

TRUE GAMES INTERACTIVE, INC
(A DEVELOPMENT-STAGE COMPANY)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE PERIODS
FROM APRIL 1, 2009 TO MARCH 31, 2010
AND
FROM SEPTEMBER 11, 2008 TO MARCH 31, 2009

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| | PAGE |
|---|-------|
| INDEPENDENT AUDITORS' REPORT | 3 |
| FINANCIAL STATEMENTS | |
| BALANCE SHEET | 4 |
| STATEMENT OF OPERATIONS - Development Stage Company | 5 |
| NOTES TO FINANCIAL STATEMENTS | 6 - 9 |
| SUPPLEMENTARY INFORMATION | 10 |



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INDEPENDENT AUDITORS' REPORT

To
The Stockholders
TRUE GAMES INTERACTIVE, INC
USA

We have audited the accompanying balance sheet of TRUE GAMES INTERACTIVE, INC, as of March 31, 2010 and 2009, and the related statements of operations and retained earnings for the period from April 1, 2009 to March 31, 2010 and for the period from September 11, 2008 to March 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis of our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TRUE GAMES INTERACTIVE, INC, as of March 31, 2010 and 2009, and the results of its operations for the period from April 1, 2009 to March 31, 2010 and for the period from September 11, 2008 to March 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "Rajeev", written over a horizontal line.

RAJEEV AGGARWAL
Certified Public Accountant

June 1, 2010

TRUE GAMES INTERACTIVE, INC
(A DEVELOPMENT-STAGE COMPANY)

BALANCE SHEET

| | As at 31-Mar-10 | As at 31-Mar-09 |
|--|-----------------------------|----------------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 384,662 | 2,453,467 |
| Accounts Receivable, net | 3,542 | 426,559 |
| Prepaid expenses | 434,006 | 6,632 |
| Total Current Assets | <u>822,210</u> | <u>2,886,658</u> |
| Property and equipment, net of accumulated depreciation | 425,349 | 134,071 |
| Capitalized software development costs | 13,745,189 | 5,127,720 |
| Other Assets | | |
| Deposits | 86,620 | 11,511 |
| Foreign tax credit | 20,000 | 20,000 |
| Total Other Assets | <u>106,620</u> | <u>31,511</u> |
| TOTAL ASSETS | <u>\$ 15,099,367</u> | <u>\$ 8,179,960</u> |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current liabilities: | | |
| Accrued liabilities & Deferred Expenses | 995,357 | 179,345 |
| Advance on Royalties | 497,000 | 597,500 |
| Deferred licensing fees | 0 | 100,000 |
| Deferred Rent | 74,407 | 0 |
| Unrealized gain /loss on foreign currency transactions | 0 | 18,274 |
| Provision for Taxes | - | 800 |
| Total current liabilities | <u>1,566,763</u> | <u>895,919</u> |
| Long Term Liabilities: | | |
| Loan from related party | 2,736,000 | - |
| Stockholders' Equity: | | |
| Preferred stock, \$0.01 par value, 3,000,000 shares authorized, 1,200,000 shares issued and outstanding | 12,000,000 | 8,000,000 |
| Common stock, no par value, 1,000,000 shares authorized, 300,000 shares issued and outstanding | 10,000 | 10,000 |
| Capitalized Cost of Issuance of Preference Shares | (67,928) | (67,928) |
| Deficit accumulated during the development-stage | (1,145,468.06) | (658,031) |
| Total stockholders' Equity | <u>10,796,604</u> | <u>7,284,041</u> |
| TOTAL LIABILITIES & STOCKHOLDERS' EQUITY | <u>\$ 15,099,367</u> | <u>\$ 8,179,960</u> |

The accompanying notes to financial statements are an integral part of this statement.

