

Mindpix Corporation

Financial Statements

September 30, 2014

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D. Brooks and Associates CPA's, P.A.

Certified Public Accountants • Valuation Analyst • Advisors

ACCOUNTANT'S COMPILATION REPORT

To Management of
Mindpix Corporation
Miami, Florida

We have compiled the accompanying consolidated balance sheets of Mindpix Corporation as of September 30, 2014 and December 31, 2013, the related consolidated statements of operations for the three and nine months ended September 30, 2014, consolidated statement of changes in stockholders' equity for the nine months ended September 30, 2014, and consolidated statements of cash flows for the nine months ended September 30, 2014 and 2013. We have not audited or reviewed the accompanying consolidated financial statements and, accordingly, do not express an opinion or provide any assurance about whether the consolidated financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management presenting financial information in the form of consolidated financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the consolidated financial statements.

We are not independent with respect to Mindpix Corporation.



D. Brooks and Associates CPA's, P.A.

West Palm Beach, Florida

November 19, 2014

Mindpix Corporation
Consolidated Balance Sheets
September 30, 2014 and December 31, 2013

	<u>2014</u>	<u>2013</u>
Assets		
Current Assets:		
Cash	\$ 363	\$ 2,897
Accounts receivable	14,974	-
Stock subscription receivable	-	1,000
Current assets	<u>15,337</u>	<u>3,897</u>
Property and Equipment, net	<u>11,417</u>	<u>9,272</u>
Total assets	<u>\$ 26,755</u>	<u>\$ 13,169</u>
Liabilities and Deficiency		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 325,634	\$ 256,950
Convertible debt, net	77,643	78,107
Note payable and accrued interest	60,991	60,991
Note payable, related party	34,500	12,000
Due to related parties	16,000	42,000
Derivative liability	294,487	325,393
Total current liabilities	<u>809,255</u>	<u>775,441</u>
Commitments and Contingencies (Note 7)		
Deficiency:		
Common stock, \$0.0001 par value; 1,500,000,000 shares authorized;		
1471,573,821 and 1,062,336,084 shares issued and outstanding, respectively	147,157	106,233
Common stock to be issued; 115,099,983 and 238,317,017 shares, respectively	11,510	23,832
Additional paid in capital	17,980,009	16,735,966
Accumulated deficit	<u>(18,600,764)</u>	<u>(17,307,892)</u>
Total Mindpix Corporation stockholders' deficiency	(462,088)	(441,861)
Non-controlling interest in subsidiary	<u>(320,412)</u>	<u>(320,412)</u>
Total deficiency	<u>(782,500)</u>	<u>(762,273)</u>
Total liabilities and deficiency	<u>\$ 26,755</u>	<u>\$ 13,169</u>

See accountant's report.

Mindpix Corporation
Consolidated Statements of Operations

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenue	\$ -	\$ -	\$ -	\$ -
Operating Expenses:				
Consulting and professional fees	84,704	53,215	276,267	460,087
Compensation and benefits	267,888	131,622	484,688	170,012
Production costs	75,150	62,353	75,150	62,353
Other general and administrative	<u>191,509</u>	<u>11,463</u>	<u>278,835</u>	<u>51,212</u>
Total operating expenses	<u>619,250</u>	<u>258,653</u>	<u>1,114,939</u>	<u>743,664</u>
Other Expense:				
Loss on settlement with Emax and Affiliates	-	(1,939,281)	-	(1,939,281)
Net derivative expense	(99,379)	(253,111)	(101,673)	(253,111)
Interest expense	<u>(36,677)</u>	<u>(52,445)</u>	<u>(76,260)</u>	<u>(55,445)</u>
Total other expense	<u>(136,056)</u>	<u>(305,556)</u>	<u>(177,933)</u>	<u>(2,247,837)</u>
Loss Before Income Taxes	(755,306)	(564,209)	(1,292,872)	(2,991,501)
Income Tax Provision	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net loss	<u>\$ (755,306)</u>	<u>\$ (564,209)</u>	<u>\$ (1,292,872)</u>	<u>\$ (2,991,501)</u>
Net loss attributable to non-controlling interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,298</u>
Net Loss attributable to Mindpix Corporation Stockholders	<u>\$ (755,306)</u>	<u>\$ (564,209)</u>	<u>\$ (1,292,872)</u>	<u>\$ (2,988,203)</u>
Basic and Diluted Loss Per Share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>

See accountant's report.

