

**Mindpix Corporation**

**Financial Statements**

**March 31, 2014**

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# D. Brooks and Associates CPA's, P.A.

Certified Public Accountants • Valuation Analyst • Advisors

## ACCOUNTANT'S COMPILATION REPORT

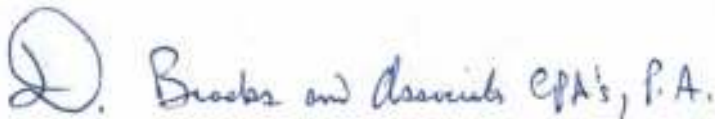
To Management of  
Mindpix Corporation  
Miami, Florida

We have compiled the accompanying consolidated balance sheets of Mindpix Corporation as of March 31, 2014 and December 31, 2013, the related consolidated statements of operations and cash flows for the three months ended March 31, 2014 and 2013, and the statement of stockholders' deficiency for the three months ended March 31, 2014. We have not audited or reviewed the accompanying consolidated financial statements and, accordingly, do not express an opinion or provide any assurance about whether the consolidated financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management presenting financial information in the form of consolidated financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the consolidated financial statements.

We are not independent with respect to Mindpix Corporation.



D. Brooks and Associates CPA's, P.A.

West Palm Beach, Florida

May 20, 2014

**Mindpix Corporation**  
**Consolidated Balance Sheets**  
**March 31, 2014 and December 31, 2013**

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Current Assets:		
Cash	\$ -	\$ 2,897
Current assets	-	2,897
Property and Equipment, net	<u>8,518</u>	<u>8,868</u>
Total assets	<u>\$ 8,518</u>	<u>\$ 11,765</u>
<b>Liabilities and Deficiency</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 306,818	\$ 92,596
Convertible debt, net	124,926	107,094
Note payable and accrued interest	95,123	93,623
Due to related parties	12,000	12,000
Derivative liability	<u>404,110</u>	<u>379,110</u>
Total current liabilities	<u>942,977</u>	<u>684,423</u>
Commitments and Contingencies (Note 7)		
Deficiency:		
Common stock, \$0.0001 par value; 1,500,000,000 shares authorized; 1,864,171,977 and 1,704,843,962 shares issued and 1,150,164,099 and 1,010,836,084 outstanding, respectively	117,016	103,083
Common stock to be issued; 161,000,000 and 257,424,159 shares, respectively	16,100	25,742
Additional paid in capital	16,759,345	16,606,302
Treasury stock (714,007,878 and 694,007,878 common shares, respectively)	-	-
Accumulated deficit	<u>(17,506,509)</u>	<u>(17,087,375)</u>
Total Mindpix Corporation stockholders' deficiency	(614,048)	(352,247)
Non-controlling interest in subsidiary	<u>(320,412)</u>	<u>(320,412)</u>
Total deficiency	<u>(934,460)</u>	<u>(672,659)</u>
Total liabilities and deficiency	<u>\$ 8,518</u>	<u>\$ 11,765</u>

See accountant's report and accompanying notes to the consolidated financial statements.

**Mindpix Corporation**  
**Consolidated Statements of Operations**  
**Three Months Ended March 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Revenue	\$ <u>5,000</u>	\$ <u>-</u>
Operating Expenses:		
Consulting and professional fees	139,701	27,850
Compensation and benefits	180,854	-
Other general and administrative	<u>84,247</u>	<u>25,145</u>
Total operating expenses	<u>404,802</u>	<u>52,995</u>
Other Expense:		
Interest expense	<u>(19,332)</u>	<u>(1,500)</u>
Loss Before Income Taxes	(419,134)	(54,495)
Income Tax Provision	<u>-</u>	<u>-</u>
Net loss	<u>\$ (419,134)</u>	<u>\$ (54,495)</u>
Net loss attributable to non-controlling interest	<u>-</u>	<u>3,298</u>
Net Loss attributable to Mindpix Corporation Stockholders	<u>\$ (419,134)</u>	<u>\$ (51,197)</u>
Basic and Diluted Loss Per Share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Basic and Diluted Weighted Average Shares Outstanding	<u>1,039,805,315</u>	<u>1,389,746,184</u>

See accountant's report and accompanying notes to the consolidated financial statements.

