GoIP Global, Inc. and Subsidiary

CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

For The Six Months Ended

March 31, 2010

GoIP Global, Inc. and Subsidiary

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SHERB & CO., LLP

Offices in New York and Florida

Certified Public Accountants

Independent Accountants' Report

To the Board of Directors and Shareholders of
GoIP Global, Inc.
New York, New York

We have reviewed the accompanying consolidated balance sheet of GoIP Global, Inc. and subsidiary as of March 31, 2010, and the related statements of operations, changes in stockholders' deficit and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management GoIP Global, Inc.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Sherb & Co. LLP

Sherb & Co., LLP
Certified Public Accountants
New York, New York
June 22, 2010

GOIP GLOBAL, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET

ASSETS

		March 31, 2010 (Unaudited)
CURRENT ASSETS		
Cash	$	19,134
Other receivable - related party		16,043
Marketable security		72,000
Total Current Assets		**107,177**
Property, and equipment, net		94,481
Prepaid expenses		1,975
Patent costs		22,750
TOTAL ASSETS	**$**	**226,383**

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES		
Accounts payable	$	92,390
Loans payable		174,357
Due to officer		186,138
Accrued expenses		216,065
Short term convertible debt, net of debt discount of $1,026		96,473
Derivative liability		131,082
Total Liabilities		**896,505**
STOCKHOLDERS' DEFICIT		
Preferred stock, $.001 par value; Authorized 10,000000 shares;		
Series A 100,000 shares issued and outstanding		100
Series B 100,000 shares issued and outstanding		100
Series C 500,000 shares issued and outstanding		500
Common stock, $.001 par value; Authorized 2,400,000,000 shares; 1,574,472,445 issued and 1,509,227,371 outstanding		1,509,227
Additional Paid in Capital		8,433,818
Other comprehensive Income		6,575
Accumulated deficit		(10,688,725)
Total GOIP Global, Inc. Stockholders' Deficit		**(738,405)**
Noncontrolling interests		68,283
Total Stockholders' Deficit		**(670,122)**
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	**$**	**226,383**

See accompanying notes and accountants' review report.

GOIP GLOBAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS

	For the Six Months Ended March 31, 2010 (Unaudited)
REVENUES	
Sales	$ -
Gross Profit	-
OPERATING EXPENSES:	
Professional and Consulting	241,152
Selling, General and Administrative	197,717
Operating Loss	**438,869**
Net loss before other income (expense)	**(438,869)**
OTHER INCOME (EXPENSE)	
Interest expense paid in stock	(457,429)
Interest expense - loan	(13,083)
Interest expense as a result of change in conversion terms	(202,027)
Derivative expense	(194,981)
Amortization of debt discount	(114,813)
Interest income	758
Gain from debt forgiveness	1,284
Total other expense	**(980,291)**
NET LOSS	**(1,419,160)**
Net loss attributable to noncontrolling interest	31,718
Net loss attributable to GoIP Global, Inc. common stockholders	**$ (1,387,442)**
Basic and diluted loss per common share	**$ (0.00)**
Weighted average number of shares outstanding- basic and diluted	571,127,097

See accompanying notes and accountants' review report.

GOIP GLOBAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
PERIOD ENDED MARCH 31, 2010
UNAUDITED

	Series A Preferred Stock		Series B Preferred Stock		Series C Preferred Stock		Common Stock						
	Shares	Par value $0.001 Amount	Shares	Par value $0.001 Amount	Shares	Par value $0.001 Amount	Shares	Par value $0.001 Amount	Paid in Capital	Other Comprehensive Income	Accumulated Deficit	Minority Interest	Total Stockholders' Deficit
Balance, September 30, 2009	25,000	$ 25	-	$ -	500,000	$ 500	293,965,930	$ 293,966	$ 7,364,773	$ -	$ (9,301,282)	$ -	$ (1,642,018)
Conversion of Common Stock to Preferred	75,000	75	100,000	100.00	-	-	(27,500,000)	(27,500)	27,325	-	-	-	-
Common Stock Issued for Cash	-	-	-	-	-	-	548,434,148	548,433	(55,108)	-	-	-	493,325
Common Stock Issued for Services	-	-	-	-	-	-	10,000,000	10,000	-	-	-	-	10,000
Common Stock Issued to Retire Debt	-	-	-	-	-	-	211,568,739	211,569	470,029	-	-	-	681,598
Common Stock Issued for conversion of convertible notes payable	-	-	-	-	-	-	472,758,554	472,759	(106,900)	-	-	-	365,859
Cost of reduction of conversion price	-	-	-	-	-	-	-	-	202,027	-	-	-	202,027
Write off of Derivative Liability as a result of conversion	-	-	-	-	-	-	-	-	459,029	-	-	-	459,029
Beneficial Conversion Feature of Convertible Debt	-	-	-	-	-	-	-	-	72,643	-	-	-	72,643
Unrealized on marketable security	-	-	-	-	-	-	-	-	-	6,575	-	-	6,575
Noncontrolling interest capital contribution	-	-	-	-	-	-	-	-	-	-	-	100,000	100,000
Net (Loss)	-	-	-	-	-	-	-	-	-	-	(1,387,443)	(31,717)	(1,419,160)
Balance, March 31, 2010	100,000	$ 100	100,000	$ 100	500,000	$ 500	1,509,227,371	1,509,227	8,433,818	$ 6,575	$ (10,688,725)	$ 68,283	$ (670,122)