Mindpix Corporation
Condensed Consolidated Statement of Deficiency
Nine Months Ended September 30, 2014
(UNAUDITED)

	<u>Common Stock</u>		<u>Common Stock to be Issued</u>		<u>Additional</u>	<u>Non-</u>	<u>Accumulated</u>	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Paid In</u>	<u>Controlling</u>	<u>Deficit</u>	<u>Total</u>
					<u>Capital</u>	<u>Interest</u>		
Balances, December 31, 2013	1,062,336,084	\$ 106,233	\$ 238,317,017	\$ 23,832	\$ 16,735,966	\$ (320,412)	(17,307,892)	\$ (762,273)
Sale of common stock for cash, net	139,018,846	13,902	-	-	704,826	-	-	718,728
Issuance of shares subscribed	103,217,034	10,322	(103,217,034)	(10,322)	-	-	-	-
Issuance of common stock services	2,010,000	201	(20,000,000)	(2,000)	40,799	-	-	39,000
Issuance of shares in settlement of amount due to related party	7,500,000	750	-	-	29,250	-	-	30,000
Issuance of shares in settlement of litigation	8,000,000	800	-	-	66,400	-	-	67,200
Issuance of common stock upon conversion of convertible debt and accrued interest	149,491,857	14,949	-	-	95,051	-	-	110,000
Reclassification of derivatives upon conversion of convertible debt	-	-	-	-	254,875	-	-	254,875
Stock based compensation	-	-	-	-	52,842	-	-	52,842
Net loss	-	-	-	-	-	-	(1,292,872)	(1,292,872)
Balances, September 30, 2014	<u>1,471,573,821</u>	<u>\$ 147,157</u>	<u>\$ 115,099,983</u>	<u>\$ 11,510</u>	<u>\$ 17,980,009</u>	<u>\$ (320,412)</u>	<u>\$ (18,600,764)</u>	<u>\$ (782,500)</u>

See accountant's report.

Mindpix Corporation
Consolidated Statements of Cash Flows
Nine Months Ended September 30, 2014 and 2013

Cash from Operating Activities:	<u>2014</u>	<u>2013</u>
Net loss	\$ (1,292,872)	\$ (864,773)
Adjustments to reconcile net loss to cash used in operations:		
Stock issued for services	39,000	677,330
Stock-based compensation	52,842	-
Depreciation	1,400	-
Amortization of debt discount	69,486	-
Derivative expense	101,673	-
Accrued interest on notes payable	6,774	-
Payment of consulting fees by officer in exchange for note payable	34,500	-
Increase in accounts receivable	14,974	-
Increase in accounts payable	<u>138,506</u>	<u>8,644</u>
Net cash used in operations	<u>(833,717)</u>	<u>(178,799)</u>
 Cash from Financing Activities:		
Purchase of property and equipment	<u>(3,545)</u>	<u>-</u>
Net cash used in investing activities	<u>(3,545)</u>	<u>-</u>
 Cash from Financing Activities:		
Proceeds from the issuance of convertible debt	120,000	-
Advances from stockholders	(4,000)	-
Advances from Emax Media Inc. and Affiliates	-	178,800
Sale of common stock for cash, net	<u>718,728</u>	<u>-</u>
Net cash provided by financing activities	<u>834,728</u>	<u>178,800</u>
 Net Decrease in Cash	(2,535)	-
Cash, Beginning of Period	<u>2,897</u>	<u>-</u>
Cash, End of Period	<u>\$ 362</u>	<u>\$ -</u>
 Supplemental Cash Flow Information:		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>
 Schedule of Noncash Investing and Financing Activities:		
Issuance of common stock for conversion of convertible debt and accrued interest	<u>\$ 110,000</u>	<u>\$ -</u>
Reclassification of derivative liabilities upon conversion of convertible debt	<u>\$ 254,875</u>	<u>\$ -</u>
Issuance of shares in settlement of amount due to related party	<u>\$ 30,000</u>	<u>\$ -</u>
Issuance of shares in settlement of litigation	<u>\$ 67,200</u>	<u>\$ -</u>

See accountant's report.

