated financial statements.

In April 2010, the FASB issued ASU No. 2010-18 regarding improving comparability by eliminating diversity in practice about the treatment of modifications of loans accounted for within pools under Subtopic 310-30 – Receivable – Loans and Debt Securities Acquired with Deteriorated Credit Quality (“Subtopic 310-30”). Furthermore, the amendments clarify guidance about maintaining the integrity of a pool as the unit of accounting for acquired loans with credit deterioration. Loans accounted for individually under Subtopic 310-30 continue to be subject to the troubled debt restructuring accounting provisions within Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors. The amendments in this Update are effective for modifications of loans accounted for within pools under Subtopic 310-30 occurring in the first interim or annual period ending on or after July 15, 2010. The amendments are to be applied prospectively. Early adoption is permitted. We are currently evaluating the impact of this ASU; however, we do not expect the adoption of this ASU to have a material impact on our consolidated financial statements.

In September 2009, in accordance with accounting pronouncements that applies to arrangements with multiple deliverables and provides another alternative for determining the selling price of deliverables. In addition, the residual method of allocating arrangement consideration is no longer permitted under this guidance. The guidance is effective for fiscal years beginning on or after July 15, 2010. We are currently evaluating the potential impact, if any, of the adoption of this guidance on our consolidated financial statements.

In September 2009, in accordance with accounting pronouncements which removes non-software components of tangible products and certain software components of tangible products from the scope of existing software revenue guidance, resulting in the recognition of revenue similar to that for other tangible products. It also requires expanded qualitative and quantitative disclosures. The guidance is effective for fiscal years beginning on or after June 15, 2010. We are currently evaluating the potential impact, if any, of the adoption of this guidance on our consolidated financial statements.

In June 2009, in accordance with accounting pronouncements for determining whether an entity is a variable interest entity (“VIE”) and requires an enterprise to perform an analysis to determine whether the enterprise’s variable interest or interests give it a controlling financial interest in a VIE. Under this guidance, an enterprise has a controlling financial interest when it has a) the power to direct the activities of a VIE that most significantly impact the entity’s economic performance and b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. The guidance also requires an enterprise to assess whether it has an implicit financial responsibility to ensure that a VIE operates as designed when determining whether it has power to direct the activities of the VIE that most significantly impact the entity’s economic performance. The guidance also requires ongoing assessments of whether an enterprise is the primary beneficiary of a VIE, requires enhanced disclosures and eliminates the scope exclusion for qualifying special-purpose entities. The guidance is effective for fiscal years beginning after November 15, 2009. We are currently evaluating the potential

impact, if any, of the adoption of this guidance on our consolidated financial statements.

To the best of its knowledge, management does not believe that there is any recently issued, but not yet effective, accounting standard that could have a material effect on the accompanying financial statements.

7. Related Party Transactions

Loans:

We have limited access to capital from either banking institutions or the capital markets. Consequently, we have loans from a number of third parties, including related parties, as follows.

Flint Telecom Group Ltd:

Flint Telecom Ltd, which is controlled by Mr. Browne, Flint's CEO, has a balance due of \$221,623 at March 31, 2012 and \$213,160 at March 31, 2011 respectively. This includes charges for management fees earned by Flint Telecom, Ltd., which during the nine months ended March 31, 2012 and 2011 were \$8,463 and \$150,000, respectively. The management fees are for the executive, operating and financial services provided by Flint Telecom, Ltd. to us. \$344,508 of these management fees were reclassified as note payables and assigned to a number of third parties and subsequently converted into shares of common stock.

During the year ended June 30, 2010, Flint Telecom Ltd. assigned a portion, \$200,000, of a \$202,500 promissory note to a third party, which was subsequently converted into shares of common stock. The loan does not include charges for management fees earned by Flint Telecom, Ltd. The remaining balance on this note was written off by Flint Telecom Ltd.

Executive Officer Loans:

On November 8, 2010 and November 19, 2010, Vincent Browne, our Chief Executive Officer, invested \$48,000 and \$24,000, respectively and was issued promissory notes for those principal amounts, accruing no interest and having a maturity date of one year from the date of issuance. These amounts were still outstanding at March 31, 2011. Subsequently, on April 30, 2012, these notes were converted into Series I Preferred shares. (See Item 7: Other Information for more detail.)

Michael Butler Debt Restructure:

We had a number of loans outstanding from Mr. Butler, one of our board members as of March 31, 2009, for which we issued various promissory notes, convertible promissory notes, warrants and shares of restricted common stock to him as consideration. As of March 31, 2009, the total outstanding balance on all of Mr. Butler's loans were approximately \$4,100,000. Subject to an agreement that was executed March 31, 2009 that became effective February 5, 2010 we executed a settlement agreement with Mr. Butler in which all of Mr. Butler's loans to Flint were cancelled in exchange for 302,000 shares of Series E preferred stock of Flint, valued at €10.00 per share, having the following material terms:

1. Yielding a 14% annual dividend payment, payable monthly in Euros, from February 28, 2010;
2. Convertible at any time into that number of shares of Common Stock as is determined by the quotient of (i) €10.00 over (ii) the Conversion Price in effect at the time of conversion.
 - a. The Conversion Price has a 20% discount to the Market Price at time of conversion and subject to a minimum conversion price of \$5.50 per Common Share.
 - b. Market Price means the average closing price of Flint's common stock over the twenty trading days preceding the conversion request date.
 - c. The common stock issued at the time of conversion will be restricted stock and subject to SEC 144 Rule.

- d. Based on the minimum conversion price, Mr. Butler would receive 10,981,818 shares of common stock if all preferred shares were converted into common stock.
3. The Preference Shares will be transferable at Mr. Butler's discretion, after giving Flint a right of first refusal;
4. A penalty rate of 0.5% per month on the total amount outstanding will apply for dividend payments that are more than 10 days late, and will continue to apply until default payments are caught up.

Mr. Butler has the right to rescind this agreement in the event that we should enter into a voluntary or involuntary bankruptcy. We have therefore classified these shares of Series E Convertible Preferred as part of Preferred Shares in our Balance Sheet.

Equity Reclassification: The Series E preferred shares issued to Mr. Butler pursuant to a settlement agreement dated March 31, 2009 have been moved from equity to the mezzanine area of the balance sheet.

SEL Nominees:

On March 8, 2010 SEL Nominees Ltd. ("SEL") loaned us \$58,000 and we issued a \$58,000 convertible promissory note accruing interest at a rate of eighteen percent (18%) per annum, with interest only payments due each month and a maturity date of March 2011, and having a variable conversion price of 50% of the Market Price. On March 12, 2010 SEL loaned us \$40,000 and we issued a \$40,000 convertible promissory note accruing interest at a rate of eighteen percent (18%) per annum with interest only payments due each month and a maturity date of March 2011, and having a variable conversion price of 50% of the Market Price. "Market Price" means the average of the lowest three (3) Trading Prices for the common stock during the ten (10) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. These SEL notes also contain a most favored nations clause as it relates to the conversion price. As of March 3, 2012, the conversion price is \$0.0004 per share, resulting in the maximum potential total of 245,000,000 shares to be issued upon full conversion of both SEL notes. However, in accordance with the terms of the agreements related to these notes, each note holder cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time without shareholder approval. As of March 31, 2012, neither of these promissory notes had been repaid and are therefore in default. As a result, a default interest rate of 25% applies and the notes are immediately due and payable and we shall pay an amount equal to the greater of (i) 150% times the sum of (w) the then outstanding principal amount of the notes plus (x) accrued and unpaid interest plus (y) default interest (the "Default Sum") or (ii) the "parity value" of the Default Sum to be prepaid, where parity value means (a) the highest number of shares of common stock issuable upon conversion of or otherwise pursuant to such Default Sum. SEL is recorded in the accounts as a related party due to the fact that SEL is controlled by Mr. Butler, who was one of our board members in March of 2010.