See accompanying notes and accountants' review report.

GOIP GLOBAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS

	For the Six Months Ended March 31, 2010 (Unaudited)
Cash Flows From Operating Activities:	
Net Loss	$ (1,419,160)
Adjustments to Net Loss:	
Depreciation & amortization	8,932
Common stock issued for services	10,000
Increase in fair value of derivative liability	194,981
Amortization of debt discount	114,813
Cost of reduction of conversion price	202,027
Gain on debt forgiveness	(1,284)
Common stock issued for interest	457,429
Adjustments to Reconcile Net Loss to Changes in Assets and Liabilities:	
Other asset	(22,750)
Prepaid expenses	(1,975)
Related party receivable	(16,043)
Officer loans	(145,093)
Accrued expenses	(8,311)
Accounts payable	(40,769)
Net Cash Used in Operating Activities	(667,203)
Cash Flows From Investing Activities:	
Purchases of equipment and software	(103,413)
Cash used in acquisition of investment	(30,367)
Net Cash used in Investing Activities	(133,780)
Cash Flows From Financing Activities:	
Proceeds from the sale of common stock	493,325
Proceeds from issuance of debt	194,500
Payments of convertible loans payable	(10,000)
Payments of loans payable	(18,500)
Capital contribition from minority interest owners	100,000
Net Cash Provided by Financing Activities	759,325
Net Change in Cash	(41,658)
Cash and Cash Equivalents - Beginning	60,792
Cash and Cash Equivalents - Ending	$ 19,134
Supplemental Cash Flow Disclosures:	
Taxes	$ -
Interest	$ -
Non-Cash Investing and Financing Activities:	
Conversion of notes payable to common stock	$ 365,859
Conversion of debt to common stock	$ 224,169
Beneficial conversion feature of convertible debt	$ 72,643
Write off of Derivative liability as a result of debt conversion	$ 459,029

See accompanying notes and accountants' review report.

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

Nature of Business

GoIP Global, Inc. ("GoIP or the "Company") was incorporated on May 8, 2003 as E Education Network, Inc. under the laws of the State of Nevada. On August 10, 2005, the Company's name was changed to GoIP Global, Inc.

In July 2005, E Education Network, Inc. (EEN) merged with GoIP Global, Inc. (GOIP) pursuant to an Agreement to Exchange Stock dated July 15, 2005 by and between the parties. (the "Merger Agreement"). Under terms of the Merger Agreement, GoIP exchanged all of its issued and outstanding shares for 10,000,000 shares of the Company. After the merger, the Company owned 50% of the outstanding common stock of the combined entity and became the surviving corporation to the merger. The merger has been accounted for as a reverse acquisition under the purchase method for business combinations. Accordingly, the combination of the two companies is recorded as a recapitalization of GoIP to which GoIP is treated as the continuing entity.

On August 10, 2005, the Company amended its articles of incorporation to change the name of the Company to GoIP Global, Inc.

In June 2007 GoIP Florida, Inc. was incorporated as a fully owned subsidiary to handle the back office implementation and administration for GoIP's business. This subsidiary was closed and all operations discontinued in December 2008.

In September 2009 the Company completed its acquisition of EE Global, Inc a Canadian Company with holdings in Canada and China, valued at $35,058. As disclosed in Note 4, this Company was sold in December 2009.

GoIP Global offers a range of mobile media services, solutions and tools for brands, agencies, content providers, online portals, entertainment and media companies. GoIP has both creative experience and the technical knowledge to connect mobile marketers with their audiences by means of interactive campaigns and mobile content distribution. GoIP Global offers brand and content customers great flexibility in creating mobile marketing campaigns and applications.