Mindpix Corporation
Notes to the Consolidated Financial Statements
September 30, 2014

Note 1. Organization, Basis of Presentation and Significant Accounting Policies

Nature of Business and Basis of Presentation

Mindpix Corporation (referred to herein as the “Company”) was originally incorporated in the State of Delaware in 1988, re-domiciled in the State of Nevada in 2004, and is media company that focuses on proprietary technology, music and multi-media global content.

Going Concern and Liquidity

The Company has a working capital deficiency of \$855,844 and an accumulated deficit of \$18,600,764 as of September 30, 2014. The Company has limited recurring sources of revenue or liquidity and incurred a net loss attributable to Mindpix Corporation and net cash used in operations of \$1,292,872 and \$833,717, respectively, for the nine months ended September 30, 2014. Management will require additional equity or debt financing to finance its operations. There can be no assurance that such funding will be available to the Company on acceptable terms. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. The Company has not made any adjustments that might result from the outcome of this uncertainty.

Management Plans – The Company is focusing its efforts on:

- Developing new business,
- identifying strategic partnerships that will enhance its service offerings, and
- seeking sources of debt and equity financing.

Management believes that these efforts will allow the Company to continue as a going concern for the foreseeable future.

Principles of Consolidation and Non-Controlling Interest

The accompanying consolidated financial statements include the accounts of the Company and its majority-owned subsidiary, New Beginnings Concert 2012, LLC (“New Beginnings”), which was organized in the state of Florida in November 2012 for the purpose of producing a concert event in Florida in December 2012. The Company owns a 66% interest in New Beginnings. Amounts attributable to the non-controlling members in New Beginnings are presented as non-controlling interest in subsidiary on the accompanying consolidated balance sheets and net loss attributable to non-controlling interest on the accompanying consolidated statements of operations. All significant intercompany balances and transactions have been eliminated in consolidation.

Mindpix Corporation
Notes to the Consolidated Financial Statements
September 30, 2014

Note 1. Organization, Basis of Presentation and Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Company's knowledge of current events and actions that the Company may undertake in the future, actual results could differ from those estimates. As discussed below, the Company's most significant estimates include those made in connection with stock based transactions, and the valuation of music licensing rights.

Cash and Cash Equivalents

For the purposes of the balance sheet and statement of cash flows, the Company considers all amounts on deposit with financial institutions and highly liquid investments with original maturities at time of purchase of three months or less to be cash equivalents.

Stock-based Compensation

The Company recognizes stock-based compensation by measuring the cost of services to be rendered based on the grant-date fair value of the equity award. No equity awards were granted to non-employees for future services. The grant date fair value of the equity-awards granted is estimated based on the quoted trading price of the Company's common stock and is recognized as expense over the vesting period, if any.

Fair Value of Financial Instruments

The carrying amount of the Company's financial instruments consisting of accounts payable, notes payable and accrued interest, convertible debt, and amounts due to related parties approximate fair value due to their short term nature.

Income Taxes

Deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amounts expected to be realized.

Mindpix Corporation
Notes to the Consolidated Financial Statements
September 30, 2014

Note 1. Organization, Basis of Presentation and Significant Accounting Policies (Continued)

The Company accounts for income taxes under the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 740, “Accounting for Income Taxes.” It prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. As a result, the Company has applied a more-likely-than-not recognition threshold for all tax uncertainties. The guidance only allows the recognition of those tax benefits that have a greater than 50% likelihood of being sustained upon examination by the various taxing authorities. The Company’s tax years since 2004 remain subject to examination by Federal and state jurisdictions.

The Company classifies penalties and interest related to unrecognized tax benefits as income tax expense in the Consolidated Statements of Operations.

