

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

STREAMTRACK, INC.

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U. S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended November 30, 2012

Commission File Number: 333-153502

STREAMTRACK, INC.

(Exact name of registrant as specified in its charter)

Wyoming

(State or other jurisdiction of
incorporation or organization)

26-2589503

(IRS Employer Identification No.)

For correspondence, please contact:

347 Chapala Street

Santa Barbara, California 93101

(Address of principal executive offices)

(805) 308-9151

(Registrant's telephone number, including area code)

Lux Digital Pictures, Inc.

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Company is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At January 14, 2013, there were 253,167,691 shares of the Company's common stock outstanding.

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StreamTrack, Inc.
Consolidated Balance Sheets

	As of November 30, 2012 (Unaudited)	As of August 31, 2012
Assets		
Current assets		
Cash	\$ 63,196	\$ 227,435
Accounts receivable, net of allowances of \$80,000 and \$72,000 at November 30, 2012 and August 31, 2012, respectively	369,770	518,785
Prepaid expenses	7,105	10,981
Total current assets	440,071	757,201
Property and equipment, net	209,901	238,140
Other assets		
Note receivable	150,000	150,000
Customer list, net	136,915	150,166
Other assets	35,918	34,323
Total other assets	322,833	334,489
Total assets	\$ 972,805	\$ 1,329,830
Liabilities and stockholders' deficit		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,056,847	\$ 1,133,385
Deferred revenues	89,003	157,805
Factor line of credit	50,476	68,091
Derivative liability embedded within convertible notes payable	54,027	86,115
Capital lease payable	111,105	118,443
Related party payable	200,446	136,978
Convertible notes payable, net of debt discount of \$15,727 and \$11,299 as of November 30, 2012 and August 31, 2012	131,273	164,201
Total current liabilities	1,693,177	1,865,018
Long term liabilities		
Convertible promissory notes, net of debt discount of \$42,167 and \$6,370 as of November 30, 2012 and August 31, 2012	257,833	43,630
Related party convertible promissory notes, net of debt discount of \$54,349 and \$59,983 as of November 30, 2012 and August 31, 2012	370,651	365,017
Total long term liabilities	628,484	408,647
Total liabilities	2,321,661	2,273,665
Commitments and contingencies (note 5)		
Stockholders' deficit:		
Preferred stock, \$0.001 par value; 5,000,000 shares authorized; 100 shares issued and outstanding as of November 30, 2012 and August 31, 2012	1	1
Common stock, \$0.001 par value: 1,000,000,000 shares authorized; 253,167,691 and 220,098,411 shares issued and outstanding as of November 30, 2012 and August 31, 2012	253,167	220,098
Additional paid-in capital	1,162,093	1,126,887
Deferred stock based compensation	(686,792)	(766,292)
Accumulated deficit	(2,077,325)	(1,524,529)
Total stockholders' deficit	(1,348,856)	(943,835)
Total liabilities and stockholders' deficit	\$ 972,805	\$ 1,329,830

The accompanying notes are an integral part of the consolidated financial statements.

StreamTrack, Inc.
Unaudited Consolidated Statements of Operations

	For the Three Months Ended November 30,	
	2012	2011
Revenue		
Advertising	\$ 376,425	\$ -
Services	108,612	-
Total revenue	<u>485,037</u>	<u>-</u>
Costs of revenues		
Media network	175,049	-
Colocation hosting services	77,457	-
Broadcaster fees	45,344	-
Other costs of sales	155,657	-
Total costs of revenues	<u>453,507</u>	<u>-</u>
Gross profit	31,530	-
Operating expenses		
Marketing and sales (includes stock compensation \$17,667 and \$0 in 2012 and 2011)	122,584	-
Officer compensation	108,817	-
Product development (includes stock compensation \$35,333 and \$0 in 2012 and 2011)	105,801	-
Other expenses (includes stock compensation \$26,500 and \$0 in 2012 and 2011)	254,206	-
Total operating expenses	<u>591,408</u>	<u>-</u>
Loss from continuing operations	<u>(559,878)</u>	<u>-</u>
Other income (expenses)		
Interest expense (including accretion of debt discount of \$68,267 and \$0 for 2012 and 2011)	(88,089)	-
Change in fair value of derivative	95,171	-
Total other income	<u>7,082</u>	<u>-</u>
Loss from discontinued operations	-	(12,749)
Loss before income tax provision or benefit	<u>(552,796)</u>	<u>(12,749)</u>
Income tax (provision) benefit	-	4,335
Net loss	<u>\$ (552,796)</u>	<u>\$ (8,414)</u>
Basic and diluted net loss per share attributable to common stockholders	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted-average number of shares used in computing per share amounts	<u>239,256,736</u>	<u>50,273,400</u>

The accompanying notes are an integral part of the consolidated financial statements.

StreamTrack, Inc.
Unaudited Consolidated Statements of Cash Flows

	For the Three Months Ended November 30,	
	2012	2011
Cash flows from operating activities of continuing operations		
Net loss	\$ (552,796)	\$ -
Discontinued operations	-	(8,414)
Adjustments to reconcile net loss to net cash used in operating activities of continuing operations:		
Stock-based compensation	79,500	-
Bad debt expense	10,767	-
Depreciation and amortization	41,490	-
Remeasurement of derivative liability	(95,171)	-
Amortization of debt discount	68,267	-
Changes in assets and liabilities:		
Accounts receivable	138,248	-
Prepaid expenses	3,876	-
Other assets	(1,595)	-
Accounts payable and accrued expenses	(76,538)	-
Deferred revenue	(68,802)	-
Net cash used in operating activities of continuing operations	<u>(452,754)</u>	<u>-</u>
Cash flows from financing activities of continuing operations		
Proceeds from issuance of convertible promissory notes	250,000	-
Payments on capital lease	(7,338)	-
Net advances from related parties	63,468	-
Net payments to Factor	(17,615)	-
Net cash provided by financing activities of continuing operations	<u>288,515</u>	<u>-</u>
Cash flows from discontinued operations		
Cash flows from operations activities of discontinued operations	-	26,371
Cash flows from investing activities of discontinued operations	-	(17,957)
Cash flows from financing activities of discontinued operations	-	-
Net cash provided by discontinued operations	<u>-</u>	<u>8,414</u>
Net decrease in cash and cash equivalents	(164,239)	-
Cash and cash equivalents at beginning of year	227,435	-
Cash and cash equivalents at end of year	<u>\$ 63,196</u>	<u>\$ -</u>
Supplemental disclosures of noncash financing activities		
Issuance of common stock for conversion of debts	\$ 28,500	\$ -
Supplemental disclosures of cash flow information		
Cash paid during the period for income taxes	\$ -	\$ -
Cash paid during the period for interest	\$ 1,231	\$ -

The accompanying notes are an integral part of the consolidated financial statements.

StreamTrack, Inc.

Notes to Consolidated Financial Statements

1. Nature of Business

StreamTrack, Inc. (“StreamTrack,” or the “Company”) is a leading digital media and technology services company. StreamTrack provides streaming and advertising services through its RadioLoyalty™ Platform to over 1,100 internet and terrestrial radio stations and other broadcast content providers. The Company has developed a patent-pending video in-stream technology that enables radio broadcasters to enhance the end users’ experience while maximizing the content owners return on investment. StreamTrack is also continuing development of additional internet products and internet and mobile technologies including WatchThis™, a patent-pending merchandising in-stream technology to provide IP television streaming services, advertising and e-commerce services.