TRUE GAMES INTERACTIVE, INC
(A DEVELOPMENT-STAGE COMPANY)

**STATEMENT OF OPERATIONS
DURING THE DEVELOPMENT STAGE**

| | 1-Apr-2009 to 31-Mar-2010 | 11-Sept-08 to 31-Mar-2009 |
|--|--------------------------------------|--------------------------------------|
| Sales | \$ - | \$ - |
| Cost of sales | - | - |
| Gross profit / (Loss) | <u>-</u> | <u>-</u> |
| Operating expenses: | | |
| Selling, General and Administrative expenses | 490,107 | 378,467 |
| Total operating expenses | <u>490,107</u> | <u>378,467</u> |
| Operating Income (loss) | <u>(490,107)</u> | <u>(378,467)</u> |
| Other income / (expense): | | |
| Interest income (expense) (net) | 6,790 | 1,165 |
| Foreign Exchange Gain / (Loss) | (3,264) | (7,295) |
| Other income (expense) | - | - |
| Loss on disposal of assets | - | - |
| State & Local Taxes | <u>(855)</u> | <u>(1,600)</u> |
| Total other income (expense) | <u>2,671</u> | <u>(7,730)</u> |
| Net Income / (loss) | <u>(487,437)</u> | <u>(386,197)</u> |
| Deficit accumulated during development-stage, beginning of period | <u>(658,031)</u> | <u>(271,834)</u> |
| Deficit accumulated during the development-stage, end of period | <u>\$ (1,145,468)</u> | <u>\$ (658,031)</u> |

The accompanying notes to financial statements are an integral part of this statement.

TRUE GAMES INTERACTIVE, INC
(A DEVELOPMENT-STAGE COMPANY)

Summary of Significant Accounting Policies

Nature of Business:

True Games Interactive, Inc, a development-stage company, was incorporated on December 28, 2007 in the state of California as an S Corporation and subsequently as of September 11, 2008, converted into a C-Corporation status upon issuance of majority of company shares to UTV Games Ltd, Mauritius. The company has no revenue and is being funded by UTV Games Ltd, Mauritius.

The company plans to develop its business into a global, multi-player / micro-transaction, interactive online game publisher. The company develops the original game concepts and ideas, scripts and preliminary designs for interactive online games and is working with world-class publishers to license existing online titles and developers to create fully developed software game-play content exclusively for online play through an internally developed game platform. The company plans to leverage micro-transaction revenue models.

Development Stage Activities:

As of March 31, 2010, the company continues to be a development-stage company and has incurred losses since inception. The company proposes to commence commercial operations from April 2010 which result will be reflected in the next fiscal year. The company has adopted FASB No.7, "Accounting and Reporting by Development Stage Enterprises" to present a statement of operations and deficit accumulated during the development stage for the periods ended March 31, 2010 and 2009. The financials presented herein are from the date of acquisition by UTV Games Ltd, which is from September 11, 2008 to March 31, 2009 and for the period from April 1, 2009 to March 31, 2010. The financials relating to pre-acquisition (from January 1, 2008 to September 10, 2008 are not presented herein

Investment:

As of March 31, 2010, the Company obtained proceeds of approximately \$12.00 million from the equity investment made by UTV Games Ltd, which are used to pay the costs of operations and software development costs of three separate interactive game titles.

Accounts Receivable and Accounts Payable

Two syndicators accounted for 100% of accounts receivable balance and a select number of vendors accounted for accounts payable as of March 31, 2010 and 2009. The company believes that the loss of one or more of its syndicators, for a short-term period until an alternate syndicator is secured or direct-play model implemented within impacted territory, could have a material impact on the Company's financial position, results of operations and cash flows.

TRUE GAMES INTERACTIVE, INC
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Capitalized Software Development Cost:

The Company accounts for software development costs in accordance with FASB No.86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed". Software development costs include development fees, in the form of milestone payments made to independent software developers, and direct payroll and overhead costs for internal development activities. Software development costs are capitalized once technological feasibility of a product is established and management expects such costs to be recoverable against future revenues.

Commencing upon the related product's release, capitalized software development are to be amortized to the cost of sales based upon the higher of the ratio of current revenue to total projected revenue. The amortization period is based on management's estimate of product life and revenue streams upon the initial release of the product. The recoverability of capitalized software development costs is evaluated based on the expected performance of the specific product for which the costs relate.

