Searchlight Solutions Ltd.
(A Development Stage Company)
March 31, 2011
(Unaudited)

Index

Searchlight Solutions Ltd.
(A Development Stage Company)
Consolidated Balance Sheets
(Expressed in U.S. dollars)
(Unaudited)

	March 31, 2011 $	December 31, 2010 $
ASSETS		
Current Assets		
Cash	10,923	4
Total Current Assets	10,923	4
Refundable deposit (Note 6(a) and 7(i))	400,000	–
Equipment (Note 3)	14,100	21,886
Total Assets	425,023	21,890
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable	72,777	164,320
Accrued interest	16,129	13,936
Convertible notes payable (Note 5)	94,500	95,750
Due to related parties (Note 4)	258,805	255,100
Total Liabilities	442,211	529,106
Contingency and Commitments (Notes 1 and 7)		
Subsequent Events (Note 8)		
Stockholders' Deficit		
Preferred Stock, 100,000,000 shares authorized, $0.0001 par value, No shares issued and outstanding	–	–
Common Stock, 7,500,000,000 shares authorized, $0.0001 par value, 5,458,083,000 shares issued and outstanding (December 31, 2010 - 30,583,000 shares)	545,808	3,058
Additional Paid-in Capital	1,258,402	687,402
Deficit	(595,735)	(595,735)
Deficit Accumulated During the Development Stage	(1,225,663)	(601,941)
Total Stockholders' Deficit	(17,188)	(507,216)
Total Liabilities and Stockholders' Deficit	425,023	21,890

(The accompanying notes are an integral part of these consolidated financial statements)

Searchlight Solutions Ltd.
(A Development Stage Company)
Consolidated Statements of Operations
(Expressed in U.S. dollars)
(Unaudited)

	Period from September 10, 2008 (Date of Commencement of Development Stage) To March 31, 2011 $	For the Three Months Ended March 31, 2011 $	2010 $
Expenses			
Amortization	80,625	7,786	7,786
Consulting fees	421,300	29,100	39,100
General and administrative	10,739	10,643	–
Professional fees	15,870	3,000	–
Research and development	110,000	–	–
Total Operating Expenses	(638,534)	(50,529)	(46,886)
Other Expense			
Interest expense	(16,129)	(2,193)	(1,834)
Loss on settlement of debt	(571,000)	(571,000)	–
Net Loss	(1,225,663)	(623,722)	(48,720)
Net Loss Per Common Share – Basic and Diluted		–	–
Weighted Average Common Shares Outstanding – Basic and Diluted		2,861,805,000	30,583,000

(The accompanying notes are an integral part of these consolidated financial statements)

Searchlight Solutions Ltd.
(A Development Stage Company)
Consolidated Statements of Cash Flows
(Expressed in U.S. dollars)
(Unaudited)

	Period from September 10, 2008 (Date of Commencement of Development Stage) To March 31, 2011 $	For the Three Months Ended March 31, 2011 $	2010 $
Operating Activities			
Net loss for the period	(1,225,663)	(623,722)	(48,720)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization	80,625	7,786	7,786
Loss on settlement of debt	571,000	571,000	–
Changes in operating assets and liabilities:			
Accounts payable	166,777	2,457	13,600
Accrued interest	16,129	2,193	1,834
Due to related parties	258,805	3,705	16,500
Net Cash Used in Operating Activities	(132,327)	(36,581)	(9,000)
Financing Activities			
Proceeds from convertible note payable	143,250	47,500	9,000
Net Cash Provided by Financing Activities	143,250	47,500	9,000
Increase in Cash	10,923	10,919	–
Cash – Beginning of Period	–	4	9
Cash – End of Period	10,923	10,923	9
Supplemental Disclosures:			
Interest paid	–	–	–
Income taxes paid	–	–	–

(The accompanying notes are an integral part of these consolidated financial statements)

(Expressed in U.S. dollars)

1. Development Stage Company and Going Concern

Searchlight Solutions Ltd. (the "Company") was incorporated in the State of Nevada on November 2, 1995. In September 2008, the Company changed its name from "Searchlight Solutions Ltd." to "Midtech Communications Inc." Effective February 14, 2011, the Company changed its name back to "Searchlight Solutions Ltd."

The Company is in the development stage as defined by Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 915, *Development Stage Entities*. The Company's principal business is in the field of telecom and technology consulting, software sales and distribution.

These financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has never paid any dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity financing to continue operations, and the attainment of profitable operations. As at March 31, 2011, the Company has a working capital deficit of $431,288 and has accumulated losses of $1,225,663 during the development stage. These factors raise substantial doubt regarding the Company's ability to continue as a going concern. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Basis of Presentation

The interim unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Securities and Exchange Commission ("SEC") Form 10-Q. They do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Therefore, these financial statements should be read in conjunction with the Company's financial statements and notes thereto for the year ended December 31, 2010.

The financial statements included herein are unaudited; however, they contain all normal recurring accruals and adjustments that, in the opinion of management, are necessary to present fairly the Company's financial position at March 31, 2011, and the results of its operations and cash flows for the three months ended March 31, 2011. The results of operations for the three months ended March 31, 2011, are not necessarily indicative of the results to be expected for future quarters or the full year.