On August 31, 2012, the Company’s subsidiary, StreamTrack Media, Inc., a California corporation, acquired certain assets and liabilities of Radioloyalty, Inc., (“RL”) a California corporation (the “Merger”). StreamTrack Media, Inc. was the surviving corporation. As a result of the Merger, StreamTrack Media, Inc. acquired the business of RL, and will continue the existing business operations of RL as a wholly-owned subsidiary, in a transaction treated as a reverse acquisition. Prior to a stock purchase agreement executed by RL’s founder, Michael Hill, on May 16, 2012, the Company had minimal operations. Majority-voting control was transferred to Michael Hill on that date, subject to the successful acquisition of RL by the Company, which occurred on August 31, 2012. The transaction required a recapitalization of the Company. Since RL, through Michael Hill, acquired a controlling voting interest, it was deemed the accounting acquirer, while the Company was deemed the legal acquirer. The historical financial statements of the Company are those of RL, and of the consolidated entities from the date of Merger and subsequent.

Basis of Presentation

The accompanying interim 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”), and should be read in conjunction with the audited financial statements and notes thereto contained in the Company’s Form 10-K filed with the SEC as of and for the period ended August 31, 2012 filed on December 14, 2012. In the opinion of management, all adjustments necessary in order for the financial statements to be not misleading have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, StreamTrack Media, Inc., a California corporation. All intercompany balances and transactions have been eliminated in consolidation. In the opinion of the Company’s management, the consolidated financial statements include all adjustments, which include only normal recurring adjustments, necessary for the fair presentation of the Company’s financial position for the periods presented.

Going Concern

The Company’s financial statements are 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. For the three months ended November 30, 2012, the Company recorded a net loss of \$552,796. The net loss indicates that the Company may have difficulty continuing as a going concern.

Management is confident but cannot guarantee that additional capital can be raised in order to support marketing costs, content costs, media buying costs and product development costs associated with management's business plan. Since inception and through November 30, 2012, the Company has successfully raised a significant amount of capital. Additionally, the Company has recently launched additional new online product offerings and anticipates launching several new product offerings throughout its fiscal year ending August 31, 2013. The Company expects those products to be profitable but notes that it will require significant capital for product development and commercial deployment. However, the ability of the Company to continue as a going concern is dependent on the successful execution of the business plan in order to reach break-even and become profitable. If the Company is unable to become profitable, the Company could be forced to modify its business operations or possibly cease operations entirely. Management cannot provide any assurances that the Company will be successful in its operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

2. Summary of Significant Accounting Policies

Revenue Recognition

The Company's revenue is principally derived from advertising services.

The Company recognizes revenue when: (1) persuasive evidence exists of an arrangement with the customer reflecting the terms and conditions under which products or services will be provided; (2) delivery has occurred or services have been provided; (3) the fee is fixed or determinable; and (4) collection is reasonably assured. For all revenue transactions, the Company considers a signed agreement, a binding insertion order or other similar documentation to be persuasive evidence of an arrangement.

Advertising Revenue. The Company generates advertising revenue primarily from display and video advertising. The Company generates the majority of its advertising revenue through the delivery of advertising impressions sold on a cost per thousand, or CPM, basis. Currently, advertising revenues are generated through our proprietary technologies from internet-based content. The Company does not currently generate significant revenues from mobile advertising. In determining whether an arrangement exists, the Company ensures that a binding arrangement, such as an insertion order or a fully executed customer-specific agreement, is in place. The Company generally recognizes revenue based on delivery information from its campaign trafficking systems.

The Company also generates advertising revenue pursuant to arrangements with advertising agencies and brokers. Under these arrangements, the Company provides the agencies and brokers the ability to sell advertising inventory on the Company's service directly to advertisers. The Company reports this revenue net of amounts due to agencies and brokers because the Company is not the primary obligor under these arrangements, the Company does not set the pricing, and does not establish or maintain the relationship with the advertisers.

Services Revenue. The Company generated services revenues related to the management and resale of its webhosting capacity at its two facilities in California for the period from December 1, 2011 through November 30, 2012. The Company no longer generates significant services revenues of this nature but does anticipate project-oriented service revenues associated with the integration and private-branding of the Company's technologies with both current and potential business partners and customers, respectively. During the three months ended November 30, 2012, the Company's product development team began work on a project involving a private label version of the Company's Universal Player™. The Company is accounting for this project utilizing percentage of completion accounting principles.

Deferred Revenue. Deferred revenue consists of both prepaid unrecognized revenues and advertising fees received or billed in advance of the delivery or completion of the services or in instances when revenue recognition criteria have not been met. Deferred revenue is recognized when the services are provided and all revenue recognition criteria have been met.

Multiple-Element Arrangements. The Company could potentially enter into arrangements with customers to sell advertising packages that include different media placements or ad services that are delivered at the same time, or within close proximity of one another. The Company uses the prospective method for all arrangements entered into or materially modified from the date of adoption that involve multiple element arrangements. Under this new guidance, the Company allocates arrangement consideration in multiple-deliverable revenue arrangements at the inception of an arrangement to all deliverables or those packages in which all components of the package are delivered at the same time, based on the relative selling price method in accordance with the selling price hierarchy, which includes: (1) vendor-specific objective evidence ("VSOE") if available; (2) third-party evidence ("TPE") if VSOE is not available; and (3) best estimate of selling price ("BESP") if neither VSOE nor TPE is available.

VSOE . The Company determines VSOE based on its historical pricing and discounting practices for the specific product or service when sold separately. In determining VSOE, the Company requires that a substantial majority of the selling prices for these services fall within a reasonably narrow pricing range. The Company has not historically priced its advertising products within a narrow range. As a result, the Company has not been able to establish VSOE for any of its advertising products.

TPE . When VSOE cannot be established for deliverables in multiple element arrangements, the Company applies judgment with respect to whether it can establish a selling price based on TPE. TPE is determined based on competitor prices for similar deliverables when sold separately. Generally, the Company's go-to-market strategy differs from that of its peers and its offerings contain a significant level of differentiation such that the comparable pricing of services cannot be obtained. Furthermore, the Company is unable to reliably determine what similar competitor services' selling prices are on a stand-alone basis. As a result, the Company has not been able to establish selling price based on TPE.

BESP . When it is unable to establish selling price using VSOE or TPE, the Company uses BESP in its allocation of arrangement consideration. The objective of BESP is to determine the price at which the Company would transact a sale if the service were sold on a stand-alone basis. BESP is generally used to allocate the selling price to deliverables in the Company's multiple element arrangements. The Company determines BESP for deliverables by considering multiple factors including, but not limited to, prices it charges for similar offerings, market conditions, competitive landscape and pricing practices. The Company limits the amount of allocable arrangement consideration to amounts that are fixed or determinable and that are not contingent on future performance or future deliverables. The Company regularly reviews BESP. Changes in assumptions or judgments or changes to the elements in the arrangement may cause an increase or decrease in the amount of revenue that the Company reports in a particular period.

The Company recognizes the relative fair value of the media placements or ad services as they are delivered assuming all other revenue recognition criteria are met.

Reclassifications

Certain reclassifications to the Company's condensed balance sheets and condensed statements of operations have been made to the August 31, 2012 financial statements in order to conform to the presentation of these financial statements. These reclassifications did not impact the Company's revenues, net income, total assets, total liabilities or total equity for the three months ended November 30, 2012 and 2011, and as of August 31, 2012, respectively.