In October 2009, GoIP Global, Inc. became the founder and shareholder of Go800, LLC. As of March 31, 2010 the Company invested approximately $83,000 in Go800, LLC and has a 45% interest in the company. Mr. Isaac H. Sutton, the Company's CEO, is also a beneficial shareholder of 45% and has invested $100,000 in this new subsidiary.

Go800 has developed a new patent pending text messaging service that enables advertisers to incorporate a text prompt in their advertisements, prompting consumers to contact them through a text message rather than calling a 1-800 toll free number. Known as "keyword navigation" for mobile devices, Go800's patent-pending technology enables consumers to directly connect to brands via the Go800 short code (46800) without the need to research phone numbers. For example, if you want United Airlines, text "United Air" to 46800, connect with an operator and check the status of your flight. Text "Pizza" and you may get you Ray's pizza down the block, depending on your area code.

The Company's year end is September 30.

The foregoing unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, these financial statements do not include all of the disclosures required by generally accepted accounting principles in the United States of America for complete financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the accompanying financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Accounting Method

The Company's financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has a working capital deficiency of $789,328 and has an accumulated deficit of $10,682,150 at March 31, 2010. Additionally, for the six month period ended March 31, 2010, the Company used cash in operations of $667,203. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

These circumstances raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Management's efforts have been directed towards the development and implementation of a plan to generate sufficient revenues to cover all of its present and future costs and expenses.

Management is taking steps to address this situation. The Company is in the process of raising and capital and or debit, implementing its business plan and expects to generate sufficient revenue by the third quarter of 2010 to be positive cash flow. Management expects operations to generate negative cash flow at least through July 2010 and the Company does not have existing capital resources or credit lines available that are sufficient to fund operations and capital requirements are presently planned over the next twelve months.

The ability of the Company to continue as a going concern is dependent on the Company's ability to further implement its business plan. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Management believes that the actions presently being taken to further implement its business plan and generate additional revenues provide the opportunity for the Company to continue as a going concern. Management intends to attempt to raise additional funds by way of a public or private offering. While the Company believes in its ability to raise additional funds, there can be no assurances to that effect.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

The accompanying financial statements have been prepared, in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC").

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all short-term debt with original maturities of three months or less to be cash equivalents.

Marketable Securities Available for Sale

The Company determines the appropriate classification of its investments in marketable securities at the time of purchase and reevaluates such designation at each balance sheet date. The Company has classified and accounted for its marketable securities as available-for-sale. The Company may or may not hold securities with stated maturities greater than 12 months until maturity. After consideration of its risk versus reward objectives, as well as its liquidity requirements, the Company may sell these securities prior to their stated maturities. As the Company views these securities as available to support current operations, it classifies securities with maturities beyond 12 months as current assets under the caption marketable securities in the accompanying Consolidated Balance Sheet.

The Company carries these securities at fair value, and reports the unrealized gains and losses, net of taxes, as a component of stockholders' deficit, except for unrealized losses determined to be other than temporary which are recorded in the Consolidated Statement of Operations. The Company determines any realized gains or losses on the sale of marketable securities on a specific identification method, and records such gains and losses in the Consolidated Statement of Operations.

Property and equipment

Property and equipment consist of computer equipment and purchased software. Property and equipment are reported at cost, net of accumulated depreciation and amortization. Depreciation and amortization are determined by use of the straight-line method. Computer equipment is depreciated over the estimated useful lives of the assets generally three years. Software is amortized over the estimated useful lives of the assets, which are generally three years. Maintenance and repair costs are expensed as incurred.

Related party transactions

At March 31, 2010 the Company's consolidated balance sheet reflects a related party receivable of $16,043 and a payable to an officer amounting to $186,138. These related party transactions are discussed in further detail in Note 6 – Related party transactions.

Reverse stock split

All references to the Company's outstanding shares, and options, have been adjusted to give effect to the 1 for 200 reverse stock split effective March 27, 2008.

Derivative Liabilities

The Company accounts for its embedded conversion features in its convertible debentures in accordance FASB ASC 815-10 (Prior authoritative literature: SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", which requires a periodic valuation of their fair value and a corresponding recognition of liabilities associated with such derivatives, and FASB ASC 815-40 Section 05, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock. The recognition of derivative liabilities related to the issuance of convertible debt is applied first to the proceeds of such issuance as a debt discount, at the date of issuance, and the excess of derivative liabilities over the proceeds is recognized as "Loss on Valuation of Derivative" in other expense in the accompanying financial statements. Any subsequent increase or decrease in the fair value of the derivative liabilities is recognized as "Other expense" or "Other income", respectively.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial assets and liabilities, such as cash, other receivable, accounts payable and accrued expenses, approximate their fair values because of the short maturity of these instruments. The Company's notes payable approximates the fair value of such instrument based upon management's best estimate of interest rates that would be available to the Company for similar financial arrangement at March 31, 2010.