**Mindpix Corporation**  
**Consolidated Statement of Deficiency**  
**Quarter Ended March 31, 2014**

	Common Stock		Common Stock to be Issued		Additional Paid In Capital	Non- Controlling Interest	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount				
Balances, December 31, 2013	1,010,836,084	\$ 103,083	257,424,159	\$ 25,742	\$ 16,606,302	\$ (320,412)	(17,087,375)	\$ (672,659)
Sale of common stock for cash, net	40,903,856	4,090	-	-	138,243	-	-	142,333
Issuance of shares subscribed	96,424,159	9,642	(96,424,159)	(9,642)	-	-	-	-
Issuance of common stock services	2,000,000	200	-	-	14,800	-	-	15,000
Net loss	-	-	-	-	-	-	(419,134)	(419,134)
Balances, March 31, 2014	<u>1,150,164,099</u>	<u>\$ 117,016</u>	<u>161,000,000</u>	<u>\$ 16,100</u>	<u>\$ 16,759,345</u>	<u>\$ (320,412)</u>	<u>\$ (17,506,509)</u>	<u>\$ (934,460)</u>

See accountant's report and accompanying notes to the consolidated financial statements.

**Mindpix Corporation**  
**Consolidated Statements of Cash Flows**  
**Three Months Ended March 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Cash from Operating Activities:		
Net loss	\$ (419,134)	\$ (54,495)
Adjustments to reconcile net loss to cash used in operations:		
Stock issued for services	15,000	-
Depreciation	350	-
Amortization of debt discount	14,057	-
Accrued interest on notes payable	5,275	1,500
Increase in accounts payable	<u>214,222</u>	<u>-</u>
Net cash used in operations	<u>(170,230)</u>	<u>(52,995)</u>
 Cash from Financing Activities:		
Proceeds from the issuance of convertible debt	25,000	-
Advances from Emax Media Inc. and Affiliates	-	3,000
Sale of common stock for cash, net	<u>142,333</u>	<u>40,000</u>
Net cash provided by financing activities	<u>167,333</u>	<u>43,000</u>
 Net Increase Decrease in Cash	(2,897)	(9,995)
Cash, Beginning of Period	<u>2,897</u>	<u>9,995</u>
Cash, End of Period	<u>\$ -</u>	<u>\$ -</u>
 Supplemental Cash Flow Information:		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>

See accountant's report and accompanying notes to the consolidated financial statements.

**Mindpix Corporation**  
**Notes to the Consolidated Financial Statements**  
**March 31, 2014**

**Note 1. Organization, Basis of Presentation and Significant Accounting Policies**

*Nature of Business and Basis of Presentation*

Mindpix Corporation (referred to herein as the “Company”) was originally incorporated in the State of Delaware in 1988, re-domiciled in the State of Nevada in 2004, and is media company that focuses on proprietary technology, music and multi-media global content.

*Going Concern and Liquidity*

The Company has a working capital deficiency of \$942,977 and an accumulated deficit of \$17,506,509 as of March 31, 2014. The Company has limited recurring sources of revenue or liquidity and incurred a net loss attributable to Mindpix Corporation and net cash used in operations of \$419,134 and \$170,230, respectively, for the three months ended March 31, 2014. Management will require additional equity or debt financing to finance its operations. There can be no assurance that such funding will be available to the Company on acceptable terms. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. The Company has not made any adjustments that might result from the outcome of this uncertainty.

*Management Plans* – The Company is focusing its efforts on:

- Developing new business,
- identifying strategic partnerships that will enhance its service offerings, and
- seeking sources of debt and equity financing.

Management believes that these efforts will allow the Company to continue as a going concern for the foreseeable future.

*Principles of Consolidation and Non-Controlling Interest*

The accompanying consolidated financial statements include the accounts of the Company and its majority-owned subsidiary, New Beginnings Concert 2012, LLC (“New Beginnings”), which was organized in the state of Florida in November 2012 for the purpose of producing a concert event in Florida in December 2012. The Company owns a 66% interest in New Beginnings. Amounts attributable to the non-controlling members in New Beginnings are presented as non-controlling interest in subsidiary on the accompanying consolidated balance sheets and net loss attributable to non-controlling interest on the accompanying consolidated statements of operations. All significant intercompany balances and transactions have been eliminated in consolidation.



**Mindpix Corporation**  
**Notes to the Consolidated Financial Statements**  
**March 31, 2014**

**Note 1. Organization, Basis of Presentation and Significant Accounting Policies (Continued)**

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, as well as the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Company's knowledge of current events and actions that the Company may undertake in the future, actual results could differ from those estimates. As discussed below, the Company's most significant estimates include those made in connection with stock based transactions, and the valuation of music licensing rights.

*Cash and Cash Equivalents*

For the purposes of the balance sheet and statement of cash flows, the Company considers all amounts on deposit with financial institutions and highly liquid investments with original maturities at time of purchase of three months or less to be cash equivalents.