Employment Agreements:

Effective October 6, 2008, we entered into a four-year employment agreement with our CEO, Mr. Browne. Mr. Browne receives a salary in the amount of \$180,000 per year, which shall immediately increase to \$240,000 when the Company achieves sustainable profitability for one quarter, and 2,500,000 shares of restricted common stock, vesting over a period of four years, such that ¼ of the shares shall vest at the first annual anniversary of the Effective Date, and quarterly thereafter so that 100% of the shares shall be fully vested at his four year anniversary. If Mr. Browne's employment is terminated by the Company without cause or by Mr. Browne for good reason as provided in the Agreement, or if the Company is acquired or dissolves and a new employment agreement satisfactory to Mr. Browne cannot be reached (a "Severance Event"), all stock and stock options of the Company then owned by Mr. Browne which are unvested shall become immediately fully vested, and the Company shall pay to Mr. Browne severance pay equal to the remaining years and/or months of his then current base salary that are due, based on a four year agreement term. If a Severance Event occurs, Mr. Browne would receive between \$480,000 (using a Severance Event date of October 6, 2010 and assuming the Company has achieved sustained profitability) and \$0 (using a Severance Event date of October 6, 2012), depending on the actual date the Severance Event occurs.

Subsequently, on April 30, 2012, Mr. Browne resigned as CEO, the Employment Agreement has terminated, and the Company entered into a Settlement Agreement with Mr. Browne (See Item 7: Other Information for more detail.)

Effective February 23, 2010, we entered into a two year employment agreement with Bernard A. Fried, effectuating the following: (i) Mr. Fried's title is President and Chief Operating Officer; (ii) Mr. Fried was appointed as a member of Flint's Board of Directors, (iii) Mr. Fried will receive a salary in the amount of \$186,000 per year, and (iv) Mr. Fried was issued 6,000,000 shares of restricted common stock vesting over a period of four years, such that ¼ of the shares shall vest at the first annual anniversary of the Effective Date, and quarterly thereafter so that 100% of the shares shall be fully vested at his four year anniversary with Flint. The Company may terminate this agreement without cause at any time by giving Mr. Fried 60 days prior written notice, and the Company shall have no further liability other than for the payment of any unpaid salary through the termination date and reimbursement of reasonable business expenses incurred prior to the termination date.

Subsequently, on April 30, 2012, Mr. Fried was elected as the Company's Chief Executive Officer and the Company entered into a Settlement Agreement with Mr. Fried (See Item 7: Other Information for more detail.)

Separation Agreement with Bill Burbank:

Bill Burbank resigned as the President and Chief Operating Officer of the Company, effective February 4, 2010. In connection with Mr. Burbank's resignation, we entered into a Separation Agreement with Mr. Burbank (the "Separation Agreement"), effective February 5, 2010. The Separation Agreement provides that Mr. Burbank will be paid an aggregate of approximately \$150,000 in cash and \$842,500 worth of shares of restricted common stock, consisting of:

- payment for past salary owed, of approximately \$45,785;
- repayment for various loans made to the Company, in the amount of \$100,000;
- reimbursement for approved expenses in an amount that has yet to be determined;
- all such cash payments as listed above shall be paid in the future as funds become available;
- acceleration of 1,500,000 shares of his unvested restricted stock and the grant and issuance of 4,000,000 additional shares of immediately vested restricted common stock, for a total of 5,500,000 shares of restricted common stock. Additionally, 500,000 vested on January 29, 2010. The 2,000,000 previously issued shares that vested were valued at \$0.38 per share (date of original grant). The closing price of our common stock on February 5, 2010 was \$0.08 per share, and therefore the additional 4,000,000 shares were valued at \$320,000, for a total fair market value of these shares was \$842,500.

Subsequently, effective May 28, 2010, we entered into an Addendum to the Separation Agreement with Mr. Burbank, agreeing to pay a total of \$150,000 cash to Mr. Burbank over a period of 8 months; monthly payments in the amount of \$18,750 shall commence as of July 31, 2010. As of the date of the filing of this annual report we have not made these payments and are therefore currently in default. As a result, a default interest rate of 18% shall be applied to any outstanding payments owed as of the date of default and an additional cash payment of \$40,000 is also immediately due and payable. Mr. Burbank sought and received a judgment for damages in the amount of \$190,000 plus interest, attorney's fees and costs. (See Note 15: Commitments & Contingencies).

Settlement Agreement with China Voice Holding Corp.

Effective as of May 28, 2010, we executed a settlement agreement with China Voice Holding Corp. (CHVC) whereby CHVC had agreed to, among other things, cancel and terminate any and all rights it has under its \$7,000,000 promissory note issued by us (the "Note") and the Series C Preferred Shares of Flint (the "Preferred Shares"), including the repayment of any and all principal amounts underneath the Note and the Preferred Shares, and to return 15,800,000 shares of our common stock to Flint (thereby allowing CHVC to keep 5,200,000 shares of our common stock), and in exchange we agreed to pay a total of \$1,520,242 to CHVC through installment payments over a period commencing August 31, 2010 and ending May 31, 2011 and abandon its claim to 15,000,000 shares of CHVC's common stock. CHVC sought and received a judgment for damages in the amount of \$82,742 plus pre-judgment interest of 18% per annum starting September 1, 2010, plus \$500,000 as an additional liquidated damage, post judgment interest, costs and attorney's fees. (See Note 14: Commitments and Contingencies for more detail.)

As of the date of the filing of this annual report, we have not made these payments and are therefore in default.

Misc. Loans from other ex-Officers

During the year ended June 30, 2010, Mr. Keaveney, our CFO at the time, loaned \$75,000 to us and we issued to him a promissory note in the amount of \$75,000, due and payable with a cash fee of \$10,000 on or before October 24, 2009. In June of 2010, we agreed to allow Mr. Keaveney to convert a portion of this note, \$20,000, into 2,000,000 shares at \$0.01/share. During the nine months ended March 31, 2011, Mr. Keaveney sold the remaining principal balance and accrued interest due on the note to a third party, who converted the assigned note into a total of 1,729,336 shares of common stock. As of March 31, 2011, there is no outstanding principal balance or remaining accrued interest due on the note.

Additionally, during the year ended June 30, 2010, Mr. Burbank, our President at the time, loaned \$100,000 to us. Payments under this loan were to commence as of July 31, 2010; as of March 31, 2012 no payments was made and the note is therefore currently in default (See "Separation Agreement with Bill Burbank" above, which is part of this FN and Note 14 Commitments and Contingencies).

8. Accounts Receivable

Net accounts receivable at March 31, 2012 were \$61,400 and at June 30, 2011 were \$1,209,103. These amounts are quoted net of allowance for doubtful debts of \$35,044 and \$431,381 respectively. Receivables at March 31, 2011 were \$1,884,223 net of allowance for doubtful accounts of \$218,015.

Three customers accounted for 67% of the revenues for the nine months ended March 31, 2012. Twenty customers accounted for 76% of the accounts receivable at March 31, 2012, the largest of which accounted for 10% of the receivables.

Four customers accounted for 63% of our revenue. Four customers accounted for 72% of the accounts receivable at March 31, 2011, the largest of which accounted for 27% of the receivables.