Earnings Per Share

Basic earnings per share is calculated based on income available to common stockholders and the weighted-average number of shares outstanding during the reporting period. Diluted earnings per share is calculated based on income available to common stockholders and the weighted-average number of common and potential common shares outstanding during the reporting period. The Company’s potentially dilutive securities, consisting 15,000,000 shares underlying stock options and 271,491,228 shares underlying convertible debt as of September 30, 2014, were anti-dilutive and excluded from the calculation of diluted earnings per share.

Subsequent Events

The Company has evaluated subsequent events through November 18, 2014, which is also the date the financial statements were available to be issued.

Recently Issued Accounting Standards

Management has reviewed and continues to monitor the actions of the various financial and regulatory reporting agencies and is currently not aware of any proposed or pending pronouncements that could have a material impact on the Company’s financial position, results of operations or cash flows.

Mindpix Corporation
Notes to the Consolidated Financial Statements
September 30, 2014

Note 2. Related Parties

Advances from the Related Parties for New Beginnings Concert 2012

During 2012, the 33% member in New Beginnings paid \$119,301 directly to vendors of the Company related to the production of the December 2012 concert event. The Company also agreed to issue 30,000,000 shares of common stock with a grant date fair value of \$345,000 to an officer of the 33% member in New Beginnings. In December 2012, an officer of the 33% member advanced \$30,000 to the Company related to the December 2012 concert. During the year ended December 31, 2013, the Company repaid \$50,000. In December 2013, the Company entered into settlement agreements with its former chairman of the board directors for amounts owed to the chairman and the 33% member of New Beginnings, which totaled approximately \$119,301 as of December 31, 2012. Pursuant to the agreements, the Company agreed to issued 30,000,000 shares of common stock to the former chairman, and maintain the chairman's health insurance for 12 months at a cost of \$1,000 per month. During the nine months ended September 30, 2014, the Company issued 7,500,000 shares of common stock in settlement of amounts advanced by the officer of the 33% member in December 2012. The cost of the health insurance of \$12,000 and the \$4,000 advanced from a former officer of New Beginnings is presented as due to related parties as of September 30, 2014.

Note 3. Convertible Debt

From April 2013 through June 2013, the Company issued convertible notes with an aggregate face value of \$126,000. The notes mature one year from issuance, bear interest at an annual rate of 10%, and are convertible into common stock of the Company at the option of the holder at a conversion rate equal to 30% of the average of the lowest five closing trading prices of the Company's common stock during the twenty trading days immediately preceding the conversion date with reset provisions on the conversion rate. During the nine months ended September 30, 2014, the holder of the convertible notes converted an aggregate face amount of \$100,000 and accrued interest of \$10,000 into 149,491,857 shares of common stock. As of September 30, 2014, the outstanding principle balance on these notes is \$26,000.

During the nine months ended September 30, 2014, the Company issued a convertible notes with an aggregate face value of \$120,000. The notes mature one year from issuance, bear interest at annual rates ranging from 8% to 10%, and are convertible into common stock of the Company at the option of the holder at a conversion rates equal to a range of 30% to 50% of the average of the lowest five closing trading prices of the Company's common stock during the twenty trading days immediately preceding the conversion date with reset provisions on the conversion rate.

Because the convertible notes are convertible into an indeterminable number of shares of common stock and due to the reset provisions, the fair value of the embedded conversion options are required to be presented as derivative liabilities and adjusted to fair value at each reporting date, with changes in fair value reported in the statement of operations.

Mindpix Corporation
Notes to the Consolidated Financial Statements
September 30, 2014

Note 3. Convertible Debt (Continued)

The Company estimated the fair value of the derivative liabilities on the dates of issuance and as of September 30, 2014 using Monte Carlo Simulations and the following assumptions:

Volatility	43.5% -169.3%
Risk Free Rate	0.09% - 0.15%
Expected Term	0.3 – 1.0 Years
Dividend Rate	0%

On the dates of issuance in 2013, the Company recorded derivative liabilities of \$332,835 and debt discounts of \$126,000. The debt discounts are being amortized into expense through the maturity dates of the convertible notes. As of December 31, 2013, the carrying value of the convertible notes totaled \$78,107, net of remaining unamortized discounts of \$47,893. On the dates of issuance in 2014, the Company recorded derivative liabilities of \$227,240 and debt discounts of \$120,000, resulting in an initial derivative expense of \$107,240. The debt discounts are being amortized into expense through the maturity dates of the convertible notes. During the nine months ended September 30, 2014, the Company amortized \$94,137 of the discounts. As of September 30, 2014, the carrying value of the convertible notes totaled \$72,592, net of remaining unamortized discounts of \$46,257.

