

## **NANOTECH ENTERTAINMENT, INC.**

### **FINANCIAL INFORMATION FOR QUARTER ENDING DECEMBER 31, 2013**

#### **FINANCIAL STATEMENTS**

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission ("SEC"). In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the periods presented have been reflected herein. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

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

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

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

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

**NanoTech Entertainment, Inc.**  
Balance Sheet  
Quarter Ended December 31, 2013  
(unaudited)

**ASSETS**

Current Assets:

Cash	\$ 58,585
Accounts Receivable	\$ 45,690
Inventory	\$ 347,175
Prepaid Contracts	
Prepaid Expenses	\$ -
Prepaid Royalties	\$ 40,000
Total Current Assets	<u>\$ 491,451</u>
Property and Equipment	\$ 703,896
Less: Accumulated Depreciation	<u>\$ (60,773)</u>
Net Property and Equipment	\$ 643,122
<b>Total Assets</b>	<b><u>\$ 1,134,573</u></b>

**LIABILITIES and STOCKHOLDERS DEFICIT**

**LIABILITIES**

**Current Liabilities**

Accounts Payable and Accrued Expenses	\$ (12,584)
Bank Overdraft	\$ -
Accounts Payable Related Parties	\$ -
Accrued Salaries	\$ (52,500)
Notes Payable	\$ -
Notes Payable - Related Parties	\$ -
Convertible Notes Payable	\$ -
Convertible Notes Payable - Related Parties	\$ (12,500)
Discount on Convertible Debt	<u>\$ -</u>
<b>Total Liabilities</b>	<b><u>\$ (77,584)</u></b>

**STOCKHOLDERS' DEFICIT**

Common Stock, \$.001 par value, 740,000,000 shares authorized, 528,292,868 issued and outstanding	\$ (528,293)
Additional Paid-In Capital	\$ (5,063,890)
Deficit accumulated during the development stage	<u>\$ 4,535,193</u>
<b>Total Stockholders' deficit</b>	<b><u>\$ (1,056,990)</u></b>

<b>TOTAL LIABILITIES and STOCKHOLDERS' DEFICIT</b>	<b><u>\$ (1,134,573)</u></b>
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The accompanying notes are an integral part of these financial statements.

**NanoTech Entertainment, Inc.**

## Statement of Cash Flow

(unaudited)

**Qtr Ending****Dec 31, 2013**

<b>Starting Cash</b>	\$	65,844
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<b>Cash Flow from Operations</b>		
Net Earnings	\$	315,979
<b><i>Additions to Cash</i></b>		
Depreciation	\$	55,626
Increase in Inventory	\$	244,235
Decrease in Accounts Receivable	\$	-
Increase in Accounts Payable	\$	-
Increase in Taxes Payable	\$	-
Increase in Acc Liab - Rel Party	\$	-
Increase in Acc Int - Conv Debt	\$	-
Increase in Acc Int - Notes Pay	\$	-
Increase in Acc Int - NP Rel Party	\$	-
<b><i>Subtractions from Cash</i></b>		
Decrease in Inventory	\$	-
Increase in Accounts Receivable	\$	(45,690)
Decrease in Accounts Payable	\$	(546,181)
Decrease in Acc Liab - Rel Party	\$	-
Decrease in Acc Int - Conv Debt	\$	-
Decrease in Acc Int - Notes Pay	\$	-
Decrease in Acc Int - NP Rel Party	\$	-
<b><i>Adjustments to Reconcile</i></b>		
net income to net cash provided		
(used for) operations, and write-downs & adj.	\$	-
<b>Net Cash from Operations</b>	\$	23,969
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<b>Cash Flow from Investing</b>		
Equipment	\$	(31,228)
<b>Cash Flow from Financing</b>		
Notes Payable	\$	-
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<b>Net Cash Increase for Period</b>	\$	(7,259)
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<b>Cash at End of Period</b>	\$	58,585
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The accompanying notes are an integral part of these financial statements.

**NanoTech Entertainment, Inc.**

## Income Statement

(unaudited)

**Q/E Dec 31****2013****Income Statement**

Sales Gaming	\$	537,800
Sales Comms	\$	11,037
Sales Media	\$	4,482,150
Sales Events	\$	78,095
Sales 3D	\$	120,000
Sales Studio	\$	95,000
Other Income	\$	-
Cost of Sales	\$	(4,160,366)
Depreciation Expense	\$	(55,626)
General and Administration Expense	\$	(81,366)
Payroll Expense	\$	(430,909)
Professional & Legal Fees	\$	(98,795)
Sales & Marketing	\$	(62,500)
Building & Equipment	\$	(31,228)
Loss on Settlement of Debt	\$	-
Loss on Discontinued Operations	\$	-
Loss on Extinguishment of Accrued Salaries	\$	-
Rent Expense	\$	(87,312)
Interest Expense	\$	-
<b>Net Gain</b>	<b>\$</b>	<b>315,979</b>
Number Shares		528,292,868
Net Gain per Share	\$	0.000
Gross Sales	\$	5,324,082
Gross Profit	\$	1,163,716
Expenses	\$	(847,737)