Factoring of Receivables:

One of Flint's subsidiaries, Cable and Voice Corp operates a factoring arrangement whereby Cable and Voice Corp may sell a portion of its receivables to the factor. The factor advances up to 85% of eligible invoices to Cable and Voice at time of sale. The factor applies a factoring fee of one and eight-tenths of one percent (1.80%) for the first thirty days that each financed invoice remains outstanding, based on the face amount of each financed invoice, and nine-tenths of one percent (0.90%) per every ten days thereafter. The factor collects its advances, deducts its financing fees and remits any funds remaining together with payments received on non-financed invoices on a weekly basis. At March 31, 2012, no amounts were factored and there was \$57,685 in reserve amounts held by the factor.

9. Fixed Assets

During the quarter ended March 31, 2012 we sold five subsidiaries as part of a fundamental corporate strategic review to bring the company to profitable and cash positive operations while providing for future value generation for shareholders within the constraints of the severe funding difficulties facing the business. As a result of these dispositions the company disposed of all non-depreciated assets.

In addition, the company booked a fixed asset value of \$172,500 reflecting the beneficial ownership of 69 million shares in AXLX.PK by way of its holding in VOIP ACQ Inc. The closing price for AXLX stock on March 30, 2012 was \$0.0025 resulting in a carrying value of \$172,500.

On October 25, 2010 we acquired all of the stock of two companies, III and P2P. See Note 4 above for more details. As a result, we recorded an additional \$3,845,655 amount in fixed assets as of March 31, 2010, being depreciated over 5 years.

10. Accounts Payable

Accounts payable at March 31, 2012 were \$2,731,523. Over twenty vendors accounted for 66% of the payables at March 31, 2012, the largest of which accounted for 16% of the payables.

Accounts payable at June 30, 2011 were \$5,046,957. Twenty vendors accounted for 66% of the payables at June 30, 2011, the largest of which accounted for 4% of the payables.

Although we believe that we have adequate alternative vendors to purchase services and products, there can be no assurance of comparability, which could have a detrimental effect on the business.

11. Amounts due under project finance contracts

One of Flint's subsidiaries Cable and Voice Corp, operates purchase order finance contracts with a specialist provider that, based on customer approval from Bayview Funding and vendor eligibility, will advance funds to the vendor at time of order shipping which allows Cable and Voice to pay for goods as they shipped. Funds advanced by the provider are secured against an approved customer invoice underwritten by our factoring partner. Under this arrangement Cable and Voice can draw up to \$250,000 of credit to pay vendors for goods sold to customers in the US. Once the goods arrive and are invoiced to the end customer, the factor uses the advances generated under our factoring agreement to pay down the amounts due under these contracts. The finance provider charges a fee of between 3% - 4% on any funds advanced in the first 30 days and 1% of the funds every 10 days thereafter. These fees are accounted for as direct costs in the financial statements.

Amounts due under these agreements were \$45,781 at March 31, 2012 and \$98,815 at June 30, 2011 respectively.

12. Capital Leases

We have acquired \$819,025 in equipment through capital lease obligations primarily for computer and telephony equipment. During the year ended June 30, 2010 we wrote down the value of this equipment to zero. During the year ended June 30, 2010, as part of our debt restructuring plan, we renegotiated the terms of our capital lease with our equipment vendor, which resulted in the disposal of certain assets under this agreement and the restructure of the payment terms for the remaining equipment.

On September 15, 2010 we executed a Second Amendment to our equipment lease agreement with Data Sales, such that monthly payments in the amount of \$20,000 shall commence as of November 1, 2010 and continue until April 1, 2011, at which time the monthly payments shall increase to \$57,991 until January 1, 2012. Additionally, Data Sales has waived all late fees and accrued interest, and we gave Data Sales the option to purchase up to a maximum of \$61,000 worth of our restricted common stock at a 20% discount to the Market Price. Market Price being the average closing price per share over the 20 trading days prior to notice of exercise, and having a minimum per share price of \$0.0031 (50% of the Market Price as of September 15, 2010). For the years ended March 31, 2012 and 2012, total cash payments will be \$375,371 and \$405,938, respectively.

As of March 31, 2012 we had not made the first monthly payment due November 1, 2010 and were in default. As a result, all outstanding payments owed as of the date of default are immediately due and payable and have been classified as current liabilities.

13. Lines of Credit

Effective June 4, 2009, we entered into a Loan and Security Agreement with Thermo Credit LLC ("Thermo"), for a line of credit in an amount not to exceed \$2,000,000 (the "Agreement"). Under the terms of the Agreement, we agreed to pay a commitment fee equal to 2% of the amount of the Credit Facility, an unused facility fee of 0.25% per annum and a monitoring fee equal to the greater of \$1,500.00 per month, or 0.05% of the Credit Facility per week. The line of credit is evidenced by a Loan and Security Agreement and a Promissory Note in the maximum amount of \$2,000,000. The Note carries an interest rate of the greater of the prime rate plus 8%, or 15%. The indebtedness

is secured by a pledge and grant to Thermo of a security interest in all of our property or assets, real or personal, tangible or intangible, now existing or hereafter acquired.

Effective as of June 8, 2010, Flint executed an amendment to the \$2,000,000 promissory note issued to Thermo, whereby Thermo has agreed to a forbearance of principal payments, with the first principal payment of \$100,000 due on or before August 31, 2010, and an extension of the Maturity Date to March 31, 2012. Principal payments shall then be due in equal installments of \$100,000 per month from August 31, 2010 until the note is paid in full. Additionally, two one-time commitment fees of \$20,000 each shall be paid on August 31, 2010, and an additional waiver/forbearance fee of \$20,000 shall be paid on or before the one-year anniversary of the execution of the Amendment, or June 8, 2011.

In February of 2011, \$100,000 of the principal of the Thermo note was sold and assigned to third parties and subsequently converted into equity.

As of March 31, 2012 the first principal payment, which was due on or before August 31, 2010, has not been made and we are therefore in default and therefore the total balance has therefore been classified as a current liability. Upon default, the entire unpaid balance of principal, together with all accrued but unpaid interest thereon, and all other indebtedness owing to Thermo at such time, which as of March 31, 2012 was \$2,500,000 shall, at the option of Thermo, become immediately due and payable without further notice. In addition, Thermo shall be entitled to foreclose upon its security interests granted under the Agreement and to cause the Collateral to be immediately seized wherever found and sold with or without appraisal. Collateral consists of any and all of our subsidiaries' property or assets, real or personal, tangible or intangible, now existing or hereafter acquired, and all supporting obligations, products and proceeds of all of the foregoing. Despite the default status, Thermo remains supportive of the company and have not initiated any legal process to foreclose on the outstanding amount.

Subsequently, in September of 2011, Thermo, Flint and Flint's subsidiaries executed a Forbearance Agreement whereby Thermo agreed to forbear from pursuing its rights to collection until March 31, 2012 in exchange for a security agreement between Thermo and one of Flint's subsidiaries, Cable & Voice Corporation.

Subsequently, in March of 2012, as part of the Share Purchase Agreement (the "Purchase Agreement"), between Brankib Holdings Pty., LTD and Flint for the sale of International Ingedigit, Inc., Gotham Ingedigit Financial Processing Corp. and Connect2Family USA Inc., a minority owned interest of Flint (III, P2P, & CF2 together, the "Targets"), for which Brankib shall pay, and Flint is entitled to receive, certain monthly cash payments, Thermo Credit agreed that it shall be repaid through those deferred cash payments to be made by Brankib under the Purchase Agreement.

One of our subsidiaries, Phone House, Inc., had a line of credit with Wells Fargo bank in the amount of \$37,358 as June 30, 2011 and \$32,472 as at March 31, 2011. Subsequently on March 30, 2012 we sold Phone House, Inc and this line of credit was acquired as part of that transaction and is therefore no longer due by Flint at March 31, 2012.