During the nine months ended September 30, 2014, the Company reclassified derivative liabilities with a fair value of \$254,875 to additional paid in capital upon conversion of the related convertible debt into common stock. The Company adjusted the derivative liabilities to their fair value of \$294,487, resulting in income from the change in fair value of derivative liabilities of \$3,272.

Note 4. Note Payable

The Company has a note payable with a principal balance of \$59,491 as of September 30, 2014, and December 31, 2013, and accrued interest of \$40,132 and \$35,628 as of September 30, 2014, and December 31, 2013, respectively. The note is due on demand and accrues interest at an annual rate of 10%.

Note 5. Stockholders' Deficiency

Issuance of Common Stock

During the nine months ended September 30, 2014, the Company received net proceeds of \$718,728 from the sale of 139,018,846 shares of common stock. The Company also issued 103,217,017 shares of common stock for cash or services received during the years ended December 31, 2012 and 2013.

During the nine months ended September 30, 2014, the Company issued 2,010,000 shares of common stock as consideration for services rendered. The Company recorded compensation expense equal to the grant date fair value of the shares, estimated based on the grant date quoted trading prices of the Company's common stock, totaling \$39,000 for the nine months ended September 30, 2014.

Mindpix Corporation
Notes to the Consolidated Financial Statements
September 30, 2014

Note 5. Stockholders' Deficiency (Continued)

During the nine months ended September 30, 2014, the Company issued 7,500,000 shares with a grant-date fair value of \$30,000 in settlement of \$30,000 owed to a former officer of New Beginnings.

During the nine months ended September 30, 2014, the Company issued 149,491,857 share of common stock upon the conversion of convertible debt and accrued interest totaling \$110,000.

During the nine months ended September 30, 2014, the Company issued 8,000,000 shares of common stock in settlement of litigation. See Note 7.

Stock-Based Compensation

During the nine months ended September 30, 2014, the Company recognized \$88,842 of expense related to the vesting of stock options and restricted stock. During the nine months ended September 30, 2014, the Company issued options to acquire 5,000,000 shares of common stock for \$.10 per share over a term of 10 years. The options had a grant date fair value of \$0.42 and vested immediately.

Note 6. Income Taxes

The Company's income tax rate computed at the statutory federal rate of 34% differs from its effective tax rate primarily due to permanent items, state taxes and the change in the deferred tax asset valuation allowance.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. In assessing the realizability of deferred tax assets, Management evaluates whether it is more likely than not that some portion or all of its deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based on Management's evaluation, the net deferred tax asset was offset by a full valuation allowance in all periods presented. The Company's deferred tax asset valuation allowance will be reversed if and when the Company generates sufficient taxable income in the future to utilize the tax benefits of the related deferred tax assets.

As of September 30, 2013 the Company had a net operating loss carry-forward of approximately \$1,943,000 which may be used to offset future taxable income and begins to expire in 2028.

Mindpix Corporation
Notes to the Consolidated Financial Statements
September 30, 2014

Note 7. Commitments and Contingencies

The Company's former Chief Financial Officer commenced litigation against the Company claiming that the Company owed him \$121,630 for his services pursuant to a Services Agreement. The Company settled the matter in March 2014 and agreed to pay the former Chief Financial Officer \$15,000 and issue 8,000,000 shares of common stock with a settlement-date fair value of \$67,200. The Company has accrued \$15,000 and \$82,200, included in accounts payable and accrued expenses, as of September 30, 2014 and December 31, 2013, respectively.

The Company defaulted in 2005 on a Financing Agreement with a third party, whereby the third party had loaned approximately \$325,000 to the Company. The Company has repaid approximately \$177,610; however, the remaining balance is no longer accrued as management has determined the statute of limitations has expired. A lawsuit was filed in this matter in Washington County, Utah.