Recently Issued Accounting Standards

In October 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2009-13 regarding Accounting Standard Codification ("ASC") Subtopic 605-25, *Revenue Recognition – Multiple-element Arrangements*. This ASU addresses criteria for separating the consideration in multiple-element arrangements. ASU 2009-13 requires companies to allocate the overall consideration to each deliverable by using a BESP of individual deliverables in the arrangement in the absence of VSOE or other TPE of the selling price. The changes under ASU 2009-13 are effective prospectively for revenue arrangements entered into or materially modified subsequent to adoption. Under the new guidance, the Company uses BESP when neither VSOE nor TPE are available. As a result, the Company is able to recognize the relative fair value of the elements as they are delivered, assuming other revenue recognition criteria are met.

In May 2011, the FASB issued ASU 2011-04 regarding ASC Topic 820 “Fair Value Measurement.” This ASU updates accounting guidance to clarify how to measure fair value to align the guidance surrounding Fair Value Measurement within GAAP and International Financial Reporting Standards. In addition, the ASU updates certain requirements for measuring fair value and for disclosure around fair value measurement. It does not require additional fair value measurements and the ASU was not intended to establish valuation standards or affect valuation practices outside of financial reporting. This ASU will be effective for the Company’s fiscal year beginning February 1, 2012. Early adoption is not permitted. The adoption of this guidance is not expected to have a material impact on the Company’s financial statements.

In June 2011, the FASB issued ASU No. 2011-05, “Comprehensive Income (Topic 220): Presentation of Comprehensive Income”. This ASU amends the ASC to allow an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders’ equity. The amendments to the ASC in the ASU do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. ASU 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted. The adoption of this guidance is not expected to have a material impact on the Company’s financial statements.

In December 2011, the FASB issued ASU No. 2011-12, “Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05”. This ASU defers the effective date pertaining to reclassification adjustments out of accumulated other comprehensive income in ASU 2011-05. ASU 2011-12 defers only those changes in ASU 2011-05 that relate to the presentation of reclassification adjustments in ASU 2011-05. The amendments are being made to allow the Board time to redeliberate whether to present on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for all periods presented. The amendments in this update are effective at the same time as the amendments in update 2011-05 so that entities will not be required to comply with the presentation requirements in update 2011-05 that this update is deferring. The adoption of this guidance is not expected to have a material impact on the Company’s financial statements.

3. Composition of Certain Financial Statement Captions

Accounts Receivable

Accounts receivable, net consisted of the following:

	November 30, 2012	August 31, 2012
Accounts receivable	\$ 449,770	\$ 590,785
Allowance for doubtful accounts	(80,000)	(72,000)
Accounts receivable, net	<u>\$ 369,770</u>	<u>\$ 518,785</u>

Allowance for Doubtful Accounts	Balance at Beginning of Fiscal Year	Charged to Operations	Write-offs, Net of Recoveries	Balance at End of Period
For three months ended November 30, 2012	\$ 72,000	\$ 10,767	\$ 2,767	\$ 80,000
For three months ended November 30, 2011	-	-	-	-

Property and Equipment

Property and equipment consisted of the following:

	November 30, 2012	August 31, 2012
Servers, computers, and other related equipment	\$ 198,924	\$ 198,924
Software	112,204	112,204
Leasehold improvements	1,675	1,675
	312,803	312,803
Less accumulated depreciation and amortization	(102,902)	(74,663)
Property and equipment, net	<u>\$ 209,901</u>	<u>\$ 238,140</u>

Depreciation expense totaled \$28,239 and \$0 for the three months ended November 30, 2012 and 2011, respectively. There were no write-offs during the three months ended November 30, 2012 and 2011, respectively.

Note receivable

Note receivable consisted of a \$150,000 convertible promissory note bearing 7% annual compounded interest due from a digital content provider on or before August 28, 2016. The balance owed can be converted into either preferred stock or common stock of the digital content provider, at the Company's election, subject to certain conditions and contingencies. The Company agreed to work with the digital content provider to make modifications to its Universal Player™ technology platform to better suit the digital content provider's specific needs. The Company received a \$25,000 deposit with the remaining balance of the contract in the form of the note receivable. The Company expects to receive the remaining fees when the modifications are completed, the technology is fully integrated and operational, and the digital content provider is generating revenue within its advertising segment.

Customer List

Customer list, net consisted of the following:

	November 30, 2012	August 31, 2012
Original cost	\$ 159,000	\$ 159,000
Less accumulated amortization	(22,085)	(8,834)
Customer list, net	<u>\$ 136,915</u>	<u>\$ 150,166</u>

Amortization expense totaled \$13,251 and \$0 for the three months ended November 30, 2012 and 2011, respectively.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following:

	November 30, 2012	August 31, 2012
Accounts payable	\$ 863,137	\$ 1,041,060
Accrued consulting fees	103,750	41,500
Accrued payroll	32,424	-
Accrued broadcaster commissions	28,525	28,870
Accrued interest	25,124	17,673
Credit card	3,887	4,282
Accounts payable and accrued expenses	<u>\$ 1,056,847</u>	<u>\$ 1,133,385</u>

Deferred Revenues

Deferred revenues consisted of the following:

	November 30, 2012	August 31, 2012
Balance due RL upon completion of special project, secured by a convertible promissory note	\$ 89,003	\$ 150,000
Customer deposits	-	7,805
Deferred revenues	<u>\$ 89,003</u>	<u>\$ 157,805</u>

4. Fair Value

The Company records cash equivalents, debt discounts on convertible promissory notes and derivatives at fair value.

Fair value is an exit price, representing the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. Fair value measurements are required to be disclosed by level within the following fair value hierarchy:

Level 1 – Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level 3 – Inputs lack observable market data to corroborate management's estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

When determining fair value, whenever possible the Company uses observable market data, and relies on unobservable inputs only when observable market data is not available.

The fair value of these financial assets and liabilities was determined using the following inputs at November 30, 2012:

	Fair Value Measurement Using			Total
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Fair values as of November 30, 2012				
Assets:				
None	\$ -	\$ -	\$ -	\$ -
Total assets measured at fair value	\$ -	\$ -	\$ -	\$ -
Liabilities:				
None	\$ -	\$ -	\$ -	\$ -
Total liabilities measured at fair value	\$ -	\$ -	\$ -	\$ -
Fair values as of November 30, 2012				
Liabilities:				
Convertible promissory notes	\$ -	\$ 759,757	\$ -	\$ 759,757
Derivative liabilities	-	54,027	-	54,027
Total liabilities measured at fair value	\$ -	\$ 813,784	\$ -	\$ 813,784

The Company's convertible promissory notes and derivative liabilities were classified as Level 2 within the fair value hierarchy because they were valued using significant other observable inputs.

5. Commitments and Contingencies

Royalty on RadioLoyalty™ Revenues

On November 30, 2011, the Company's Chief Executive Officer and another executive officer of the Company's subsidiary, together with a business entity they organized, executed an asset purchase agreement with their former employer, Lenco Mobile, Inc. ("Lenco"), to acquire certain assets and assume certain liabilities from Lenco. The primary asset acquired from Lenco was the RadioLoyalty™ Platform. Lenco's Board of Directors had previously determined that the RadioLoyalty™ Platform was not considered a core product offering of Lenco. Lenco was determined to focus only on mobile technology products. At the time, the RadioLoyalty™ Platform was not fully functional and was primarily an internet-based product. Upon the purchase of these certain assets and assumption of certain liabilities from Lenco, an agreement was reached to compensate Lenco with a 3.5% royalty on all revenues generated by the RadioLoyalty™ Platform for a period of three years (the "Royalty"). The term of the Royalty began on November 1, 2011 and terminates on November 1, 2014. No other compensation is due to Lenco. The Royalty was assumed by RL upon its organization on December 1, 2011 and subsequently assumed by the Company's subsidiary, StreamTrack Media, Inc. ("StreamTrack"), in connection with the August 31, 2012 asset purchase agreement between the Company, StreamTrack and RL. For the year ended August 31, 2012, the Royalty owed to Lenco was \$10,344. Payments to Lenco under the Royalty can not exceed \$2,500,000.