Another one of our subsidiaries, Ingedigit International Inc. had a line of credit with the Florida Export Finance Corporation ("FEFC") in the principal amount of \$1,072,916, with monthly payments to commence July 15, 2011 in the principal amount of \$65,000.00 plus 6% per annum interest on the then outstanding balance. Subsequently on March 20, 2012 we sold Ingedigit International Inc and this line of credit was acquired as part of that transaction and is therefore no longer due by Flint at March 31, 2012.

14. Promissory Notes and Convertible Promissory Notes

Nine months ended March 31, 2012

During the nine months ended March 31, 2012, we issued \$25,000 of total principal in the form of promissory notes and \$82,000 of total principal in the form of convertible promissory notes. Substantially all of the proceeds have been used for the continued operation of our business, including capital expenditures and working capital.

During the nine months ended March 31, 2012 we also restructured \$230,000 principal amount of promissory notes into U.S. Dollar Convertible Promissory Notes, which were assigned to third parties and subsequently partially converted into shares of restricted common stock.

As of March 31, 2012, we had (taking into consideration the calculation of debt discounts) \$5,093,493 of total principal owed under promissory notes and \$2,019,302 of total principal owed under convertible promissory notes.

As of June 30, 2011, we had (taking into consideration the calculation of debt discounts) \$5,207,319 of total principal owed under promissory notes and \$2,003,127 of total principal owed under convertible promissory notes.

Promissory Notes

In July of 2011, a \$30,000 note was issued accruing interest at 9.9% per annum and has a maturity date of May of 2012. This note is convertible at a 75% discount to the lowest trading price during the 7 days prior to the date of conversion. In accordance with the terms of this note, the note holder cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time.

In August of 2011, a \$52,000 note was issued accruing interest at 10% per annum and having a maturity date of August 2012. This note is convertible into common stock at 50% of the lowest closing bid price over the five trading days prior to the date of conversion. In accordance with the terms of this note, the note holder cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time.

On September 2, 2011, a \$25,000 note was issued accruing interest at 5% per annum and having a maturity date of September 2, 2012.

Note Conversions and Restructures:

In July of 2011, 7 note holders converted a total of \$32,033 into a total of 41,994,152 common shares. In July, \$35,000 from a \$230,000 note originally issued on October 28, 2009 was assigned to a third party and which was subsequently converted into a total of 64,000,000 shares of common stock. Also in July, \$30,000 from the \$230,000 note originally issued on October 28, 2009 was assigned to another third party, \$15,000 of which was subsequently converted into 17,647,059 shares of common stock.

In August of 2011, 14 note holders converted a total of \$100,349 into a total of 155,337,103 common shares. In August 2011, \$22,500 from an original \$40,000 note issued October 13, 2010 was assigned to two third parties and subsequently converted into 26,000,000 shares of common stock.

In September of 2011, 3 note holders converted a total of \$21,000 into a total of 43,500,000 common shares. Also in September, \$125,000 from an original note dated August 19, 2009 was assigned to a third party and made convertible at a 50% discount to the average of the lowest three closing prices prior to the date of conversion, \$16,500 of which was converted into 30,000,000 shares of common stock. In accordance with the terms of this note, the note holder cannot beneficially own greater than 4.99% of our total issued and outstanding common stock at any given point in time.

Debt Schedule:

The following table sets forth the summary schedule of the cash payments required to be made by us, broken down by the type of loan:

	Total	Current	Long Term 1-3 years
Lines of credit	1,900,000	1,900,000	-
Notes payable	4,382,049	4,382,049	-
Convertible notes payable, third party - net of discount	1,921,302	1,921,302	-
Convertible notes payable, related parties - net of discount	98,000	98,000	-
Notes Payable - related parties	711,444	711,444	-
Total	9,012,795	9,012,795	-

For the year ended June 30, 2011

During the year ended June 30, 2011, we issued \$154,500 of total principal in the form of promissory notes and \$832,446 of total principal in the form of convertible promissory notes. Substantially all of the proceeds have been used for the continued operation of our business, including capital expenditures and working capital. During the year ended June 30, 2011 we also restructured \$291,000 principal amount of promissory notes into U.S. Dollar Convertible Promissory Notes, and restructured \$64,508 principal amount of debt owed to Flint Telecom, Ltd. into convertible notes, which were assigned to third parties and subsequently partially converted into shares of restricted common stock. As of June 30, 2011, we had (taking into consideration the calculation of debt discounts) \$5,207,319 of total principal owed under promissory notes and \$2,003,127 of total principal owed under convertible promissory notes.

15. Commitments and Contingencies

We are a party to various legal proceedings, as follows:

A stipulation for judgment was filed by Carmel Solutions, Inc. ("Carmel") in the Superior Court of California, Orange County, in accordance with, and upon our default of, a settlement agreement we entered into with Carmel on May 5, 2009, and a judgment was entered against us on October 26, 2009 in the amount of \$72,852, plus accruing interest from that date at the rate of \$20 per day and post judgment costs incurred in enforcing the judgment. As of March 31, 2012, the financial statements contain a payable amount of \$60,000 in relation to this action. Flint's management is confident that the lower amount will be more reflective of the end settlements amount. There are currently no discussions taking place between the parties on settling this amount and no approach has been received from Carmel since the judgment was entered.

The US District Court of the District of Connecticut granted AT&T an automatic entry of judgment against the Company in the amount of \$440,672 plus interest, attorney's fees and costs. In December of 2010, AT&T obtained an Order of Garnishment against one of the Company's bank accounts in the amount of \$510,525, \$76,653 of which was actually garnished. As of March 31, 2012, Flint's financial statements contain a payable amount of \$448,000 in relation to this action.

In September of 2011 the Superior Court of Fulton County, Georgia granted First Citizens Bank & Trust, Inc. default judgment against the Company in the amount of \$200,000 plus interest, attorney's fees and costs. As of March 31, 2012, Flint has accrued \$215,000 in the accounts in relation to this action.

Bill Burbank, Flint's previous President and COO, filed a lawsuit against Flint in the 15th Judicial Circuit in Palm Beach County, Florida on September 22, 2010. Mr. Burbank sought and received a judgment for damages in the amount of \$190,000 plus interest, attorney's fees and costs. On October 24, 2011, Mr. Burbank obtained an Order of Garnishment against one of the Company's bank accounts and \$147 was actually garnished. As of March 31, 2011, Flint has accrued \$221,000 in the accounts in relation to this action to include interest and penalties.

On October 25, 2010, China Voice Holding Corp. ("CHVC") filed a lawsuit against Flint in the 15th Judicial Circuit in Palm Beach County, Florida. This suit alleges one cause of action for breach of contract. The complaint alleges that Flint entered into a settlement agreement with CHVC to settle the amount owed to it, and that Flint failed to make the first monthly payment due under such settlement agreement. CHVC sought and received a judgment for damages in the amount of \$82,742 plus pre-judgment interest of 18% per annum starting September 1, 2010, plus \$500,000 as an additional liquidated damage, post judgment interest, costs and attorney's fees. As of March 31, 2012, Flint has accrued \$2,212,000 in the financial statements in relation to this action to include interest and penalties.

On November 10, 2010, Abovenet Communications filed a complaint against Flint in US District Court for the Southern District of New York, alleging breach of contract and seeking \$87,761 in damages, plus interest, attorney's fees and costs. As of March 31, 2011, Flint has accrued \$40,000 in the financial statements in relation to this action, which is the amount of services used from Abovenet prior to its action. To date, no discussions have taken place with Abovenet in relation to settling this action.

