

NANOTECH ENTERTAINMENT, INC.

FINANCIAL INFORMATION FOR QUARTER ENDING DECEMBER 31, 2012

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.
(A Development Stage Company)
Balance Sheet
(unaudited)

	Dec 31, 2012 <u>(unaudited)</u>
ASSETS	
Current assets:	
Cash	\$ 798
Inventory	16,322
Prepaid expenses	-
Prepaid royalties	<u>40,000</u>
Total current assets	57,120
Property and equipment (Note B)	2,961
Less: accumulated depreciation	<u>(2,961)</u>
Net property and equipment	<u>0</u>
Total assets	<u><u>\$ 57,120</u></u>
 LIABILITIES AND STOCKHOLDERS' DEFICIT	
LIABILITIES	
Current liabilities:	
Accounts payable and Accrued Expenses	\$ 2,114
Cash drawn in excess of bank balance	-
Accounts Payable Related Parties	-
Accrued Salaries	414,826
Notes Payable	-
Notes Payable – Related Parties	101,563
Convertible Notes Payable	383,212
Convertible Notes Payable – Related Parties	411,604
Discount on Convertible Debt	<u>(26,569)</u>
Total liabilities	<u>1,286,749</u>
 STOCKHOLDERS' DEFICIT	
Common stock, \$.001 par value, 990,000,000	
shares authorized, 762,081,095 OS as of June 30, 2012	766,116
Additional paid-in capital	2,627,361
Deficit accumulated during the development stage	<u>(4,623,106)</u>
Total stockholders' deficit	<u>(1,229,629)</u>
Total liabilities and stockholders' deficit	<u><u>\$ 57,120</u></u>

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

NanoTech Entertainment, Inc.
(A Development Stage Company)
Changes in Shareholders' Deficit
(unaudited)

	Common Stock		Additional	Deficit Accum	Total
	Shares	Amount	Paid in capital	During Dev Stage	Shareholders Deficit
Balance Sept 30, 2012	<u>766,115,903</u>	<u>\$ 766,116</u>	<u>\$ 2,627,361</u>	<u>\$ (4,503,501)</u>	<u>\$(1,116,619)</u>
Net Loss Dec 31, 2012				<u>\$ (119,605)</u>	<u>\$ (119,605)</u>
Balance Dec 31, 2012	<u><u>766,115,903</u></u>	<u><u>\$ 766,116</u></u>	<u><u>\$ 2,627,361</u></u>	<u><u>\$ (4,623,106)</u></u>	<u><u>\$(1,236,224)</u></u>

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

NanoTech Entertainment, Inc.
(A Development Stage Company)
Statement of Operations
(unaudited)

	Qtr Ending Dec 31, 2012
Revenues:	
Sales, net	\$48,670
Less: costs of goods sold	(2,587)
Gross profit	46,083
Operating Expenses:	
General and Administration Expense	8,398
Depreciation Expense	0
Payroll Expense	74,000
Professional Fees	5,336
Rent Expense	43,500
Other Income (Expenses)	
Interest expense	(34,455)
Net loss before income taxes	(119,605)
Provision for income taxes	-
Net loss available to common stockholders	\$ (119,605)

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

NanoTech Entertainment, Inc.
(A Development Stage Company)
Statement of Cash Flows
(unaudited)

Quarter Ended
Dec 31, 2012

Cash flows from operating activities:	
Net loss	\$ (119,605)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation expense	-
Amortization of debt discount	-
Common stock issued for finder fees	-
Common stock issued for services	-
Amortization of services prepaid with common stock	-
Interest on debt converted to common stock	-
Loss on disposal of fixed assets	-
Changes in operating assets and liabilities:	
Decrease in accounts receivable	-
Decrease (increase) in inventory	-
Decrease in prepaid expenses	-
Decrease in prepaid expenses – related party	-
Increase in prepaid royalties	-
Increase in accounts payable	(3,000)
Increase in accrued liabilities – related party	-
Increase in accrued interest, convertible debentures	8,741
Increase in accrued interest, notes payable	6,250
Increase in accrued interest, notes payable – related party	3,087
Increase in royalties payable	-
Net cash used in operating activities	<u>(114)</u>
Cash flows from financing activities:	
Increase (decrease) in cash drawn in excess of bank balance	-
Proceeds from issuance of convertible debentures	-
Proceeds from issuance of common stock	-
Proceeds from notes payable – related party	-
Repayment of notes payable – related party	-
Proceeds from notes payable	-
Net cash provided by financing activities	<u>0</u>
Increase (decrease) in cash	114
Cash, beginning of period	<u>598</u>
Cash, end of period	<u>\$ 712</u>

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

NanoTech Entertainment, Inc.
(A Development Stage Company)
Notes to Unaudited Financial Statements
Quarter Ended December 31, 2012

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 virtual manufacturer, developing technology and games, and then licensing such products to third parties for manufacturing and ultimate distribution.