Leases

The Company conducts its operations using leased office facilities in Santa Barbara, California.

The following is a schedule of future minimum lease payments under operating leases as of November 30, 2012:

For the Twelve Month Period Ending November 30,

2013	\$ 180,636
2014	82,792
2015	-
2016	-
2017	-
All future years	-
Total minimum lease payments	<u>\$ 263,428</u>

The leases are written under separate arrangements expiring through 2014. The Company holds a right to renew the leases for an additional two years at increased rental rates. Rent expenses for the three months ended November 30, 2012 and 2011 totaled \$46,542 and \$0, respectively. The Company recognizes rent expense on a straight-line basis over the lease term including expected renewal periods. The difference between rent expenses and rent payments is recorded as deferred rent in current and long-term liabilities. No deferred rent existed as of November 30, 2012 and August 31, 2012, respectively.

Indemnification Agreements

In the ordinary course of business, the Company may provide indemnifications of varying scope and terms to customers, vendors, lessors, business partners, and other parties with respect to certain matters, including, but not limited to, losses arising out of breach of such agreements, services to be provided by the Company or from intellectual property infringement claims made by third parties. In addition, the Company plans to enter into indemnification agreements with directors and certain officers and employees that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees.

While the outcome of these matters cannot be predicted with certainty, the Company does not believe that the outcome of any claims under indemnification arrangements will have a material adverse effect on the Company's financial position, results of operations, or cash flows.

Legal Proceedings

The Company is potentially subject to various legal proceedings and claims arising in the ordinary course of its business. There are no pending legal proceedings against the Company as of the date of these financial statements.

6. Income Taxes

The provision for income tax (expense) benefit consists of the following:

	For the Three Months Ended November 30,	
	2012	2011
Current		
Federal	\$ -	\$ 2,640
State and local	-	1,695
Total current income tax (expense) benefit	-	4,335
Deferred	(187,951)	
Federal	\$ (187,951)	\$ -
State and local	(82,919)	-
Valuation allowance	270,870	-
Total deferred income tax (expense) benefit	-	-
Total income tax (expense) benefit	\$ -	\$ 4,335

The following table presents a reconciliation of the statutory federal rate and the Company's effective tax rate for the periods presented.

	For the Three Months Ended November 30,	
	2012	2011
U.S. federal taxes at statutory rate	34%	34%
State taxes, net of federal benefit	15	15
Permanent differences	-	-
Change in valuation allowance	-	-
Change in rate	-	-
Other	-	-
Effective tax rate	49%	49%

The major components of deferred tax assets and liabilities were as follows:

	November 30, 2012	August 31, 2012
Deferred tax assets:		
Net operating loss carryforwards	\$ 2,100,000	\$ 1,600,000
Tax credit carryforwards	-	-
Allowances and other	-	-
Depreciation and amortization	-	-
Total deferred tax assets	<u>2,100,000</u>	<u>1,600,000</u>
Deferred tax liabilities:		
Depreciation and amortization	-	-
Total deferred tax liabilities	-	-
Valuation allowance	<u>(2,100,000)</u>	<u>(1,600,000)</u>
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

As of November 30, 2012, the Company had federal net operating loss carryforwards of approximately \$2,100,000, which includes stock-based compensation deductions of approximately \$222,000. The federal net operating losses and tax credits expire in years beginning in 2021. As of November 30, 2012, the Company had state net operating loss carryforwards of approximately \$2,100,000, which expire in years beginning in 2014. Under Section 382 and 383 of the Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an “ownership change,” the corporation’s ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as research tax credits, to offset its post-change income may be limited. In general, an “ownership change” will occur if there is a cumulative change in our ownership by “5-percent shareholders” that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. The Company has previously experienced “ownership changes” under section 382 of the Code and comparable state tax laws. The Company estimates that none of the federal and state pre-change net operating losses will be limited under Section 382 of the Code.

As of November 30, 2012, the Company maintained a full valuation allowance on its net deferred tax assets. The valuation allowance was determined in accordance with the provisions of ASC 740, Accounting for Income Taxes, which requires an assessment of both positive and negative evidence when determining whether it is more likely than not that deferred tax assets are recoverable. Such assessment is required on a jurisdiction by jurisdiction basis. The Company’s history of cumulative losses, along with expected future U.S. losses required that a full valuation allowance be recorded against all net deferred tax assets. The Company intends to maintain a full valuation allowance on net deferred tax assets until sufficient positive evidence exists to support reversal of the valuation allowance.

The Company files income tax returns in the United States and California. The 2011 tax year remains subject to examination for U.S. federal and state purposes. All net operating losses and tax credits generated to date are subject to adjustment for U.S. federal and state purposes. The Company is not currently under examination in federal or state jurisdictions.

7. Capital Lease – in Default

The Company periodically leases computer servers and related hardware under capital lease agreements. The lease terms are typically from three to five years, depending on the type of equipment. The leased equipment typically has a bargain purchase price, and qualifies for treatment as a capital lease. For book purposes, the assets are amortized over their estimated useful lives.

Assets under capital lease as of November 30, 2012 and August 31, 2012 were as follows:

	November 30, 2012	August 31, 2012
Servers	\$ 147,049	\$ -
Less: accumulated depreciation	(57,293)	-
Net assets under capital lease	\$ 89,756	\$ -

The monthly payment under the lease is \$8,569. As of November 30, 2012 and as of the date of these financial statements, the Company was in default on the lease. The Company is working with the lessor to resolve this issue. During the three months ended November 30, 2012 the Company paid a total of \$7,338 in principal payments towards capital leases. The following is a schedule of future payments required under the lease together with their present values:

	Payments
2013	\$ 119,966
2014	-
2015	-
2016	-
Total lease payments	119,966
Less: amount representing interest	(8,861)
Present value of minimum lease payments	\$ 111,105

8. Related Party Transactions

The related party payable as of November 30, 2012 consists of unpaid compensation and non-interest bearing cash advances and charges on personal credit lines made on behalf of the Company by the Company's Chief Executive Officer and the Chief Executive Officer of StreamTrack Media, Inc. (the "Executives"). The balances owed to the Executives are not secured and are due on demand. Interest will be charged on these balances. However, no formal agreement has been executed to quantify the interest.

RL records consulting fees payable to these three executives on a straight-line basis, over the term of the agreements. A total of \$62,250 in consulting fees were recorded for the three months ended November 30, 2012. However, these amounts were not paid to the executives as of November 30, 2012 as a result of their agreement to defer their pay until January 1, 2013.

9. Factor Line of Credit

On January 26, 2012 the Company executed a contract with an unrelated party (the "Factor") to provide financing to the Company in the form of a factoring line of credit. The Company utilizes the factoring line of credit to take cash advances on its accounts receivable balances prior to its customers paying the balances owed to the Company. The Factor charges a variety of fees totaling approximately 3% of the funds advanced by the Factor. Transactions involving the Factor for the three months ended November 30, 2012 are detailed in the table below.

Balance, August 31, 2012	\$ 68,091
Advances from Factor	264,957
Fees charged by Factor	10,900
Total	343,948
Payments received from customers	(293,472)
Balance, November 30, 2012	<u>\$ 50,476</u>

10. Debt Instruments

The Company has relied on financing from one lender since 2010 (the "Creditor"). During the period from August 31, 2012 through November 30, 2012, the Creditor converted \$28,500 of its convertible promissory notes into 33,069,280 shares of the Company's common stock. The principal balance owed to the Creditor as of January 14, 2013 was \$147,000.