On November 24, 2010, Tom Davis filed a Demand for Arbitration alleging a breach of the settlement agreement by and among Mr. Davis and Flint, and seeking damages in the amount of \$2,230,000. On July 27, 2011 a final award was issued by the Arbitrator. On November 3, 2011, Mr. Davis petitioned for default judgment in the US District Court in the Southern District of Florida in the amount of \$2,365,144 plus 9% per annum interest from August 2010 until date of payment, and default judgment was entered against Flint for that amount. As of March 31, 2012 Flint has accrued \$2,612,000 in its financial statements to include total outstanding principal and accrued interest in relation to Mr. Davis.

On December 21, 2011, The Tripod Group, LLC filed a complaint against Flint, Vincent Browne, Bernard A. Fried and Computershare Trust Company in the Circuit Court of the State of Wisconsin alleging default on an outstanding promissory note and seeking money damages including the unpaid principal, accrued interest and default interest at a rate of 24%, or, in the alternative, injunctive relief requiring the issuance of shares of Flint's common stock in accordance with the terms of the note. On March 30, 2012, judgment was entered against Flint in the amount of \$29,582 plus default interest in the amount of \$16 per day and ordering Flint, through its transfer agent Computershare, to issue as many shares of Flint's common stock as are available, to be held for conversion in accordance with the terms of the note. On April 25, 2012, pursuant to the court order, Flint authorized the issuance of 889,699 shares of its restricted common stock to Tripod. As of March 31, 2012, Flint has accrued \$32,000 in outstanding principal and accrued interest in relation to Tripod's outstanding note.

On March 6, 2012, Tech Data Corporation filed a complaint against one of Flint's subsidiaries, Cable & Voice Corporation, in the 15th Circuit Court in Palm Beach County, Florida, alleging nonpayment for services rendered and seeking damages in the amount of \$51,514. As of March 31, 2012, Flint has accrued \$51,514 in its financial statements in relation to this action.

Below is a list of our leased offices and space as of March 31, 2012:

Location	Lease Expiration	Monthly Rent	Purpose	Approx. Sq. Ft.
3507 East Frontage Rd., Ste 190, Tampa, FL 33607	March 31, 2012	\$ 1,730	Cable & Voice Corp. office space	1,750

16. Stockholder's Equity

Temporary Equity:

We have two series of preferred stock that are classified as temporary equity, Series E and Series H.

Series E preferred:

Effective February of 2010 we designated 302,000 shares of Series E preferred stock, with no par value (the "Series E"), convertible into a maximum potential total of 549,091 shares of common stock, using the following calculation: Convertible into that number of shares of Common Stock as is determined by the quotient of (i) \$10.00 over (ii) the Conversion Price in effect at the time of conversion; The Conversion Price has a 20% discount to the Market Price at time of conversion and subject to a minimum conversion price of \$5.50 per Common Share; Market Price means the average closing price of our common stock over the twenty trading days preceding the conversion request date. This Series E has one vote per share of preferred stock and yields a 14% annual dividend payment, payable monthly, the first payment of which will be February 28, 2010. A penalty rate of one half of one percent (0.5%) per month on the total amount outstanding will apply for dividend payments that are more than ten (10) business days late, and will continue to apply and accrue until default payments are caught up in full. As of June 30, 2011 we owed \$913,999 in unpaid dividends, as of March 31, 2012 we owed \$1,282,942 in unpaid dividends on our Series E. During the nine months ended March 31, 2012 we accounted for the Series E dividend payments by recording a \$368,943 increase to the accumulated deficit and a corresponding increase in redeemable preferred shares.

Series H preferred:

Effective October 25, 2010 we designated 300,000 shares of Series H Convertible Preferred Stock, with a \$0.001 per share par value, and one vote for each preferred share issued. The fair value of the common stock into which the Series H Convertible Preferred Stock can be converted is \$10.00 per preferred share. Each preferred share has a conversion value (or "liquidation value") of \$10.00 of common stock for each preferred share owned. The 300,000 shares of Series H Convertible Preferred Stock therefore represents an aggregate value of \$3 million in common stock when converted. Following the sale of Power2Process and Ingedigit in March 2012 (See Note 5: Sale of Subsidiaries) the Series H Convertible Preferred Stock can now be redeemed for cash received and available for distribution to them under the Sale Agreement or converted into common stock at the option of the holder.

If not redeemed for cash, the Series H Convertible Preferred Stock is convertible on or after a period of twelve months from the closing date into common stock at a 25% discount to the Market Price. Market Price is defined as the average closing price per share over the twenty trading days prior to the date of conversion. Provided, however, that the conversion price shall never be lower than ten percent of the Market Price on the closing date, or \$0.0118. The closing price for our common stock on October 25, 2010 was \$0.118. Therefore, the applicable conversion price for the full amount of Series H preferred stock at the transaction date was \$0.0885 per share, representing a potential total of 67,796,610 common shares on the transaction date.

Under ASC 470-20, we have recorded a beneficial conversion feature of \$1,000,000 as a discount on the Series H Convertible Preferred Stock of which we accreted \$683,562 for the year ended June 30, 2012. Under ASC-10-S99, we have presented the total net value of the Series H Convertible Preferred Stock as temporary equity.

If the 300,000 currently issued Series H Convertible Preferred Shares were converted as of March 31, 2012, a total of 254,237,288 common shares would be issued based on the lowest per share conversion price of \$0.0118. However, the Power2Process and Ingedigit shareholders as a group cannot hold more than 4.99% of Flint's total issued and outstanding common stock at any one time.

Common Stock:

As of March 31, 2012, 900,000,000 total shares of common stock, par value \$0.01 per share, were authorized and 768,813,491 were issued and outstanding. There is no special voting or economic rights or privileges.

On January 13, 2011, we received approval from the Financial Industry Regulatory Authority clearing our 1 for 20 reverse stock split of our issued and outstanding common shares. Our issued and outstanding common shares were decreased from 818,277,527 to 40,913,876 effective January 14, 2011.

Effective August 10, 2010 we filed an amendment to our articles of incorporation increasing our total authorized shares of common stock to 900,000,000, par value \$0.01.

As of June 30, 2011, we had 900,000,000, par value \$0.01, total shares of common stock authorized and 311,993,460 shares were issued and outstanding. There were no special voting or economic rights or privileges.

Preferred Stock:

As of March 31, 2012, 5,000,000 total shares of preferred stock, par value \$0.001, were authorized and 153,779.66 shares were issued and outstanding, which is comprised of:

Effective June 17, 2010 we designated 153,779.66 shares of Series G preferred stock, par value \$0.001 per share and convertible into 768,898 shares of common stock. The Series G preferred carries no dividend and a one vote per preferred share voting right. At no time shall the Series G Holder's beneficial ownership exceed 4.99% of our total issued and outstanding shares.

See above regarding the Series E preferred stock outstanding and see Note 4 for the Series H preferred stock outstanding as of March 31, 2012.

As of March 31, 2012 there are no shares of Series A, B, C, D or F preferred stock outstanding.

Warrants:

We have, as part of various debt and other agreements, issued warrants to purchase our common stock. The following summarizes the information relating to all warrants issued and outstanding as of March 31, 2011:

Date Issued	Number Warrants	Per Share Warrant of Exercise Price	Expiration Date
10/1/08	87,625	\$10.00	9/18/11
11/10/08	12,500	\$10.00	11/10/11
6/30/09	218,182	\$7.00	6/30/14
6/30/09	7,636	\$5.50	6/30/14
8/18/09	10,000	\$10.00	12/31/12
10/15/09	12,500	\$6.00	10/15/14
12/10/09	27,273	\$0.20	(1) 12/10/14
12/15/10	1,666,667	0.02	12/15/13

All warrants are fully exercisable.