DEVELOPMENT STAGE COMPANY

The Company is considered to be in the development stage as defined in Statement of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic No. 915. The Company’s efforts have been devoted primarily to raising capital, borrowing funds and attempting to implement its planned, principal activities.

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 \$712 as of December 31, 2012.

INVENTORY

The Company’s inventory is stated at the lower of cost or market using the FIFO costing method. Inventory on hand totaled \$16,322 at December 31, 2012 and consisted components and finished goods gaming 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 is in the development stage and has only acquired \$2,961 in fixed assets since inception, which had accumulated depreciation of \$2,961 at December 31, 2012.

NanoTech Entertainment, Inc.
(A Development Stage Company)
Notes to Unaudited Financial Statements
Quarter Ended December 31, 2012

SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

REVENUE RECOGNITION

Revenues for gaming equipment sales 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.

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.
(A Development Stage Company)
Notes to Unaudited Financial Statements
Quarter Ended December 31, 2012

C. RELATED PARTY TRANSACTIONS

The Company pays 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 and accumulated as an unpaid liability to the related parties for rent for the period ended December 31, 2012 totaled \$43,500. This amount has been recorded in selling, general and administrative expenses for the same period.

Several of the Company's current and former officers and their affiliates have provided funding in the form of notes payable, totaling \$101,563. The notes carry interest rates ranging from 14% to 20%, resulting in interest expense of \$3,087 for the period ended December 31, 2012. The notes are due on demand and therefore classified as current liabilities. Interest has not been imputed due to its immaterial impact on the financial statements.

The Company has employment agreements with one of its remaining founders, David Foley, who, as part of the employment agreement has provided the gaming properties and intellectual property being used by the company for the core of its product offerings. The Annual salary has been adjusted and is payable in the form of \$210,000 in cash and 2,250,000 in stock. The company had incurred a liability of \$52,500 in wages, and this debt was secured with a convertible promissory note that carries a 0% interest rate so that this debt may be reduced by the issuance of stock in lieu of the cash necessary to pay the unpaid wages and expenses.

The salaries have been accrued and will be paid as cash flows allow. Interest has not been imputed due to its immaterial impact on the financial statements.

The Company has incurred liabilities in the ordinary course of business with several individuals and entities affiliated with the Company. These amounts totaled \$2,114 at December 31, 2012. Interest has not been imputed due to its immaterial impact on the financial statements.

NanoTech Entertainment, Inc.
(A Development Stage Company)
Notes to Unaudited Financial Statements
Quarter Ended December 31, 2012

D. NOTES PAYABLE

The Company has originated the following notes payable with unaffiliated entities and individuals:

	Principal	Interest
	Dec 31, 2012	Dec 31, 2012
Note 1, 10% interest, due April 30, 2011	\$ 250,000	\$ 56,250
Note 2, 20% interest, due on demand	25,000	6,250
Note 3, 20% interest, due on demand	5,000	1,250
Totals	280,000	\$ 63,750

The notes are interest payments only, with principal and accrued interest payable upon maturity or demand, as indicated above.

E. STOCKHOLDERS' DEFICIT

The Company has authorized 990,000,000 shares of common stock with a par value of \$.001, and no preferred stock. As of December 31, 2012 the total shares issued and outstanding was 766,115,903.

F. CONVERTIBLE DEBENTURES

During period ending December 31, 2012, the Company issued no convertible debentures.

The total current outstanding convertible debentures is \$383,212, of which \$250,000 carries 10% interest and is convertible at \$0.01 and \$33,212 carries an interest of 30% and is convertible at \$0.001.

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.

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 period ended December 31, 2012, the Company incurred net losses totaling \$119,605 resulting in total accumulated deficit of \$4,623,106 with a Total Shareholders' deficit of \$1,236,224 at December 31, 2012. While the quarter by quarter comparison is improving, these conditions raise substantial doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty. The Company's ability to meet its ongoing financial requirements is dependent on management being able to obtain additional equity and/or debt financing, the realization of which is not assured.

NanoTech Entertainment, Inc.
(A Development Stage Company)
Notes to Unaudited Financial Statements
Quarter Ended December 31, 2012

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, 2012.

J. SUBSEQUENT EVENTS

n/a

N. COMMITMENTS AND CONTINGENCIES

The Company has 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 requires \$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 are cancellable with a 15-day advance notice only if all security interest has been removed and there are no liens on the properties for loans to the Company in effect. The amounts incurred by the Company and paid for rent for the periods ended December 31, 2012 totaled \$43,500. This amount has been recorded in selling, general and administrative expenses for the same period (see Note C). Future minimum rental payments for the remaining life of the Contracts are as follow:

Year Ended June 30,

2013	174,000
Total	<u>\$ 174,000</u>