Income Taxes:

The company accounts for income taxes in accordance with FASB No.109, "Accounting for Income Taxes". Under the interpretation deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the consolidated financial statements or tax returns. The amount of the deferred tax asset or liability is based on the difference between the consolidated financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year and the differences are expected to reverse. As of March 31, 2010 and 2009, the company does not have any deferred taxes.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Foreign Exchange Transaction:

Transactions in foreign currencies are recorded at the rate prevailing at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the balance sheet date. Realized foreign exchange gain / loss are recognized in profit and loss account. Unrealized foreign exchange gains / losses are reflected in balance sheet.

Cash and Cash Equivalent:

During the period ended March 31, 2010 and 2009, the bank balance exceeded the FDIC insured limit of \$250,000.

TRUE GAMES INTERACTIVE, INC
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Property & Equipment:

Property and equipment as of March 31, 2010 and 2009, consist of computer, equipment, software, and furniture and fixtures which are stated at cost, less accumulated depreciation. Depreciation is recorded using the straight-line method over the estimated lives of the related assets. The useful life of property and equipment ranges from three (3) to five (5) years.

Officers Contracts:

The company has entered into contracts with its Chief Executive Officer and Chief Publishing Officer for a term of five years, expiring in 2013, which stipulates base salary and a bonus of up to 25% of base salary, based on achievement of financial and business objectives. The company also has entered into contract with its Chief Technology Officer which stipulates that in addition to the base salary he is eligible for bonuses upon establishment of a bonus program, and combined, can receive up to 2.0% of the company's common stock through an incentive stock option plan, upon approval of the Board of Directors. As of March 31, 2010 and 2009, neither the bonus program nor incentive stock option program has been formally adopted.

Development Contracts:

As of March 31, 2010, the Company has entered in to third party developer contracts for approximately \$8 million (As of March 31 ,2009 \$8 million) in payments under initial terms of which \$200K remains to be paid as of March 31, 2010 (\$3.9M as of March 31, 2009) in accordance with achievement of future milestones under such development agreements. The agreements set forth additional payments once the game has been launched. Additional fees include: live team services at a monthly rate per person for technical support.

Operating Lease:

The company has non-cancelable operating lease agreements of its premises at Irvine, California, expiring in September 2010 and Austin, Texas, expiring in March 2013.

Contingent Liabilities:

The company assures no events or transactions have occurred subsequent to the balance sheet date and through this that would require adjustment to, or disclosure in, the financial statements.

TRUE GAMES INTERACTIVE, INC
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SUPPLEMENTARY INFORMATION

GENERAL AND ADMINISTRATIVE EXPENSES

FOR THE PERIODS FROM APRIL 1, 2009 TO MARCH 31, 2010
AND
FROM SEPTEMBER 11, 2008 TO MARCH 31, 2009

| | 1-Apr-2009 to 31-Mar-2010 | 11-Sept-08 to 31-Mar-2009 |
|------------------------|--------------------------------------|--------------------------------------|
| Personnel Cost | 119,387 | 202,776 |
| Communications | 43,092 | 6,019 |
| Rent Expenses | 39,759 | 32,660 |
| Repair & Maintenance | 9,003 | 3,706 |
| Professional Fee | 126,198 | 100,738 |
| Travel & Entertainment | 49,159 | - |
| Game Testing | 10,089 | 896 |
| Insurance | 18,670 | 3,031 |
| Office Supplies | 21,407 | 11,079 |
| Postage & Delivery | 11,163 | 2,436 |
| Seminar Expenses | 5,143 | 115 |
| Miscellaneous Expenses | 6,524 | 9,737 |
| Internet Expenses | 7,886 | 3,373 |
| Automobile Expenses | 1,259 | 711 |
| Dues & Subscription | 11,506 | 678 |
| Bank Charges | 4,667 | 512 |
| Equipment Lease | 2,599 | - |
| Loss on Sale of Assets | 2,597 | - |
| | <u>\$ 490,107</u> | <u>\$ 378,467</u> |

The accompanying notes to financial statements are an integral part of this statement.