*Stock-based Compensation*

The Company recognizes stock-based compensation by measuring the cost of services to be rendered based on the grant-date fair value of the equity award. No equity awards were granted to non-employees for future services. The grant date fair value of the equity-awards granted is estimated based on the quoted trading price of the Company's common stock and is recognized as expense over the vesting period, if any.

*Fair Value of Financial Instruments*

The carrying amount of the Company's financial instruments consisting of accounts payable, notes payable and accrued interest, convertible debt, and amounts due to related parties approximate fair value due to their short term nature.

*Income Taxes*

Deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amounts expected to be realized.

The Company accounts for income taxes under the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, "Accounting for Income Taxes." It prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. As a result, the Company has applied a more-likely-than-not recognition threshold for all tax uncertainties. The guidance only allows the recognition of those tax benefits that have a greater than 50% likelihood of being sustained upon

**Mindpix Corporation**  
**Notes to the Consolidated Financial Statements**  
**March 31, 2014**

**Note 1. Organization, Basis of Presentation and Significant Accounting Policies (Continued)**

examination by the various taxing authorities. The Company's tax years since 2004 remain subject to examination by Federal and state jurisdictions.

The Company classifies penalties and interest related to unrecognized tax benefits as income tax expense in the Consolidated Statements of Operations.

***Earnings Per Share***

Basic earnings per share is calculated based on income available to common stockholders and the weighted-average number of shares outstanding during the reporting period. Diluted earnings per share is calculated based on income available to common stockholders and the weighted-average number of common and potential common shares outstanding during the reporting period. The Company's potentially dilutive securities, consisting of 71,212,121 shares underlying convertible debt as of March 31, 2014, were anti-dilutive and excluded from the calculation of diluted earnings per share.

***Subsequent Events***

The Company has evaluated subsequent events through May 20, 2014, which is also the date the financial statements were available to be issued.

***Recently Issued Accounting Standards***

Management has reviewed and continues to monitor the actions of the various financial and regulatory reporting agencies and is currently not aware of any proposed or pending pronouncements that could have a material impact on the Company's financial position, results of operations or cash flows.

**Note 2. Related Parties**

***Advances from the Related Parties for New Beginnings Concert 2012***

During 2012, the 33% member in New Beginnings paid \$119,301 directly to vendors of the Company related to the production of the December 2012 concert event. The Company also agreed to issue 30,000,000 shares of common stock with a grant date fair value of \$345,000 to an officer of the 33% member in New Beginnings. In December 2012, an officer of the 33% member advanced \$30,000 to the Company related to the December 2012 concert. During the year ended December 31, 2013, the Company repaid \$50,000. In December 2013, the Company entered into settlement agreements with its former chairman of the board directors for amounts owed to the chairman and the 33% member of New Beginnings, which totaled approximately \$119,301 as of December 31, 2012. Pursuant to the agreements, the Company agreed to issued 30,000,000 shares of common stock to the former chairman, and maintain the chairman's health insurance for 12 months at a cost of \$1,000 per month. The cost of the health insurance of \$12,000 is presented as due to related parties as of March 31, 2014 and December 31, 2013.

**Mindpix Corporation**  
**Notes to the Consolidated Financial Statements**  
**March 31, 2014**

**Note 3. Convertible Debt**

From April 2013 through June 2013, the Company issued convertible notes with an aggregate face value of \$126,000. The notes mature one year from issuance, bear interest at an annual rate of 10%, and are convertible into common stock of the Company at the option of the holder at a conversion rate equal to 30% of the average of the lowest five closing trading prices of the Company's common stock during the twenty trading days immediately preceding the conversion date with reset provisions on the conversion rate.

During the three months ended March 31, 2014, the Company issued a convertible note with a face value of \$25,000. The note matures one year from issuance, bears interest at an annual rate of 8%, and is convertible into common stock of the Company at the option of the holder at a conversion rate equal to the lower of \$0.004 or 50% of the average of the lowest five closing trading prices of the Company's common stock during the twenty trading days immediately preceding the conversion date with reset provisions on the conversion rate.