- (1) Because Flint has not been able to repay a number of its other promissory notes issued to various third parties on time and under their existing terms and conditions, an event of default has occurred and therefore the exercise price of the warrants issued to purchase up to 207,273 shares of Flint's common stock has been reduced from \$7.00 per share to \$0.20 per share, and additional warrants to purchase up to 51,818 shares of Flint's common stock were issued, also exercisable at \$0.20 per share. Of which, 122,727 have been cashlessly exercised into 98,182 shares.

2009 Restricted Stock Plan:

The 2009 Restricted Stock Plan (the "2009 Plan") was adopted by us and our board of directors in October 2009 and on December 2, 2009 the 2009 Plan was approved by our stockholders. The purpose of the 2009 Restricted Stock Plan is to provide the Company's employees, directors, officers and consultants, whose present and potential contributions are important to the success of the Company, an incentive, through ownership of the Company's common stock, to encourage the Company's employees, directors, officers and consultants to accept or continue in service with the Company, and to help the Company compete effectively with other enterprises for the services of qualified individuals. A total of 1,750,000 shares of our common stock was initially reserved for issuance under the 2009 Plan, subject to adjustment only in the event of a stock split, stock or other extraordinary dividend, or other similar change in the common stock or capital structure of the Company. As of March 31, 2012, 1,675,000 shares are issued and outstanding under the 2009 Plan, of which, all but 228,175 shares have vested.

The 2009 Restricted Stock Plan provides for the grant of restricted stock, subject to terms, conditions and restrictions as determined by the Board. The Board shall have the power, from time to time, in its discretion, to select those employees, officers, directors or consultants to whom Awards shall be granted under the Plan, to determine the number of Shares to be granted pursuant to each Award, and, pursuant to the provisions of the Plan, to determine the terms and conditions of each Award (which need not be identical) including any additional restrictions applicable to such Shares, including the time or times at which the Shares shall be sellable, and to interpret the Plan's provisions, prescribe, amend and rescind rules and regulations for the Plan, and make all other determinations necessary or advisable for the administration of the Plan. All awards shall be granted within ten years from the date of adoption of the Plan by the Board.

Stock Option Plans:

As part of the reverse merger with Semotus that closed on October 1, 2008, we assumed Semotus' 1996 and 2005 Stock Option Plans.

The 2005 Stock Option Plan (the "2005 Plan") was adopted by Semotus in July 2005 and in September 2005 the 2005 Plan was approved by its shareholders. In September 2007 the 2005 Plan was amended to provide for the granting of stock options to purchase up to 1,150,000 shares of our common stock, subject to adjustment only in the event of a stock split, stock or other extraordinary dividend, or other similar change in the common stock or capital structure. The 2005 Plan expires in July 2015, ten years after its adoption. Under the 2005 Plan, the Option Committee may grant incentive stock options to purchase shares of our common stock only to employees, and may grant non-qualified stock options to purchase shares of our common stock to our directors, officers, consultants and advisers. The Option Committee may grant options to purchase shares of our common stock at prices not less than fair market value, as defined under the 2005 Plan, at the date of grant for all stock options. The Option Committee also has the authority to set exercise dates (no longer than ten years from the date of grant), payment terms and other provisions for each grant. In addition, incentive options may be granted to persons owning more than 10% of the voting power of all classes of stock, at a price no lower than 110% of the fair market value at the date of grant, as determined by the Option Committee. Incentive options granted under the Plan generally vest over three years at a rate of 33% after year one and then equally on a monthly basis over the next two years from the date of grant. Non-qualified options granted under the Plan generally vest 100% immediately. During the years ended March 31, 2012 and 2010, no options were exercised. As of March 31, 2011, no options were outstanding under the 2005 Plan. See Note 19: Stock Based Compensation, for stock option activity.

17. Earnings (Loss) Per Share

We report Basic and Diluted Earnings per Share (EPS) as follows: Basic EPS is computed as net income (loss) divided by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock options, warrants and other convertible securities. Common equivalent shares are excluded from the computation of net loss per share if their effect is anti-dilutive.

Since we reported a net gain for the three months ended March 31, 2012, 186,768,285 potential shares were included in the shares used to calculate diluted EPS as their effect is dilutive. Since we incurred a net loss for the nine months ended March 31, 2012, 186,768,285 potential shares were excluded from the shares used to calculate diluted EPS as their effect is anti-dilutive. Since we incurred a net loss for the year three and nine months ended March 31, 2011, 186,768,285 potential shares were excluded from the shares used to calculate diluted EPS as their effect is anti-dilutive.

We reported a net profit of \$2,036,925 and a net loss of \$ 115,032 for the three and nine months ended March 31, 2011, respectively. We reported a net loss of \$2,092,030 and \$6,403,275, respectively, for the three and nine months ended March 31, 2011.

186,768,285 shares were included in the EPS calculation for the three months ended March 31, 2012.

18. Stock Based Compensation

We recognize the cost of all share-based awards on a straight line vesting basis over the vesting period of the award. Total stock compensation expense recognized by us during the nine months ended March 31, 2012 was \$303,708. Total stock compensation expense recognized by us during the year ended June 30, 2011 was \$814,875.

Restricted Common Stock:

On October 1, 2008, as a hiring and retention incentive and in lieu of issuing stock options under the Company's stock option plan, we issued 420,500 shares of restricted common stock, vesting over a period of four years, to executive officers and key employees. These shares of restricted common stock had a total value of \$6,307,500; this

value was calculated based upon the closing market price of our common stock on the date of grant, October 1, 2008. Out of these 420,500 shares, 93,750 had been cancelled during the year ended June 30, 2010. We recorded approximately \$0 and \$234,375 in expense for the nine months ended March 31, 2012 and 2010, respectively, related to these shares of restricted common stock granted to these executive officers, consultants and employees.

On January 29, 2009, as a hiring and retention incentive and in lieu of issuing stock options under the Company's stock option plan, we issued 150,000 shares of restricted stock, vesting over a period of four years, to executive officers, and in March 2009 we issued a total of 212,500 shares of restricted common stock to other key employees. These shares of restricted common stock have a total value of \$2,202,500, calculated based on the closing market price of our common stock on the date of grant. Out of the total of 362,500 shares, 212,500 shares had been cancelled during the year ended June 30, 2010. We recorded approximately \$0 and \$0 in expense for the nine months ended March 31, 2012 and 2010, respectively, related to these shares of restricted common stock granted to these executive officers and key employees.

In February of 2010, as a hiring and retention incentive and under the Company's 2009 Stock Plan, we issued 300,000 shares of restricted common stock to Bernard A. Fried. These shares have a total value of \$360,000, calculated based on the closing price of our common stock on the date of grant, and we recorded approximately \$0 and \$45,000 in expense for the nine months ended March 31, 2012 and 2010, respectively, related to these shares granted.

During the nine months ended March 31, 2012 we did not issue any shares of restricted common stock to consultants as consideration for services rendered nor did we issue any restricted common stock for cash proceeds.

During the year ended June 30, 2011 we issued a total of 4,062,500 shares of restricted common stock to consultants as consideration for services rendered. We recorded approximately \$125,708 in expense for the year ended June 30, 2011 related to these stock issuances.