3. Property and Equipment

			Net Carrying Value	
	Cost $	Accumulated Depreciation $	March 31, 2011 $	December 31, 2010 $
Office furniture	3,875	3,299	576	895
Computer hardware	90,850	77,326	13,524	20,991
	94,725	80,625	14,100	21,886

4. Related Party Transactions

a) During the three months ended March 31, 2011, the Company recognized $25,500 (2010 - $25,500) of consulting fees provided by Talon Inc., a company controlled by the President of the Company.

b) At March 31, 2011, the Company is indebted to the President of the Company and companies controlled by the President of the Company for $258,805 (December 31, 2010 – $255,000), representing $258,700 of consulting fees owed and $105 of expenditures paid on behalf of the Company. This amount is unsecured, bears no interest and is due on demand.

(Expressed in U.S. dollars)

5. Convertible Notes Payable

During the three months ended March 31, 2011, the Company received numerous loans totaling $47,500 (2010 - $9,000). The loans bear interest at 10% per annum and are due one year from the date of issuance. The loans can be converted to equity at a price to be determined at the time of conversion.

Year Received	Principal $	Accrued Interest $
2008	10,000	1,000
2009	39,750	3,975
2010	46,000	3,071
2011	47,500	423
Total received	143,250	8,469
Less: Converted into shares of common stock	(48,750)	–
Balance as at March 31, 2011	94,500	8,469

During the three months ended March 31, 2011, the lenders elected to convert $48,750 of the loans into 487,500,000 shares of common stock, which had a fair value of $243,750, resulting in a loss on settlement of debt of $195,000.

6. Common Stock

a) On February 11, 2011, the Company issued 4,000,000,000 shares of common stock with a fair value of $400,000 to Talon Inc. ("Talon"), a company controlled by the President of the Company, as a refundable deposit pursuant to the Letter of Intent to acquire a 70% interest in Linux Labs International Inc. ("Linux"), a company controlled by the President of the Company (Note 7(i)).

b) Effective February 14, 2011, the Company amended its Articles of Incorporation. Pursuant to the amendment, the Company increased its authorized capital to from 100,000,000 shares of common stock with a par value of $0.001 to 7,500,000,000 shares of common stock with a par value of $0.0001 per share, and 100,000,000 shares of preferred stock with a par value of $0.0001 per share. All share amounts have been retroactively restated to reflect the change in par value.

c) On February 15, 2011, the Company entered into exchange agreements with debt holders to convert $142,750 of amounts owing into 1,427,500,000 shares of common stock, which had a fair value of $713,750, resulting in a loss on settlement of debt of $571,000 (Notes 5, 7(e), 7(f), and 7(g)).

7. Commitments

a) On September 2, 2008, the Company entered into a Share Purchase Agreement (the "Agreement") with Triumph Case Management Ltd. and Searchlight Scientific Inc. (formerly Midtech Holdings Inc.). The Agreement closed on September 10, 2008. In connection with the Agreement, the Company agreed to pay a finder's fee of $30,000 to a consultant. The amount was due upon closing of the Agreement and bears interest at a rate of 10% per annum. As at March 31, 2011, the balance remains outstanding and the Company has recorded accrued interest of $7,660 (December 31, 2010 - $6,921).

b) Effective September 10, 2008, the Company entered into an anti-dilution agreement with Triumph Case Management Ltd. ("Triumph"), whereby the Company agreed to assure that Triumph shall have and maintain at all times weighted average anti-dilution protection rights equal to 12.55% of the total number of issued and outstanding shares of common stock of the Company.

c) On September 18, 2008, the Company entered into a software development agreement with Linux, in which Linux will develop customized software and will provide software hosting and maintenance services to the Company. Pursuant to the agreement, the Company agreed to pay $10,000 upon signing of the agreement and $7,500 per month in consideration for development services. Effective November 1, 2009, the Company elected to terminate the agreement. In consideration, the Company agreed to pay a $10,000 suspension fee. As at March 31, 2011, the Company is indebted to Linux for $3,700 (December 31, 2010 - $25,500) (Note 4(b)).

7. Commitments (continued)

d) On September 20, 2008, the Company entered into a consulting agreement for project and business management services with Talon. Pursuant to the agreement, the consultant shall receive a retainer fee of $8,500 upon execution of the agreement and $8,500 per month in consideration of their services. As at March 31, 2011, the Company is indebted to Talon for $255,000 (December 31, 2010 - $229,500). The balance can be converted to equity at a price to be determined at the time of conversion, provided that such conversion does not exceed 9.99% of the Company's issued and outstanding shares of common stock.