Because the convertible notes are convertible into an indeterminable number of shares of common stock and due to the reset provisions, the fair value of the embedded conversion options are required to be presented as derivative liabilities and adjusted to fair value at each reporting date, with changes in fair value reported in the statement of operations. The Company estimated the fair value of the derivative liabilities on the dates of issuance using Monte Carlo Simulations and the following assumptions:

Volatility	489.86% -640.01%
Risk Free Rate	0.11% - 0.15%
Expected Term	1.0 Years
Dividend Rate	0%

On the dates of issuance the Company recorded derivative liabilities of \$381,386 and debt discounts of \$151,000. The debt discounts are being amortized into expense through the maturity dates of the convertible notes. As of December 31, 2013, the carrying value of the convertible notes totaled \$103,944, net of remaining unamortized discounts of \$22,056. During the three months ended March 31, 2014, the Company amortized \$14,057 of the discounts. As of March 31, 2014, the carrying value of the convertible notes, including accrued interest, totaled \$124,926, net of remaining unamortized discounts of \$32,999. In addition to the amortization of the discounts the Company recognized \$3,775 of interest expense on the convertible notes for the three months ended March 31, 2014.

The fair value of the embedded derivatives as of the March 31, 2014 was determined to be \$404,110 using Monte Carlo Simulations and the following assumptions:

Volatility	374.09% - 420.45%
Risk Free Rate	0.04% - 0.10%
Expected Term	0.22 – 1.0 Years
Dividend Rate	0%

**Mindpix Corporation**  
**Notes to the Consolidated Financial Statements**  
**March 31, 2014**

**Note 4. Note Payable**

The Company has a note payable with a principal balance of \$59,491 as of March 31, 2014, and December 31, 2013, and accrued interest of \$37,128 and \$35,628 as of March 31, 2014, and December 31, 2013, respectively. The note is due on demand and accrues interest at an annual rate of 10%.

**Note 5. Stockholders' Deficiency**

*Issuance of Common Stock*

During the three months ended March 31, 2014, the Company received net proceeds of \$142,333 for the sale of 40,903,856 shares of common stock. The Company also issued 96,424,159 shares of common stock for cash or services received during the year ended December 31, 2012.

During the three months ended March 31, 2014, the Company issued 2,000,000 shares of common stock as consideration for services rendered. The Company recorded compensation expense equal to the grant date fair value of the shares, estimated based on the grant date quoted trading prices of the Company's common stock, totaling \$15,000 for the three months ended March 31, 2014.

*Return of Common Stock to Treasury*

During the year ended December 31, 2013, members of prior management returned 674,007,878 shares of common stock as part of various settlement agreements. During the three months ended March 31, 2014, members of prior management returned 20,000,000 shares of common stock as part of a settlement agreement. These shares were held in treasury as of March 31, 2014 and December 31, 2013.

**Note 6. Income Taxes**

The Company's income tax rate computed at the statutory federal rate of 34% differs from its effective tax rate primarily due to permanent items, state taxes and the change in the deferred tax asset valuation allowance.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. In assessing the realizability of deferred tax assets, Management evaluates whether it is more likely than not that some portion or all of its deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based on Management's evaluation, the net deferred tax asset was offset by a full valuation allowance in all periods presented. The Company's deferred tax asset valuation allowance will be reversed if and when the Company generates sufficient taxable income in the future to utilize the tax benefits of the related deferred tax assets.

As of December 31, 2013 the Company had a net operating loss carry-forward of approximately \$1,057,000 which may be used to offset future taxable income and begins to expire in 2028.

**Mindpix Corporation**  
**Notes to the Consolidated Financial Statements**  
**March 31, 2014**

**Note 7. Commitments and Contingencies**

The Company's former Chief Financial Officer commenced litigation against the Company claiming that the Company owed him \$121,630 for his services pursuant to a Services Agreement. The Company settled the matter in March 2014 and agreed to pay the former Chief Financial Officer \$15,000 and issue 8,000,000 shares of common stock with a settlement-date fair value of \$67,200. The Company has accrued \$82,200, included in accounts payable and accrued expenses, as of December 31, 2013 and March 31, 2014.

The Company defaulted in 2005 on a Financing Agreement with a third party, whereby the third party had loaned approximately \$325,000 to the Company. The Company has repaid approximately \$177,610; however, the remaining balance is no longer accrued as management believes the statute of limitations has expired. A lawsuit was filed in this matter in Washington County, Utah.

**Note 8. Subsequent Events**

***Issuance of Common Stock***

In April and May 2014, the Company sold 58,636,364 shares of common stock for aggregate proceeds of \$110,000.

***Issuance of Convertible Debt***

In May 2014, the Company issued convertible debt with an aggregate face value of \$50,000 for gross proceeds of \$50,000. The notes mature in one year, bear interest at an annual rate of 8% and are convertible into common stock at a conversion rate equal to the lower of \$0.002 and 40% of the average of the five lowest closing prices during the 20 days preceding conversion.