19. Exchange Gains and Losses

As of March 31, 2012 have issued and outstanding £48,936 in one non-convertible note payable, which has been partially converted and partially assigned and converted (See Note 15 for more details), and one million dollars (USD\$1,000,000) due May 2011, at CHVC's option, have to be paid through a payment of GBP 721,000, regardless of whether the U.S. dollar strengthens or weakens in relation to the GBP pound sterling during the term of the Note and whether there is therefore a foreign currency translation gain or loss. The reporting currency of Flint is the U.S. Dollar so that transactions and balances are translated into dollars. We recorded a \$40,893 loss and a \$39,079 gain on translation for the nine months ended March 31, 2012 and 2011, respectively.

Item 4 Management's discussion and analysis or plan of operation.

OVERVIEW

Management's objective for the three and nine months ended March 31, 2012 was to improve overall operations to reduce the need for external financing in the difficult economic and financial markets.

Given the continued financial market difficulties, the Company has had very limited access to capital and has been drawing funds on an as needed basis from various institutions and individuals in order to operate. These financings are predominantly in the form of convertible loans that convert into our common stock at various discounts to the market price at the time of conversion.

Given the low per share trading price of our common stock during the nine months ended March 31, 2012, these conversions introduced 456,820,031 additional common shares into the market, resulting in a 146% increase in the issued and outstanding common shares in the six months ended December 31, 2011 and a 0% increase in the three months ending March 31, 2012.

In the three months ended March 31, 2012, we had a net profit of \$2,036,925 (\$0.00 Per share basic and diluted), as compared to a net loss of \$2,151,846 (\$0.05 per share basic and diluted), in the three months ended March 31, 2011.

We had a net loss of \$115,032 (\$0.00 Per share basic and diluted) in the nine months ended March 31, 2012 as compared to \$6,463,091 (\$0.25 per share basic and diluted) in the nine months ended March 31, 2011. The decrease in the losses year on year resulted from three main areas:

- A reduction in operating costs of \$1.5 million
- A decrease in interest costs of \$2.8 million
- A profit on the disposal of four subsidiaries of \$2.05 million.

Details of operating and interest costs for the period are discussed below. Details of the

RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2012 AND 2011

REVENUES

Revenues for the three months ended March 31, 2012 decreased by 4% to \$3,612,906 as compared to \$3,779,682 for the three months ended March 31, 2011. Revenues for the nine months ended March 31, 2012 decreased to \$9,485,944 as compared to \$12,640,351 for the nine months ended March 31, 2011. The decrease for the nine months is primarily due to a 37% reduction in revenues at the Phone House unit, which was subsequently sold on March 30, 2011 (See FN 5 in the Financial Statements for more details). The revenue at Cable and Voice Inc, increased by 175% to \$2.4 million year on year which offset some of the reductions from Phone House.

COST OF REVENUES AND GROSS MARGIN

While gross margin decreased by 43% to \$346,626 during the three months ended March 31, 2012 versus the three months ended March 31, 2011 the percentage of gross margin to revenues increased to 9.6% from 6.4% respectively. This increase resulted primarily from Cable and Voice representing 38% percent of revenues for the quarter ending March 31, 2012 up from 11% in the same period last year. Cable and Voice typically generates gross profit of 15%-20% which management currently expects to continue in the future.

Gross profit decreased in the nine months ended March 31, 2012 versus 2011 due to the revenue mix being more weighted to lower margin businesses in the first half. Over 50% of the \$613,117 gross margins for the nine months ended March 31, 2012 were generated in the current quarter reflecting management's continued focus on higher margin business.

OPERATING EXPENSES

Operating expenses in the three months ended March 31, 2012 decreased to \$168,698 as compared to \$1,620,765 in the three month period ended March 31, 2011, and decreased to \$2,165,065 as compared to \$3,664,910 during the nine month period ending March 31, 2011.

The 90% reduction in the current quarter is primarily a result of the following factors: operating costs for the III and P2P units were cross-charged to Brankib Holdings Ltd, and therefore did not accrue to Flint for the period; accruals for unpaid salaries to Mr. Browne and Mr. Fried were reduced by \$181,000, and consequently credited to operating expenses, being the amounts waived under the settlement agreement and employment contract changes on April 30, 2012. (See FN 5: Sale of Subsidiaries for details).

Operating expenses consist of general and administrative expenses, including payroll, accounting, legal, consulting, rent and other overhead costs. This category also includes stock compensation and option expense, the costs associated with being a publicly traded company, including the costs of SEC filings, investor relations and public relations.

The non-cash charges for compensation consist mainly of the grants of stock issued for services rendered. The common stock issued was valued at its fair market value at the date of issuance and do not represent any cash payments.

INTEREST EXPENSE

Interest expense decreased to \$151,030 from \$812,127 for the three months ended March 31, 2012 as compared to the three months ended March 31, 2011, and decreased to \$598,751 as compared to \$3,467,920 during the nine months ended March 31, 2012 versus 2011. Interest expense is related to accrued interest on the convertible and promissory notes, as well as the amortization of the debt discounts related to those notes. The amount of interest charges related to accounting for debt discounts that did not involve the payment of cash amounted to \$312,000 as of March 31, 2012 and \$1,141,870 as of March 31, 2011.

The reduction in interest charges for the three and nine months ending March 31, 2012 is directly a result of Flint not issuing any new convertible notes or other promissory notes since September 2011. Therefore the interest charges associated with beneficial conversion features did not occur thereafter.

GAIN ON SALE OF SUBSIDIARIES

As part of a fundamental strategic review commencing in October 2011, that is now completed, we elected to sell four of our subsidiaries that were not generating positive cash flows from operations in order to help bring the company to positive operations. As a result of these sales, we recorded a one-off gain of \$2,050,920 made up as follows:

• Disposal of Ingedigit International, Inc., Gotham Ingedigit Financial Processing and Connect2Family Inc.	\$1,103,554
• Disposal of Phone House Inc	<u>\$ 947,366</u>
	<u>\$2,050,920</u>

In addition, the sale of the assets of Digital Phone Solutions Inc to VoIP Acq Inc. a company controlled by Vincent Browne, our Chairman and CFO, recorded a contribution to capital of \$172,500 as gains or losses on related party transactions are not included in profit and loss transactions under US GAAP.

LIQUIDITY AND CAPITAL RESOURCES

Overall cash decreased by \$91,477 for the nine months ended March 31, 2012 as compared to \$26,149 versus March 31, 2011 due to significant challenges in raising new capital in very difficult financial markets in the period. The primary reason for the reduction in cash throughout the period was \$64,037 being sold as part of the disposition of four subsidiaries during the period. In addition, the company had limited access to capital throughout the period and therefore management felt it in the best interest of shareholders that cash used operations be effectively utilized to minimize the amount of external cash required and reduce the company's dependency on toxic convertible debt financing. The Company has not issued any new convertible debt since September 2011.

The sources and uses of cash are summarized as follows (unaudited):

	Nine Months Ended	
	March 31, 2012	March 31, 2011
Net cash used in operating activities	(461,094)	\$ (830,997)
Net cash used in investing activities	(64,037)	15,063
Net cash provided by financing activities	394,663	837,481
Net cash provided by (used in) foreign currency activities	38,991	4,602
Net increase (decrease) in cash	<u>(91,477)</u>	<u>26,149</u>
Cash and Cash equivalents	<u>5,420</u>	<u>96,897</u>

During the three months ended March 31, 2012 cash used in operating activities was \$38,288.

During the nine months ended March 31, 2012, cash used in operating activities was \$461,094 resulting from a gross profit of \$613,117, operating expenses of \$2,165,065 and a non-operating profit of \$1,436,915. The net loss of \$115,032 included non-cash charges for stock and option compensation of \$303,708, depreciation and amortization of \$392,692 and amortization of beneficial conversion feature of \$312,000.