The Company revalues its derivative liability at every reporting period and recognizes gains or losses in the consolidated statement of operations that are attributable to the change in the fair value of the derivative liability.

Revenue Recognition

The Company recognizes revenues when the related services are performed. For the six months ended March 31, 2010, the Company realized $-0- for services rendered.

Convertible Debentures

In accordance with guidance in accounting for convertible securities with beneficial conversion features or contingently adjustable conversion ratios, the Company recognized an imbedded beneficial conversion feature present in the convertible debentures. The Company allocated a portion of the proceeds equal to the intrinsic value of that feature to derivative liability in accordance with the guidance in ASC 815 "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock". The debt discount attributed to the beneficial conversion feature is amortized over the convertible debenture's maturity period as interest expense using the effective yield method.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Provision for Taxes

Income taxes are provided based upon the liability method of accounting. Under this approach, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. A valuation allowance is recorded against the deferred tax asset if management does not believe the Company has met the "more likely than not" standard to allow recognition of such an asset.

Non controlling interest

Non controlling interest in the Company's subsidiary is recorded in accordance with the provisions of ASC 810, "Consolidation", and is reported as a component of our equity. Purchase or sale of equity interests that do not result in a change of control are accounted for as equity transactions. Results of operations attributable to the non controlling interests are included in our consolidated results of operations and, upon loss of control, the interest sold, as well as interest retained, if any, will be reported at fair value with any gain or loss recognized in earnings.

Under generally accepted accounting principles when losses applicable to the non controlling interest in a subsidiary exceed the non controlling interest in the equity capital of the subsidiary, the excess is not charged to the majority interest since there is no obligation of the non controlling interest to make good on such losses. We, therefore, absorbed all losses applicable to a non controlling interest where applicable. If future earnings do materialize, we shall be credited to the extent of such losses previously absorbed.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC Topic 718, Compensation-Stock Compensation ("ASC 718") for all the stock awards granted. Under the fair value recognition provisions of this topic, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the requisite service period, which is the vesting period. See Note 8 for further information regarding the Company's stock-based compensation assumptions and expenses. The Company elected to use the straight-line single option method.

The Company has elected to use the Black-Scholes option-pricing model to estimate the fair value of its options, which incorporates various subjective assumptions including volatility, risk-free interest rate, expected life, and dividend yield to calculate the fair value of stock option awards.

Basic and Diluted Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated on the weighted effect of all common shares issued and outstanding, and is calculated by dividing net income (loss) available to common stockholders by the weighted average shares outstanding during the period. Diluted earnings (loss) per common share is computed by dividing net income (loss) by the sum of (a) the basic weighted average number of shares of common stock outstanding during the period and (b) additional shares that would have been issued and potentially dilutive securities.

For the period ended March 31, 2010 the diluted net loss per share is equivalent to the basic net loss per share because the Company experienced losses in these years and thus no potential common shares underlying stock options, or convertible debentures stock have been included in the net loss per share calculation. Options to purchase 25,000 (post reverse stock split) shares of common stock, and approximately 14,500,000 shares of common stock related to convertible debentures, have been omitted from the loss per share calculation as their effect is anti-dilutive.

The average number of common shares outstanding for the period ended March 31, 2010 has been retroactively adjusted for the reverse stock split effective in March 27, 2008.

Recently Issued Accounting Pronouncements

In February 2010, the FASB issued Accounting Standards Update (ASU) No. 2010-08—Technical Corrections to Various Topics. This update's purpose is to eliminate GAAP inconsistencies, update outdated provisions, and provide needed clarifications. The adoption of ASU No. 2010-08 will not have a material impact on the Company's financial statements.

Management does not believe that any other recently issued, but not yet effective, accounting standards, if currently adopted, could have a material effect on the accompanying financial statements.

NOTE 3 – PROPERTY and EQUIPMENT

Property and equipment consist of computer equipment and purchased software. The following table reflects the components of property and equipment as of March 31, 2010:

Computer equipment	$	**11,923**
Software		**91,490**
Total cost		**103,413**
Less: accumulated depreciation and amortization		**(8,931)**
Property and equipment, net	$	**94,482**

Depreciation and amortization expense was $8,931 for the six months ended March 31, 2010.