Upon the six-month anniversary of all financings with the Creditor, the shares underlying the convertible promissory notes are issuable without restriction and can be sold to the public through the OTC Bulletin Board. As a result of the conversion price not being fixed, the number of shares of the Company's common stock that are issuable upon the conversion of the convertible promissory notes is indeterminable until such time as the Creditor elects to convert to common stock. As a result of this the Company has determined that a derivative liability existed as of the six-month anniversary of the May 24, 2012 convertible promissory note. The Company measured the derivative liability using the input attributes disclosed below and recorded a derivative liability of \$63,083 as of November 20, 2012. On November 30, 2012 the Company re-measured the derivative liability using the input attributes below and determined the value was \$41,964. Other income of \$21,119 was recorded as of November 30, 2012 and included in the statement of operations in order to adjust the derivative liability to the re-measured value.

	November 30, 2012	November 20, 2012
Expected life (in years)	0.25	0.28
Balance of note outstanding	\$ 78,500	\$ 78,500
Stock price	\$ 0.0009	\$ 0.0011
Effective conversion price	\$ 0.0006	\$ 0.0006
Shares issuable upon conversion	139,878,831	126,165,220
Risk-free interest rate	0.08%	0.08%
Expected volatility	61.83%	61.83%
Expected dividend yield	-	-

The Company also re-measured the derivative liability associated with the December 28, 2011 convertible promissory note using the input attributes below and determined the value to be \$12,063 as of November 30, 2012. Other income of \$74,052 was recorded as of November 30, 2012 and included in the statement of operations in order to adjust the derivative liability to the re-measured value.

	November 30, 2012
Expected life (in years)	0.1
Balance of note outstanding	\$ 26,000
Stock price	\$ 0.0009
Effective conversion price	\$ 0.0006
Shares issuable upon conversion	40,210,331
Risk-free interest rate	0.08%
Expected volatility	61.83%
Expected dividend yield	-

Interest expense on all debts owed to the Creditor during the three months ended November 30, 2012 and 2011 totaled \$3,291 and \$2,072, respectively.

The following table reflects the balance of the Company's convertible promissory notes as of November 30, 2012.

Convertible promissory notes, principal balance	\$ 147,000
Less: Unamortized portion of debt discount	(15,727)
Convertible promissory notes, net, November 30, 2012	<u>\$ 131,273</u>

Future maturities of the Company's convertible promissory notes, in the aggregate, are as follows for period ending November 30,

2013	\$ 147,000
2014	-
Thereafter	-
	<u>\$ 147,000</u>

On August 31, 2012, RL issued a convertible promissory note for \$250,000 to an investor. On September 4, 2012, RL received the proceeds from the issuance of the convertible promissory note. The convertible promissory note bears 4% interest, is convertible into the RL's common stock at a \$0.50 conversion price and matures on August 31, 2015. RL recorded a beneficial conversion feature of \$15,000 in connection with this financing. A total of 125,000 warrants were issued in connection with this financing. The warrants were valued at \$24,775, have a three-year term, and are exercisable at a price of \$0.50.

The valuation of the stock warrants and the beneficial conversion feature associated with the issuance of convertible promissory notes utilized valuation inputs and related figures provided by a professional and independent valuation firm.

The conversion feature associated with the convertible promissory notes provide for a rate of conversion that is below market value. This conversion feature is accounted for as a beneficial conversion feature. A beneficial conversion feature was recorded by RL and classified as a debt discount on the balance sheet at the time of issuance of each convertible promissory note with a corresponding credit to additional paid-in capital. The value is amortized over the three-year term of the convertible promissory note. The amortized value for each period is recorded as an offset against the debt discount on the balance sheet, classified as interest expense in the statement of operations and as accretion of debt discount within the statement of cash flows.

The following table reflects the balance in convertible promissory notes as of November 30, 2012:

Convertible promissory notes, principal balance	\$ 725,000
Less: Unamortized portion of debt discount	(96,516)
Convertible promissory notes, net, August 31, 2012	<u>\$ 628,484</u>

Future maturities of the RL convertible promissory notes, in the aggregate, are as follows for the twelve months ending November 30,

2013	\$ -
2014	350,000
2015	<u>375,000</u>
	<u>\$ 725,000</u>

As of November 30, 2012, the amounts of long-term and short-term convertible promissory notes payable are stated at contract amounts that approximate fair value based on current interest rates available in the United States of America.

11. Stockholders' Equity

Series A Preferred Stock

Each share of Series A Preferred Stock has voting rights equal to the voting equivalent of the common stock into which it is convertible at the time of the vote. All outstanding shares of Series A Preferred Stock will automatically convert into common stock on the first business day after the closing date of the acquisition by the Company of 100% of the total issued and outstanding capital stock of RL. The holders of the Series A Preferred Stock are not entitled to dividends. The Series A Preferred Stock has no preferential rights to the Company's common stock and will share in any liquidation proceeds with the common stock on an as converted basis.

Common Stock

Each share of common stock has the right to one vote per share. The holders of common stock are also entitled to receive dividends as and when declared by the board of directors of the Company, whenever funds are legally available. These rights are subordinate to the dividend rights of holders of all classes of stock outstanding at the time.

Stock Based Compensation

Stock-based compensation expenses related to all employee and non-employee stock-based awards for the three months ended November 30, 2012 and 2011 are as follows:

	For the Three Months Ended November 30,	
	2012	2011
Stock-based compensation expenses:		
Marketing and sales	\$ 17,667	\$ -
Product development	35,333	-
Other	26,500	-
Total stock-based compensation, recorded in costs and expenses	<u>\$ 79,500</u>	<u>\$ -</u>

The fair value of the RSUs is expensed ratably over the vesting period. RSUs vest daily on a cliff basis over the service period, generally three years. The Company recorded stock-based compensation expense related to restricted stock units of \$79,500 during the three months ended November 30, 2012. As of November 30, 2012, total compensation cost not yet recognized of \$686,792 related to non-vested RSUs, is expected to be recognized over a weighted average period of 2.58 years.

The following table summarizes the activities for the Company's RSUs for the period ended November 30, 2012:

	Number of Shares	Weighted- Average Grant-Date Fair Value
Unvested at August 31, 2012	-	\$ 0.00
Granted	-	0.00
Vested	-	0.00
Canceled	-	0.00
Unvested at November 30, 2012	<u>-</u>	<u>\$ 0.00</u>
Expected to vest after November 30, 2012	-	\$ 0.00

The following table summarizes the activities for RL's RSUs for the period ended November 30, 2012:

	Number of Shares	Weighted- Average Grant-Date Fair Value (1)
Unvested at August 31, 2012	1,508,750	\$ 0.00
Granted	-	0.53
Vested	(150,000)	0.53
Canceled	-	0.00
Unvested at November 30, 2012	<u>1,358,750</u>	<u>\$ 0.53</u>
Expected to vest after November 30, 2012	1,358,750	\$ 0.53

(1) Grant date fair value is the fair value associated with RL's common stock, not the Company's common stock.

Effect of Proposed Reverse Stock Split

Upon the execution of the proposed reverse stock split, the Company intends to re-issue the RL convertible promissory notes and warrants to purchase common stock in the same form. However, the conversion price of each specific instrument will be adjusted to ensure that the holder of each instrument will have the right to convert the instrument into an equivalent number of shares of the Company's common stock that they would have been entitled to on an as-if basis, if they had elected to convert the instrument they held on the date the reverse stock split became effective.