During the nine months ended March 31, 2011, cash used in operating activities was \$830,997 resulting from a gross profit of \$673,905 and operating expenses of \$3,664,910. The loss included non-cash charges for stock and option compensation of \$783,396, accretion of debt discount of \$1,141,870 and amortization of beneficial conversion feature of \$761,444.

Other operating activities that decreased cash during the nine months ended March 31, 2012 were an increase in inventory of \$502,385, an increase in accounts payable of \$420,587, an increase in other accrued liabilities of \$55,111, an increase in accrued interest of \$170,857 and a decrease in amounts due under project finance contracts of \$53,034. A decrease in accounts receivable of \$457,371 helped to increase cash during the nine months.

Other operating activities that increased cash during the nine months ended March 31, 2011 were an increase in accounts payable of \$465,729, reduction in inventories of \$140,427, an increase in the cash overdraft of \$34,398 and accrued liabilities \$440,448. Operating activities that decreased cash included an increase in accounts receivable of \$543,149 and an increase in prepaid expenses of \$29,420 and a decrease in other payables of \$6,134.

Cash provided by investing activities for the nine months ended March 31, 2012 consisted of cash disposed of in the sale of four subsidiaries of \$64,037.

Cash used in investing activities for the nine month ended March 31, 2011 of the repayment on cash acquired from acquisitions of \$15,063.

Cash provided by financing activities for the nine months ended March 31, 2012 consisted of the sale of short-term promissory notes, which provided \$107,000 in cash, and an increase in lines of credit that provided \$364,322.

Cash provided by financing activities for the nine months ended March 31, 2011 consisted of the sale of short-term promissory notes, which provided \$720,000 in cash; loans from related parties of \$90,611 and the sale of common stock of that provided \$32,500. Cash used in financing activities was the repayment of lines of credit of \$5,630.

\$38,991 was used in foreign currency transactions related to exchange losses on convertible notes payable during the nine months ended March 31, 2012, and \$4,602 of was used in foreign currency transactions related to exchange losses on convertible notes payable during the nine months ended March 31, 2011.

As of March 31, 2012 we had cash and cash equivalents of \$5,420, a decrease of \$91,477 from the balance at June 30, 2011, which was \$96,897. Our working capital deficit increased as of March 31, 2012 to \$14,832,221 as compared to a working capital deficit of \$17,881,129 at June 30, 2012.

We have not yet generated sufficient revenues to cover the costs of continued product and service development and support, sales and marketing efforts and general and administrative expenses. We are still largely dependent on financing in order to generate cash to maintain its operations. We are currently investigating the capital markets for additional financings. However, there is no assurance that any additional capital will be raised. We closely monitor our cash balances and our operating costs in order to maintain an adequate level of cash.

Item 5 Legal proceedings.

The information required by this item was filed in conjunction with the Company's Initial Issuer Information and Disclosure Statement on May 31, 2012 and is incorporated herein by reference. No significant events have occurred which have not already been disclosed under Item 8(a)(11) of the Company's Initial Issuer Statement.

Item 6 Defaults upon senior securities.

As of the filing date of this quarterly report, the Company was in default on the majority of notes payable and other debt repayment plans of the approximately \$10 million total due on notes payable and leases, representing 14 individual parties. As a result, all outstanding principal and accrued interest, if any, outstanding and owed as of the date of default shall be immediately due and payable, including the following (these amounts reflect principal amounts only): Secured lender Thermocredit (\$2,000,000); second secured lenders Cape One Capital Advisors LLC, Chestnut Ridge Partners LP and Mr. J. Lavery totaling (\$1,090,000); Mr. T. Davis (\$2,365,144); Mr. P. McCarthy (\$1,114,450). In addition, by filing Form 15-12G on October 7, 2011 the Company automatically defaulted on all outstanding Convertible Notes in the aggregate principal amounts of approximately \$913,000. The Company has accrued approximately \$3.5 million of accumulated interest, preferred share dividends and related penalties in the financial statements ending March 31, 2012. We have also not made any dividend payments on our Series E preferred stock as these payments have become due. In addition to these loans, we have approximately \$1.0 million of trade payables that are past due.

Of the 14 outstanding note holders, six have initiated legal proceedings and five have received summary judgments against Flint in the total aggregate amount of \$5,386,468 as of the date of filing of this quarterly report.

Additionally, Our Series E Preferred Shares have a fourteen percent (14%) dividend payment, payable monthly the first payment of which was February 28, 2010. These dividend payments have not been made to date, and therefore a penalty rate of one half of one percent (0.5%) per month on the total amount outstanding applies for dividend payments that are more than ten (10) business days late, and will continue to apply and accrue until default payments are caught up in full. The total amount currently owed to the Series E Preferred holder is \$5,611,508 .

Item 7 Other information.

On April 25, 2012, pursuant to a court order issued from the Circuit Court of the State of Wisconsin, Flint authorized the issuance of 889,699 shares of its restricted common stock to The Tripod Group LLC.

Effective April 30, 2012, Mr. Browne resigned as CEO of Flint and his employment agreement was terminated. Flint entered into a settlement agreement with Mr. Browne. Mr. Browne agreed to (i) waive all claims to his accrued but unpaid salary up to April 30, 2012, in the amount of \$100,000, (ii) return all of his 2,500,000 (pre-split) shares of restricted common stock, and (iii) continue serving as Flint's Chief Financial Officer, Chairman of the Board and Corporate Secretary, in exchange for 100,000 shares of Flint's Series I Convertible Preferred Stock, which includes the following terms: (i) convertible into common stock at the closing price of Flint's common stock on the Effective Date, \$0.0008 per share, and (ii) carrying 3 to 1 voting rights on an as converted basis. The foregoing description of the Settlement Agreement and Series I Convertible Preferred Stock is qualified in its entirety by reference to the full text of the settlement agreement with Mr. Browne and the Certificate of Designation of the Series I Convertible

Preferred Stock, which are attached to this statement as Exhibits.

Also effective April 30, 2012, Mr. Fried, Flint's President, agreed to serve as Flint's CEO, and Flint entered into a settlement agreement with Mr. Fried. Mr. Fried agreed to (i) waive all claims to his accrued but unpaid salary up to April 30, 2012, in the amount of \$40,000 and (ii) add the title and duties of CEO to his ongoing duties as President, COO and member of the Board, in exchange for 40,000 shares of Flint's Series I Convertible Preferred Stock, which includes the following terms: (i) convertible into common stock at the closing price of Flint's common stock on the Effective Date, \$0.0008 per share, and (ii) carrying 3 to 1 voting rights on an as converted basis. The foregoing description of the settlement agreement with Mr. Fried and Series I Convertible Preferred Stock is qualified in its entirety by reference to the full text of the Settlement Agreement and the Certificate of Designation of the Series I Convertible Preferred Stock, which are attached to this statement as Exhibits.

Item 8 Exhibits.

Articles of Incorporation and Bylaws: The information required by this item was filed in conjunction with the Company's Initial Issuer Information and Disclosure Statement on May 31, 2012 and is incorporated herein by reference. There have been no amendments from the date of filing the Initial Issuer Statement through the period covered by this quarterly report.

Material Contracts: The information required by this item was filed in conjunction with the Company's Initial Issuer Information and Disclosure Statement on May 31, 2012 and is incorporated herein by reference. There have been no modifications or additional material agreements entered into from the date of filing the Initial Issuer Statement through the period covered by this quarterly report.

Item 9 Certifications.

I, Vincent Browne, certify that:

1. I have reviewed this Quarterly Report of Flint Telecom Group, 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 operation and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

June 4, 2012



Vincent Browne, Chairman of the Board and Chief Financial Officer