NOTE 4 –MARKETABLE SECURITIES

In September 2009 the Company entered into a Share Exchange Agreement with a Canadian Company to acquire 100% of their outstanding shares for 130,000,000 of the Company's common shares, and $35,058 in cash. During the six months ended March 31, 2010 the Company made an additional investment of $30,367.

In February 2010 the Company was refunded the 130,000,000 shares.

In December 2009 the Company sold this investment, and as consideration received 1.2 billion shares of the purchaser's common stock. Based on the Company's evaluation the value of this investment as of March 31, 2010 amounted to $72,000.

The following table summarizes unrealized gains and losses related to our investments in marketable securities designated as available-for-sale (in thousands):

	Adjusted Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Marketable Securities	$ 65,425	$ 6,575	$ -0-	$ 72,000

NOTE 5 –FAIR VALUE MEASUREMENTS

Effective January 1, 2008, the Company adopted FASB ASC 820, "Fair Value Measurements and Disclosures" ("ASC 820"), for assets and liabilities measured at fair value on a recurring basis. ASC 820 establishes a common definition for fair value to be applied to existing generally accepted accounting principles that require the use of fair value measurements, establishes a framework for measuring fair value and expands disclosure about such fair value measurements. The adoption of ASC 820 did not have an impact on the Company's financial position or operating results, but did expand certain disclosures.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

The Company uses fair value measurements to record certain assets at fair value on a recurring basis. Additionally, the Company may be required to record at fair value other assets on a nonrecurring basis. These nonrecurring fair value adjustments typically involve the application of lower-of-cost-or market value accounting or write-downs of individual assets of liabilities.

The Company did not have any Level 1 or Level 3 assets at March 31, 2010.

The only assets of the Company recorded at fair value on a recurring basis at March 31, 2010 were securities available for sale which are considered Level 2 assets.

As required by FASB ASC 820, assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to their fair value measurement. The Company's derivative financial instruments which are required to be measured at fair value on a recurring basis under FASB ASC 815 as of March 31, 2010 are measured at fair value using Level 3 inputs. Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis at March 31, 2010 consistent with the fair value hierarchy provisions of FASB ASC Topic 820:

	Total As of March 31, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable I nputs Inputs (Level 3)
Assets				
Marketable securities	$ 72,000	$ -0-	$ 72,000	$ -0-
Liabilities				
Derivative Liability	$ 131,082	$ -0-	$ -0-	$ 131,082

NOTE 6 –RELATED PARTY TRANSACTIONS

Sutton Global Associates, Inc. is a company controlled by the Company's officer and has 45% ownership interest in the Company's subsidiary G0800. As of March 31, 2010 the Sutton Global associates is indebted to the Company for $16,043.

As of March 31, 2010, the Company owed its CEO $186,138 related to advances made to the Company for working capital purposes. The amounts due to officer are non-interest bearing and are payable on demand. During the six months ended March 31, 2010 the Company issued 170,000,000 shares of common stock with a total value of $652,000 to an officer of the Company in which $182,600 was for repayment of debt and $469,900 was expensed.

NOTE 7 –PATENT COSTS

Patent costs consist of legal expenses incurred in preparation of patent application and amount to $22,750 as of March 31, 2010. The patents are currently pending and therefore capitalized. Upon the granting of the related patent, the Company will amortize the costs using the straight-line method over the shorter of their legal or economic useful lives.

NOTE 8– LOANS PAYABLE

The Company has borrowed funds from affiliated companies and or shareholders on an informal basis. All monies are due on demand and do not bear interest. As of March 31, 2010 the Company owed $100,000. As of the date of the filing of this report, the Company has repaid $5,000 to those affiliated companies.

In March 2009, the Company entered into a settlement agreement with an investor where the Company agreed to repay the principal amount of $38,000 related to the loss sustained arising from the offer and sale of the Company's common stock. This loan bears and interest of 6% per annum and is payable in 38 monthly installments. As of March 31, 2010, a total of $38,000 principal was outstanding. As of the date of the filing of this report, the Company has paid the balance in full.

In May 2008, the Company entered into a one year loan arrangement with a consultant in the amount of approximately $146,000 related to a balance due for services rendered. This loan bears and interest of 2% per annum. The loan matured in May 30, 2009, at which time, the Company was in default on the balance of the note. For the six months ended March 31, 2010 the Company made payments of $8,500 in cash and issued 41,568,739 shares of common stock valued at $41,569 against this loan. The balance of the loan as of March 31, 2010 amounted to approximately, $11,350. As of the date of the filing of this report, the Company has paid the balance in full.