12. Net Loss Per Share

Basic net loss per share is computed by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period.

Diluted net loss per share is computed by giving effect to all potential shares of common stock, including the shares issuable upon conversion of the Company's convertible promissory notes, the Series A Preferred Stock, the RL convertible promissory notes, and the RL warrants to purchase common stock. Basic and diluted net loss per share was the same for each year presented as the inclusion of all potential common shares outstanding would have been anti-dilutive.

	For the Three Months Ended November 30,	
	2012	2011
Denominator		
Weighted-average common shares outstanding used in computing basic and diluted net loss per share	239,256,736	50,273,400
Net loss per share, basic and diluted	\$ (0.00)	\$ (0.00)

The following potential common shares outstanding were excluded from the computation of diluted net loss per share because including them would have been anti-dilutive:

	For the Three Months Ended November 30,	
	2012	2011
Convertible promissory notes (1)	245,000,000	-
Series A Preferred Stock (2)	23,251,841	-
RL convertible promissory notes (3)	***	-
Warrants to purchase RL common stock (4)	***	-
Total quantifiable common stock equivalents	<u>268,251,841</u>	<u>-</u>

(1) As of November 30, 2012, the Company had convertible promissory notes of \$147,000 outstanding. The Company has estimated the number of shares of common stock the holder of the convertible promissory note agreements could have been issued had the holder elected to convert the convertible promissory notes to common stock as of November 30, 2012. The holder did not make such an election as of November 30, 2012.

(2) As of November 30, 2012, the Company had 100 shares of its Series A Preferred Stock outstanding. The Company has estimated the number of shares of common stock the holders of the Series A Preferred Stock could have been issued had the holder elected to convert the Series A Preferred Stock to common stock as of November 30, 2012. The holder did not make such an election as of August 31, 2012.

(3) In connection with the August 31, 2012 asset purchase agreement with RadioLoyalty, Inc. ("RL"), the Company plans to purchase and assume certain convertible promissory notes previously issued by RL. As of the date of these financial statements, the convertible promissory notes were convertible into 1,450,000 shares of RL common stock, representing approximately 10% of RL's fully diluted outstanding common stock. After taking all known factors into account and making certain assumptions regarding some unknown factors associated with the proposed reverse stock split, management estimates the holders of the RL convertible promissory notes will have the right to convert their holdings into approximately 9% of the Company's outstanding common stock, on a post-reverse stock split basis.

(4) In connection with the August 31, 2012 asset purchase agreement with RL, the Company plans to purchase and assume certain stock purchase warrants previously issued by RL. As of the date of these financial statements, the stock purchase warrants were convertible into 362,500 shares of RL common stock, representing approximately 3% of RL's fully diluted outstanding common stock. After taking all known factors into account and making certain assumptions regarding some unknown factors associated with the proposed reverse stock split, management estimates the holders of the RL convertible promissory notes will have the right to convert their holdings into approximately 3% of the Company's outstanding common stock, on a post-reverse stock split basis.

13. Discontinued Operations

The results of operations of the discontinued entertainment business are detailed below.

	For the Three Months Ended	
	November 30,	
	2012	2011
Sales	\$ -	\$ 18,226
Operating Expenses	-	(28,997)
Other Income & Expenses	-	(1,978)
Income Tax Benefit	-	4,335
Net Loss From Discontinued Operations	\$ -	\$ (8,414)

14. Subsequent Events

On December 1, 2012, the Company's Chief Executive Officer agreed to defer the calculation of amounts owed to him under an agreement date June 1, 2012 whereby the Chief Executive Officer would be compensated for the Company's exclusive use of his available credit with a lender. The compensation will be calculated based on the total advances from the lender or charges on the credit account for verified business expenses each month ("Total Usage"). The charge on the Total Usage will be calculated at an annualized interest rate of 5%. The Chief Executive Officer and the Company plan to calculate the compensation during the second quarter of the Company's fiscal year ending August 31, 2013. The compensation will likely be in the form of a one-time adjustment to ensure the Chief Executive Officer is compensated for providing liquidity to the Company since the inception of RL on December 1, 2011.

On December 28, 2012, the Company received funding from the Creditor for an additional financing of \$100,000. The funding was received in exchange for the issuance of a convertible promissory note bearing interest at 8% per annum.

During the period from November 30, 2012 through January 14, 2013, the Factor provided additional financing to the Company of approximately \$28,000. Payments to the Factor from the Company's customers exceeded the total value of the additional financings. The balance owed to the Factor as of January 14, 2013 was approximately \$7,000.

On January 2, 2013, the Wyoming Secretary of State accepted the filing by the Company of an Amended and Restated Articles of Incorporation ("Amended and Restated Articles") that was filed with the Wyoming Secretary of State on December 27, 2012 in order to (1) effect a one-for-twelve hundred reverse stock split of all of the issued and outstanding common stock for shareholders of record on the recording date of the Amended and Restated Articles, (2) empower the Company's board of directors to fix, by resolution, the rights, preferences and privileges of, and qualifications, restrictions and limitations applicable to, any series of the Company's preferred stock, and (3) change the Company's name to StreamTrack, Inc. In connection with the proposed reverse stock split, the Company has also filed certain documents with the Financial Industry Regulatory Authority ("FINRA"). The Company will work with FINRA to seek the approval of the proposed reverse stock split. Although the reverse stock split has been filed with the State of Wyoming, FINRA has not approved the reverse stock split. If and once FINRA approves the reverse stock split the Company revise the presentation of its common stock in its financial statements on a post-reverse stock split basis.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes included in this report and those in our Form 10-K filed with the Securities and Exchange Commission on December 14, 2012 and all subsequent filings. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in such forward-looking statements as a result of certain factors, including but not limited to, those described under "Risk Factors" included in Part II, Item 1A of this report.

Overview

Advertising revenue constitutes the majority of our total revenue, representing 78% of total revenue for the three months ended November 30, 2012. Our advertising revenue was almost entirely derived from advertising delivered on desktop, tablet and popular mobile devices. We deliver content on mobile devices through our RadioLoyalty™ app but we do not currently generate significant mobile advertising revenues. Management believes that mobile advertising represents an opportunity for the Company in the next coming years and on an ongoing basis. Management expects the mobile advertising market will grow at substantial rates in the coming years. However, many challenges exist in this market. We believe these challenges will be solved primarily with new technologies. We believe our current technologies and other technology under development will solve some of these challenges. By solving these challenges we will be able to monetize the mobile listenership we are growing today.

Key Metrics:

We track listener hours because it is the best key indicator of the growth of our RadioLoyalty™ business. Revenues from advertising through our RadioLoyalty™ Platform represented substantially all of revenues for the three months ended November 30, 2012. We also track the number of active users on our RadioLoyalty™ web-based product as well as the RadioLoyalty™ app as indicators of the size and quality of our audience, which are particularly important to potential advertisers. We plan to expand our internet product portfolio throughout the year ending August 31, 2013. Once these products are launched we will determine key indicators of growth for those products.

We calculate actual listener hours using our internal analytics systems. Some of our competitors do not always calculate their listener hours in the same way we do. As a result, their stated listener hours may not represent a truly comparable figure.

Player launches are defined as the number of individual times the UniversalPlayer™ was launched.

Registered users are defined as the number of users who have signed up for an account with us in order to access our broadcasters' content and to earn loyalty points. The number of registered users may overstate the number of actual unique individuals who have signed up for an account with us in order to earn loyalty points, as an individual may register for, and use, multiple accounts under unique brands or private labels.