e) On September 22, 2008, the Company entered into a consulting agreement for project and business management services with a consultant. Pursuant to the agreement, the consultant shall receive a retainer fee of $5,000 upon execution of the agreement and $5,000 per month in consideration of their services. Effective November 23, 2009, the Company and the consultant mutually elected to terminate the consulting agreement. On February 15, 2011, the lender elected to convert $60,000 of the debt into 600,000,000 shares of common stock, which had a fair value of $300,000, resulting in a loss on settlement of debt of $240,000. As at March 31, 2011, the Company is indebted to the consultant for $7,500 (December 31, 2010 - $67,500). The balance can be converted to equity at a price to be determined at the time of conversion, provided that such conversion does not exceed 9.99% of the Company's issued and outstanding shares of common stock.

f) On October 1, 2008, the Company entered into a consulting agreement with a consultant for assistance in writing press releases, preparing public registration statements, drafting public reporting filings, evaluating business opportunities, effecting mergers and acquisitions, advising corporate management on general business or financial issues and performing general administrative duties. The agreement is for a term of 12 months and the consultant shall receive $2,000 per month in consideration of their services. Effective September 30, 2009, the consulting agreement expired and the Company and the consultant mutually elected to not extend the agreement and therefore terminate the consulting agreement. On February 15, 2011, the lender elected to convert $24,000 of the debt into 240,000,000 shares of common stock, which had a fair value of $120,000, resulting in a loss on settlement of debt of $96,000. As at March 31, 2011, the Company is indebted to the consultant for $nil (December 31, 2010 - $24,000). The balance can be converted to equity at a price to be determined at the time of conversion, provided that such conversion does not exceed 9.99% of the Company's issued and outstanding shares of common stock.

g) On October 18, 2008, the Company entered into a consulting agreement with a consultant for project and business management services. Pursuant to the agreement, the consultant shall receive a retainer fee of $1,200 upon execution of the agreement and $1,200 per month in consideration of their services. On February 15, 2011, the lender elected to convert $10,000 of the debt into 100,000,000 shares of common stock, which had a fair value of $50,000, resulting in a loss on settlement of debt of $40,000. As at March 31, 2011, the Company is indebted to the consultant for $24,800 (December 31, 2010 - $31,200). The balance can be converted to equity at a price to be determined at the time of conversion, provided that such conversion does not exceed 9.99% of the Company's issued and outstanding shares of common stock.

h) On January 1, 2010, the Company entered into a consulting agreement with a consultant for project and business management services. The agreement is for an initial term of 12 months and the Consultant shall receive $5,000 per month in consideration of their services. Effective February 28, 2010, the Company and the consultant mutually elected to terminate the consulting agreement. As at March 31, 2011, the Company is indebted to consultant for $7,500 (December 31, 2010 – $10,000). The balance can be converted to equity at a price to be determined at the time of conversion, provided that such conversion does not exceed 9.99% of the Company's issued and outstanding shares of common stock.

i) On November 12, 2010, the Company's entered into a Letter of Intent (the "Agreement") with Linux, a company controlled by the President of the Company. Under the terms of the Agreement, the Company will acquire 70% of the outstanding shares of common stock of Linux in exchange for 4,000,000,000 shares of common stock, 100 shares of Series A Preferred Stock and 700,000 shares of Series B Convertible Preferred Stock of the Company. Upon execution of the Agreement, or as soon as practicable, the Company must deliver a refundable deposit of 4,000,000,000 shares of common stock of the Company to the shareholder of Linux (Issued February 11, 2011 – Note 6(a)). In the event that a Definitive Agreement is not completed, the deposit shall be refunded to the Company. The Company also agreed to provide financing to Linux in the amount of $400,000 within six months of the closing of the Definitive Agreement. Subsequent to the period ended March 31, 2011, the Company entered into a Definitive Share Exchange Agreement (Note 8(b)).

8. Subsequent Events

a) On April 21, 2011, the Company's designated the following classes of authorized preferred stock: 100 Series A Preferred Stock ("Series A Stock") and 800,000 Series B Convertible Preferred Stock ("Series B Stock"). The Series A Stock class shall vote together as a single class and represent 80% of all votes outstanding. The Series B Stock class shall vote together as a single class and represent an amount of votes that would otherwise be available if such holder exercised its full right of conversion. The Series B Stock is convertible at a ratio of 100,000 shares of Series B Stock into the equivalent of 7.5% of the fully diluted common stock, not including the shares of common stock to be received by the holder at the time of the Series B Stock conversion.

b) On April 26, 2011, the Company entered into a Definitive Share Exchange Agreement (the "Agreement") with Linux (Note 7(i)). Pursuant to the terms of the Agreement, the Company agreed to purchase 1,368 shares of common stock of Linux which represents 91.2% of the issued and outstanding shares of Linux. In consideration, the Company agreed to issue 4,000,000,000 shares of common stock, 100 shares of Series A Stock and 800,000 Series B Stock. The Agreement closed on April 30, 2011.

c) On April 26, 2011, the Company issued 684,989,417 shares of common stock to Triumph in accordance with an anti-dilution agreement (Note 7(b)).

d) Subsequent to March 31, 2011, the Company received loans totalling $13,000. The loans bear interest at 10% per annum and are due one year from the date of issuance. The loans can be converted to equity at a price to be determined at the time of conversion, provided that such conversion does not exceed 9.99% of the Company's issued and outstanding shares of common stock.