NOTE 9 – DERIVATIVE LIABILITY

The derivative liability as of March 31, 2010 arose out of the embedded conversion feature included in the convertible debenture agreements that the Company entered into in the fiscal years ended September 30, 2008 and 2009 and in the six months ended March 31, 2010. The Company determined that, based on the guidance in "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in a Company's Own Stock", the Company was prohibited from concluding that it would have a sufficient number of authorized and unissued shares because the conversion of the convertible debentures could have resulted in the issuance of an indeterminable number of common shares as they were convertible at a discount from the market price.

The variable conversion features are considered to be embedded derivatives. The fair value of the embedded derivative is recorded to derivative liability. This liability is required to be marked each reporting period. The resulting discount on the debt is amortized to interest expense over the life of the related debt.

In accordance with this guidance, the Company initially estimated the fair value of these instruments to be $487,950 in fiscal 2008, $109,162 in fiscal 2009 and $169,500 in the six month period ended March 31, 2010, and established a derivative instrument liability in that amount and recording an expense in the respective period.

The Company recorded a loss on derivative instrument of $194,981 as of March 31, 2010, for the change in the fair market value of the derivative liability. In addition, due to the conversion of a portion of the debt balance in the six months ended March 31, 2010, the Company reduced the value of the liability by $459,029 and recorded an increase in additional paid in capital in that amount related to the value of the converted portion on the date of conversion.

As of March 31, 2010, the estimated fair value of this derivative liability was $131,083.

NOTE 10 – CONVERTIBLE PROMISSORY NOTES

During the fiscal year ended September 30, 2008, the Company issued promissory notes to accredited investors in settlement of claims and in exchange for the return of 41,045 shares (retroactively adjusted to reflect "Reverse Stock Split") of the Company's common stock.

These notes have maturity dates ranging from a period of three months to twenty four months, bear interest at a rate ranging from 5% to 9% per annum, payable at the end of the term. The principal amounts of the notes are convertible into the Company's common stock by the holder, at any time after July 1, 2008 and prior to the repayment of the principal, at the lesser of $.25 per share maximum conversion price or 70% of the average closing bid price for common stock on

the ten trading days immediately prior to notice of conversion. As a result of the issuance of these convertible notes at a discount where the convertible common shares were not determinable, the Company, in accordance with the guidance in "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in a Company's Own Stock", recorded a derivative liability (see Note 8). Additionally, the Company recorded a debt discount of $150,511 with a corresponding credit to additional paid in capital. The discount was accreted over the term of the notes using the straight line method.

For the six months ended March 31, 2010 the Company recorded amortization expense amounting to $26,099. As of March 31, 2010, the balance of these notes amounted to $96,474 (net of discount of $1,026).

During the six months ended March 31, 2010, the Company repaid $10,000 of principal in cash and issued 139,817,162 shares of restricted common stock for converting $166,359 of principal. As of March 31, 2010 a total of $97,500 principal and accrued interest totaling approximately $30,275 of these promissory notes were outstanding, of which, approximately $45,000 of principal and interest was in default. Subsequent to March 31, 2010 and as of the date of the filing of this report, the Company has paid $82,500 against the balance of these loans.

During the fiscal year ended September 30, 2009, the Company issued promissory notes to accredited investors in accordance with a Security Sale Agreement dated December 24, 2008. These notes have maturity dates ranging from a period of one year to two years, bear interest at a rate of 8% per annum, payable at the end of the term. The principal amounts of the notes are convertible into the Company's common stock by the holder, at any time prior to the repayment of the principal, at 70% of the lowest closing bid price for common stock on the three trading days immediately prior to notice of conversion. As a result of the issuance of these convertible notes at a discount where the convertible common shares were not determinable, the Company, in accordance with the guidance in "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in a Company's Own Stock", recorded a derivative liability (see Note 8). Additionally, the Company recorded a debt discount of $43,524 with a corresponding credit to additional paid in capital. The discount is accreted over the term of the notes using the straight line method.

For the six months ended March 31, 2010 the Company recorded amortization expense amounting to $16,071. As of March 31, 2010, the balance of these notes amounted to $-0-.

During the six months ended March 31, 2010, the Company issued 21,810,057 shares of restricted common stock for converting $30,000 of principal. As of March 31, 2010 these loans were all paid in full.