Comparison of the Three Months Ended November 30, 2012 and 2011

<i>Revenue</i>	For the Three Months Ended	
	November 30,	
	2012	2011
Revenue		
Advertising		
Video	\$ 61,867	-
Display	83,436	-
Lead generation	190,281	-
Other	40,841	-
Total	376,425	-
Services	108,612	-
Total revenue	\$ 485,037	\$ -

Revenues for the three months ended November 30, 2012 totaled \$485,037. We did not operate our current business model during the three months ended November 30, 2011. We generated substantial revenues from video, audio and display advertising placements utilizing our RadioLoyalty™ Platform and the listenership from over 1,100 of our radio broadcasters. We also currently generate revenues from our services related to integration of our technology with our customer's advertising systems and related infrastructure, call center operations, list creation services and advertising. Upon the acquisition of Rightmail, we also began generating lead generation revenues. We anticipate generating additional advertising revenues from our expanded internet product portfolio during the year ending August 31, 2013.

<i>Costs of Revenue</i>	For the Three Months Ended	
	November 30,	
	2012	2011
Costs of revenues		
Media network	\$ 175,049	-
Colocation hosting services	77,457	-
Broadcaster fees	45,344	-
Other	155,657	-
Total costs of revenue	\$ 453,507	\$ -

Costs of revenues for the three months ended November 30, 2012 totaled \$453,507. We did not operate our current business model during the three months ended November 30, 2011. We incurred substantial media network costs associated with the distribution of our content across a variety of advertising networks. Our costs of distributing our content will proportionally decrease dramatically as we reach scale. In order to operate the RadioLoyalty™ online broadcasting platform, RadioLoyalty™ mobile and tablet apps and our ad-serving technologies, we require substantial computing power, hosting and streaming hosting. We operate a substantial technology center at our offices in Santa Barbara, California but also utilize a contracted facility in Los Angeles, California, to support our operations and ensure our systems and content delivery maintain our service level agreements. We refer to these costs as colocation services. Our advertising sales arrangements with over 1,100 RadioLoyalty™ broadcasters facilitate us paying the broadcasters a monthly revenue sharing fee in exchange for advertising inventory around their content and listenership. We refer to these costs as broadcaster commissions in the event that we purchase the ad inventory. Other costs of sales include depreciation associated with the computer servers at our two colocation facilities, streaming costs, ad-serving costs, call center operation costs, and various application technologies that support our primary product offerings.

<i>Operating Expenses</i>	For the Three Months Ended November 30,	
	2012	2011
Operating expenses		
Marketing and sales	\$ 122,584	-
Officer compensation	108,817	-
Product development	105,801	-
Rents	46,542	
Consultants	45,672	
Professional fees	42,793	
Travel and entertainment	33,346	
Other	85,853	-
Total operating expenses	\$ 591,408	\$ -

Operating expenses for the three months ended November 30, 2012 totaled \$591,408. We did not operate our current business model during the three months ended November 30, 2011. Marketing and sales costs incurred were primarily related to the labor costs of employing our sales force. Our sales force markets our internet products on a daily basis. Officer compensation related to accrued but primarily unpaid salaries for our two primary executives officers. Product development costs were associated with continuing improvements to the software and related infrastructure for our primary product offering as well as development work on our online product portfolio and the WatchThis™ technology. We expect these costs to increase in the current fiscal year. Rents were primarily related to four leases we are obligated under for our Santa Barbara, California office. Professional fees included accounting, auditing and legal fees associated with public company matters. Travel and entertainment was associated with ongoing business development and investor relations activities. Other operating costs include telecom, depreciation, utilities, travel and entertainment and various other costs of doing business.

<i>Other Expense (Income)</i>	For the Three Months Ended November 30,	
	2012	2011
Other expense (income)		
Interest expense	\$ 88,089	\$ -
Change in fair value of derivatives	(95,171)	-
Total other expense (income)	\$ (7,082)	\$ -

Other expense and income for the three months ended November 30, 2012 totaled \$(7,082). We did not operate our current business model during the three months ended November 30, 2011. We incurred interest expense calculated on our convertible promissory notes and fees charged by the provider of our factoring line of credit. We also recorded the accretion of various debt discounts associated with our convertible promissory notes. The accretion is a result of the amortization of debt discounts to the convertible promissory notes over the term of the convertible promissory notes. Debt discounts recorded during the three months ended November 30, 2012 represented the beneficial conversion feature, warrants to purchase stock, and derivative liability associated with the convertible promissory notes. The original value of the derivative liability was recorded as a debt discount. As a result of the derivative classification, the debt discount had to be re-measured as of the reporting date. The re-measurement resulted in an decrease to the derivative liabilities of \$95,171. If the convertible promissory notes issued to the Creditor remain outstanding at any time subsequent to the six-month anniversary of the date the convertible promissory notes were issued, a derivative liability exists and will have to be measured as of each reporting date.

Provision for Income Taxes

We did not generate profits for the three months ended November 30, 2012. As a result, no provision for income taxes was recorded. For the three months ended November 30, 2011, we recorded a tax benefit of \$4,335.

<i>Net Loss Attributable to Common Shareholders</i>	For the Three Months Ended November 30,	
	2012	2011
Net loss attributable to common shareholders		
Net loss	\$ (552,796)	\$ (8,414)

We generated a net loss of \$552,796 for the three months ended November 30, 2012 for the reasons set forth above. We did not operate our current business model during the three months ended November 30, 2011.

Liquidity and Capital Resources

As of November 30, 2012 we had cash totaling \$63,196, which consisted of cash funds held at major financial institutions. We had net a working capital deficit of \$1,253,106 as of November 30, 2012, compared to a net working capital of \$1,107,817 as of August 31, 2012. Our principal uses of cash during the three months ending November 30, 2012 were funding our operations as described below.

Sources of Funds

We believe, based on our current operating plan, that our existing cash will not be sufficient to meet our anticipated cash needs for at least the next 12 months. We will explore additional financing sources and means to lower our cost of capital, which could include equity, equity-linked and debt financing. In addition, in connection with any future acquisitions, we may require additional funding which may be provided in the form of additional debt, equity or equity-linked financing or a combination thereof. There can be no assurance that any additional financing will be available to us on acceptable terms.

Our Indebtedness

As of November 30, 2012, we had issued a total of \$872,000 in convertible promissory notes that remained outstanding as of that date. We also entered into an additional \$100,000 convertible promissory note in December 2012. We also owe significant balances under a lease agreement for computer servers, and significant balances are owed to the two primary executives that operate our business.

Capital Expenditures

Based on current estimates, we believe that our anticipated capital expenditures will be adequate to implement our current plans.

Historical Trends

The following table summarizes our cash flow data for the three months ended November 30, 2012 and 2011.

	For the Three Months Ended	
	November 30,	
	2012	2011
Net cash provided by (used in) operating activities of continuing operations	\$ (452,754)	\$ -
Net cash (used in) investing activities of continuing operations	-	-
Net cash provided by financing activities of continuing operations	288,515	-
Net cash provided by discontinued operations	-	-

Cash flow used by operating activities of continuing operations totaled \$452,754 for the three months ended November 30, 2012, compared to \$0 used for the three months ended November 30, 2011. We did not operate our current business model during the three months ended November 30, 2011. Operating cash flow was negative during the three months ended November 30, 2012 as we began operations and continued the expansion of our advertising within the RadioLoyalty™ and WatchThis™ Platforms.

Cash flow used by investing activities of continuing operations totaled \$0 for the three months ended November 30, 2012, as compared to \$0 used in the three months ended November 30, 2011. We did not make investments in additional assets during either reporting period.