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

**NanoTech Entertainment, Inc.**  
**Notes to Unaudited Financial Statements**  
**Quarter Ended December 31, 2013**

**A. ORGANIZATION**

NanoTech Entertainment, Inc. ("NEI") was incorporated under the laws of the state of Nevada on July 15, 2004. The Company operates as a manufacturer and developer of technology, games, television content, consumer goods, mobile applications, and consumer software. The company generates revenue from a mixture of licensing products to third parties for manufacturing and ultimate distribution as well as the manufacture and sale and rental of products directly to the consumer..

**B. SIGNIFICANT ACCOUNTING POLICIES**

**USE OF ESTIMATES**

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

**CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash in banks, money market funds, and certificates of term deposits with maturities of less than three months from inception, which are readily convertible to known amounts of cash and which, in the opinion of management, are subject to an insignificant risk of loss in value. The Company's cash balance totaled \$58,585 as of December 31, 2013.

**INVENTORY**

The Company's inventory is stated at the lower of cost or market using the FIFO costing method. Inventory on hand totaled \$347,175 at December 31, 2013 and consisted components and finished goods and equipment available and ready for sale.

**PROPERTY AND EQUIPMENT**

The Company's property and equipment is comprised of office and computer equipment, which are stated at cost. Depreciation is calculated over the estimated useful lives ranging from 3 to 7 years using the straight – line method. The Company has \$703,896 in fixed assets, which had accumulated depreciation of \$60,773 at December 31, 2013.

**NanoTech Entertainment, Inc.**  
**Notes to Unaudited Financial Statements**  
**Quarter Ended December 31, 2013**

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

**REVENUE RECOGNITION**

Revenues are recognized when risks associated with ownership have passed to unaffiliated customers, and when all criteria of ASB Topic No. 605 (SAB Topic 13) have been met. Typically, this occurs when finished products are shipped, or media content is delivered.

**RECENTLY-ISSUED ACCOUNTING PRONOUNCEMENTS**

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

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

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

**NanoTech Entertainment, Inc.**  
**Notes to Unaudited Financial Statements**  
**Quarter Ended December 31, 2013**

**C. RELATED PARTY TRANSACTIONS**

The Company previously paid rent expense to one founder pursuant to long-term rent agreements (see Note N) for the use of property for business purposes. The amounts incurred by the Company for rent for the period ended December 31, 2013 totaled \$29,000. This amount has been recorded in selling, general and administrative expenses for the same period. This contract has ended and has not been renewed.

**D. NOTES PAYABLE**

n/a

**E. STOCKHOLDERS' DEFICIT**

The Company has authorized 740,000,000 shares of common stock with a par value of \$.001, and no preferred stock. As of December 31, 2013 the total shares issued and outstanding was 528,292,868.

**F. CONVERTIBLE DEBENTURES**

During period ending December 31, 2013, the Company issued no convertible debentures.

**G. INCOME TAXES**

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

**NanoTech Entertainment, Inc.**  
**Notes to Unaudited Financial Statements**  
**Quarter Ended December 31, 2013**

**H. GOING CONCERN CONSIDERATIONS**

The Company's financial statements have been prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. During the Quarter ended December 31, 2013, the Company incurred net profits totaling \$315,979 resulting in total accumulated deficit of \$4,535,193 with a Total Shareholders' deficit of (\$1,056,990) at December 31, 2013. The past three quarters have shown net gains and increased assets continuing to show the Company's ability to continue as a going concern. The Company's ability to meet its ongoing financial requirements is no longer dependent on management being able to obtain additional equity and/or debt financing.

**I. ROYALTIES**

The Company has entered into several licensing agreements whereby the Company licenses certain gaming software from various developers. The Company is responsible for paying royalties to the developers based on product sales. In the event that no product is sold, the Company is also required to pay a minimum royalty in order to maintain exclusivity (i.e., the developer cannot license the same software to the Company's competitors). Certain developers also require prepayment of royalties that are either offset by future sales, or expire at the end of a calendar year - at which point they are expensed. No sales of the licensed products had occurred during the period ending December 31, 2013.

**J. SUBSEQUENT EVENTS**

n/a

**N. COMMITMENTS AND CONTINGENCIES**

The Company had previously entered into a rental contracts with one of the founders for use of storage facilities, offices, development labs, and utilities for the Company's operations, production, research and development, sales, and marketing. The Contract required \$16,400 in monthly payments (plus other related minimal costs) to over the Contracts' extended term of December 1, 2007 through November 30, 2013. The Contracts has been terminated. The amounts incurred by the Company and paid for rent for the quarter ended December 31, 2013 totaled \$29,000. This amount has been recorded in selling, general and administrative expenses for the same period ( see Note C).