During the six months ended March 31, 2010, the Company issued promissory notes to accredited investors in accordance with a Security Sale Agreement dated October 23, 2009 and January 18, 2010 maturing in eighteen months, bear interest at a rate of 8% per annum, payable

at the end of the term. The Company received a total of $ 169,500 in proceeds in relation to theses loans. The principal amounts of the notes are convertible into the Company's common stock by the holder, at any time prior to the repayment of the principal, at 70% of the lowest closing bid price for common stock on the three trading days immediately prior to notice of conversion. As a result of the issuance of these convertible notes at a discount where the convertible common shares were not determinable, the Company, in accordance with the guidance in "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in a Company's Own Stock", recorded a derivative liability (see Note 8). Additionally, the Company recorded a debt discount of $72,643 with a corresponding credit to additional paid in capital. The discount is accreted over the term of the notes using the straight line method.

For the six months ended March 31, 2010, the Company recorded amortization expense amounting to $72,643. As of March 31, 2010, the net balance of these notes amounted to $-0- .

During the six months ended March 31, 2010, the Company issued 311,131,325 shares of restricted common stock for converting $169,500 of principal. As of March 31, 2010 these loans were all paid in full.

During the six months ended March 31, 2010 a total of 472,758,554 shares were issued for conversion of convertible notes payable amounting to $365,859. These loans were converted at a lower conversion price than originally calculated in accordance with the debenture agreement, and as a result the Company accounted for the modification of the debt pursuant to the guidance in ASC 470 "Debtor's Accounting for a Modification or Exchange of Debt Instruments", and recognized a loss on the modification of $202,027 and a corresponding charge to additional paid in capital.

NOTE 11 – STOCK BASED COMPENSATION

The Company accounts for stock-based compensation under ASC 718. These standards define a fair value based method of accounting for stock-based compensation. In accordance with this guidance, the cost of stock-based compensation is measured at the grant date based on the value of the award and is recognized over the vesting period. The value of the stock-based award is determined using the Black-Scholes option-pricing model, whereby compensation cost is the excess of the fair value of the award as determined by the pricing model at the grant date or other measurement date over the amount that must be paid to acquire the stock. The resulting amount is charged to expense on the straight-line basis over the period in which the Company expects to receive the benefit, which is generally the vesting period. During the year ended September 30, 2009 and 2008, the Company had not recognized any stock based compensation expense.

ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company has not adjusted the expense by estimated forfeitures for employee options, since the forfeiture rate based upon historical data was determined to be immaterial.

In 2006, the Company had awarded, the Company's CEO, in accordance with an Employment Agreement, 25,000 Shares of Common Stock at an option price of $200 per share. The options are fully vested and expire December 31, 2011. There have been no other stock option grants since then. These options to purchase the Company's common stock reflect the reverse stock split effective March 2008.

NOTE 12– EQUITY

Common Stock

Reverse stock split:
In March 2008, a majority of the Company's stockholders unanimously approved and ratified a 1 for 200 reverse stock split (the "Reverse Split") of the Company's common stock. The Reverse Split became effective on March 27, 2008 after the Company sent an Information Statement to all of its stockholders. Each stockholder entitled to a fractional share as a result of the reverse stock split, received a full share in lieu of any such fractional share. Accordingly, all of the references to share and per share data for the years presented in the accompanying financial statements and these notes to the financial statements have been retroactively restated to reflect the reverse stock split.

In January 2010 the Company amended its articles of incorporation increasing its authorized shares of common stock from 988,000,000 to 2,400,000,000. As of March 31, 2010, there were 1,574,472,445 shares issued and 1,509,227,371 shares outstanding. The par value of the Company's common stock is $.001 per share.

For the six months ended March 31, 2010 the Company had the following common stock transactions:

- The Company's officer converted 27,500,000 shares of common stock to 75,000 shares of Series A Preferred and 100,000 shares of Series B Preferred. The common stock conversion to preferred stock had no benefit upon conversion since the common stock and preferred stock were of equal value.

- The Company sold 548,434,148 shares of common stock to eight (3) Shareholders for consideration of $493,325 pursuant to Federal and State Exemptions from Registration.

- The Company issued 170,000,000 shares of common stock with a total value of $652,500 to an officer of the Company in which $182,600 was for repayment of debt and $469,900 was expensed.

- The Company issued 41,568,739 shares of common stock with a total value of $29,098 to consultant of the Company in which $41,569 was for repayment of a note payable and $12,471 was recorded as interest income.

- The Company issued 10,000,000 shares of common stock with a total value of $10,000 for services rendered.

- The Company issued 472,758,554 shares of common stock with a total value of $365,859 to noteholders of the Company for repayment of the principal portion of convertible debt.

Preferred Stock

The Company has 10,000,000 Shares of Preferred Stock Authorized. As of March 31, 2010 the Company allocated 100,000 Shares for Series A Preferred, 100,000 Shares for Series B Preferred and 500,000 Shares for Preferred Series C. As of March 31, 2010, there were 100,000 Series A, 100,000 Series B and 500,000 Series C preferred shares issued and outstanding. The par value of the Company's preferred stock is $.001 per share.

Series A – As of March 31, 2010 there are 100,000 shares issued and outstanding to the Company's officer and CEO. The Series A Preferred has the following designations:

- Convertible at option of holder.
- 1 preferred share is convertible to 100 common shares.
- In the event of reorganization this Class of Preferred will not be affected by any such capital reorganization.
- Voting: The holder of this Series of Preferred shall be entitled to elect the majority of the members of the Board of Directors.

Series B – As of March 31, 2010 there are 100,000 shares issued and outstanding to the Company's officer and CEO. The Series B Preferred has the following designations:

- Convertible at option of holder.
- 1 preferred share is convertible to 200 common shares.

Series C – As of March 31, 2010 there are 500,000 shares issued and outstanding to the Company's officer and CEO. The Series C preferred has the following designations:

- Convertible at option of holder.
- 1 preferred share is convertible to 10 common shares.
- In the event of reorganization this Class of preferred will not be affected by any such capital reorganization.
- Voting: The holder of this Series of preferred shall be entitled to vote 1 Preferred Shares for 5,000 votes.

Escrow Agreement

In accordance with the terms of the Debenture and Securities Sale Agreement dated December 24, 2008, the Company entered into an Escrow Agreement with a purchaser, pursuant to which the Company has contracted to issue and deposit shares of it common stock to be held and administered by the escrow agent in order to secure certain obligations of the Company ('the Seller") under the Debenture and Sale Agreement. In accordance with the escrow agreement the share of common stock are to be released to the note holders upon conversion of the Company's debentures.

As of March 31, 2010 approximately, 65,245,000 shares were held in escrow.

NOTE 13 - INCOME TAXES

The tax effect of the temporary differences that give rise to deferred tax assets are presented below:

		March 31, 2010
Deferred Tax Assets:		
Net Operating Losses	$	1,350,000
Option Expense		1,502,000
Valuation Allowances		(2,852,000)
Net Deferred Tax Asset	$	-

At March 31, 2010 a 100% valuation allowance was recorded to reduce the Company's net deferred tax asset to $-0-. The Company could not determine that it was more likely than not that the deferred tax asset resulting from net operating loss carryforwards would be realized.

The Company has generated net operating loss carryforwards aggregating approximately $3,462,269 at March 31, 2010 for federal and state income tax purposes. These carryforwards are available to offset future taxable income and expire at various dates through 2011.

A reconciliation of the difference between the expected tax rate using the statutory federal tax rate (34%) and the Company's effective tax rate is as follows:

		March 31, 2010
U.S federal income tax (benefit) at statutory rate	$	(483,000)
State income tax (benefit), net of federal income tax benefit		(71,000)
Stock based compensation		4,000
Derivative (income) expense		76,000
Interest resulting from change in conversion terms		79,000
Interest paid in common stock		178,000
Beneficial conversion feature		45,000
Increase in valuation allowance		172,000
Effective tax rate	$	-

NOTE 14 –COMMITMENTS AND CONTINGENCIES

In March 2006, the Company entered into an employment agreement with the Company's CEO, Isaac H. Sutton, commencing on April 1, 2006 and expiring on December 31, 2011. The employment agreement provides for an annual salary of $240,000 together with annual increases of at least 10% per annum. In addition, Mr. Sutton shall receive as additional compensation .75% of the Company's gross revenues in excess of $20,000,000. The employment agreement provides that Mr. Sutton is eligible to receive incentive bonus compensation, at the discretion of the board of directors. The employment agreement provides for termination based on death, disability or other termination and for severance payments upon termination. The severance payments range from the compensation payable pursuant to the agreement or up to two times the annual compensation over sixty months in the event that Mr. Sutton is terminated in the event of a change in control as described in the agreement. Pursuant to the employment agreement Mr. Sutton was granted the option to purchase up to 25,000 shares of common stock at an exercise of $200 per share, exercisable up to one year after the expiration of the employment agreement.

NOTE 15 - SUBSEQUENT EVENTS

Management has evaluated subsequent events from the balance sheet date, as of March 31, 2010, through June 22, 2010 the date on which the financial statements were available to be issued.

Subsequent to March 31, 2010 as of the date of the filing of this report:

- the Company issued 35,000,000 shares of restricted common stock to 4 consultants for services rendered.
- the Company issued 159,468,475 shares of stock related to the conversion of $401,680 in debt.
- the Company sold 9,000,000 shares for $147,000 in two private stock sales.