Cash flow provided by financing activities of continuing operations totaled \$288,515 for the three months ended November 30, 2012, compared to \$0 used for the three months ended November 30, 2011. We did not operate our current business model during the three months ended November 30, 2011. We raised substantial capital through the issuance of convertible promissory notes during the three months ended November 30, 2012.

Item 3. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company carried out an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of November 30, 2012. This evaluation was accomplished under the supervision and with the participation of our chief executive officer / principal executive officer, and chief financial officer / principal financial officer who concluded that our disclosure controls and procedures are currently effective to ensure that all material information required to be filed in the quarterly report on Form 10-Q has been made known to them.

For purposes of this section, the term disclosure controls and procedures means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Act (15 U.S.C. 78a et seq.) is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure, controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by in our reports filed under the Securities Exchange Act of 1934, as amended (the "Act") is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Based upon an evaluation conducted for the period ended November 30, 2012, our Chief Executive Officer and Chief Financial Officer as of November 30, 2012, and as of the date of this Report, have concluded that as of the end of the periods covered by this report, they have identified no material weakness of Company internal controls.

Corporate expenses incurred are processed and paid by the officers of the Company. The current number of transactions is not sufficient to justify the retaining of additional accounting personnel.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with generally accepted accounting principles in the United States of America. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to change in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework. Based on its evaluation, our management concluded that, as of November 30, 2012, our internal control over financial reporting was effective.

This quarterly report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to the attestation by the Company's registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this quarterly report.

Changes in Internal Controls over Financial Reporting

We have not yet made any changes in our internal controls over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

The Company is not, currently, party to any legal proceeding.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

Item 3. DEFAULTS UPON SENIOR SECURITEIES

The Company is currently in default on approximately \$179,500 in convertible debts. The Company is working with the creditor in order to resolve the default. No default penalties have been assessed by the creditor as of the date of this report.

Item 4. MINE SAFETY DISCLOSURES

None

Item 5. OTHER INFORMATION

None

Item 6. EXHIBITS

(a) Exhibits:

Number	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS **	XBRL Instance Document
101.SCH **	XBRL Taxonomy Extension Schema Document
101.CAL **	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF **	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB **	XBRL Taxonomy Extension Label Linkbase Document
101.PRE **	XBRL Taxonomy Extension Presentation Linkbase Document

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

STREAMTRACK, INC.

Date: January 14, 2013

By: /s/ Michael Hill

Name: Michael Hill

Title: Chairman of the Board of Directors,
Chief Executive Officer, President,
and Chief Financial Officer
(Principal Executive Officer and Principal
Financial Officer)

SECTION 302 CERTIFICATION

EXHIBIT 31.1
CERTIFICATION

I, Michael Hill, certify that:

1. I have reviewed this report on Form 10-Q of StreamTrack, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

- b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

- c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

- d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (of persons performing the equivalent functions):

- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Dated: January 14, 2013

/s/ Michael Hill

Michael Hill, Chief Executive Officer
(Principal Executive Officer)

SECTION 302 CERTIFICATION

EXHIBIT 31.2
CERTIFICATION

I, Michael Hill, certify that:

1. I have reviewed this report on Form 10-Q of StreamTrack, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (of persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal control over financial reporting.

Dated: January 14, 2013

/s/ Michael Hill

Michael Hill, Chief Executive Officer
(Principal Financial Officer)

SECTION 906 CERTIFICATION

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of StreamTrack, Inc. (the "Company") on Form 10-Q for the period ending November 30, 2012 (the "Report") I, Michael Hill, Chief Executive Officer of the Company, certify, pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: January 14, 2013

/s/ Michael Hill

Michael Hill, Chief Executive Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

SECTION 906 CERTIFICATION

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of StreamTrack, Inc. (the "Company") on Form 10-Q for the period ending November 30, 2012 (the "Report") I, Michael Hill, Chief Financial Officer of the Company, certify, pursuant to 18 USC Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge and belief:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: January 14, 2013

/s/ Michael Hill

Michael Hill, Chief Executive Officer

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

**Composition of Certain
Financial Statement
Captions (Details 5) (USD \$)**

**Nov. 30,
2012** **Aug. 31,
2012**

Composition Of Certain Financial Statement Captions Details 5

<u>Balance due RL upon completion of special project, secured by a convertible promissory note</u>	\$ 89,003	\$ 150,000
<u>Customer deposits</u>		7,805
<u>Deferred revenues</u>	\$ 89,003	\$ 157,805

Debt Instruments (Details)
(USD \$) **Nov. 30, 2012** **Nov. 20, 2012**

Debt Instruments Details

<u>Expected life (in years)</u>	3 months	3 months 11 days
<u>Balance of note outstanding</u>	\$ 78,500	\$ 78,500
<u>Stock price</u>	\$ 0.0009	\$ 0.0011
<u>Effective conversion price</u>	\$ 0.0006	\$ 0.0006
<u>Shares issuable upon conversion</u>	139,878,831	126,165,220
<u>Risk-free interest rate</u>	0.08%	0.08%
<u>Expected volatility</u>	61.83%	61.83%
<u>Expected dividend yield</u>		

**Income Taxes (Details
Narrative) (USD \$)**

Nov. 30, 2012

Income Taxes Details Narrative

Federal net operating loss carryforwards \$ 2,100,000

Stock-based compensation deductions \$ 222,000

Debt Instruments (Details 1)
(USD \$)

Nov. 30, 2012 **Nov. 20, 2012**

Expected life (in years)	3 months	3 months 11 days
Balance of note outstanding	\$ 78,500	\$ 78,500
Stock price	\$ 0.0009	\$ 0.0011
Effective conversion price	\$ 0.0006	\$ 0.0006
Shares issuable upon conversion	139,878,831	126,165,220
Risk-free interest rate	0.08%	0.08%
Expected volatility	61.83%	61.83%
Expected dividend yield		

Convertible Notes Payable [Member]

Expected life (in years)	1 month 6 days
Balance of note outstanding	\$ 26,000
Stock price	\$ 0.0009
Effective conversion price	\$ 0.0006
Shares issuable upon conversion	40,210,331
Risk-free interest rate	0.08%
Expected volatility	61.83%
Expected dividend yield	

Income Taxes (Details 1) **3 Months Ended** **12 Months Ended**
Nov. 30, 2012 **Aug. 31, 2011**

Income Taxes Details 1

<u>U.S. federal taxes at statutory rate</u>	34.00%	34.00%
<u>State taxes, net of federal benefit</u>	15.00%	15.00%
<u>Permanent differences</u>	0.00%	0.00%
<u>Change in valuation allowance</u>	0.00%	0.00%
<u>Change in rate</u>	0.00%	0.00%
<u>Other</u>	0.00%	0.00%
<u>Effective tax rate</u>	49.00%	49.00%

Summary of Significant Accounting Policies (Details)	3 Months Ended	12 Months Ended	
	Nov. 30, 2012	Aug. 31, 2011 Maximum [Member]	Aug. 31, 2012 Minimum [Member]
Software, computer servers and computers	3 years		
Office furniture and equipment		5 years	3 years
Leasehold improvements	Shorter of the estimated useful life of 5 years or the lease term		

Debt Instruments (Details 3) Nov. 30, 2012
(USD \$)

Debt Instruments Details 2

<u>2013</u>	\$ 147,000
<u>2014</u>	
<u>Thereafter</u>	
<u>Total</u>	\$ 147,000

Income Taxes (Tables)

**3 Months Ended
Nov. 30, 2012**

[Income Taxes Tables](#)

[Provision for income tax expense](#)

The provision for income tax (expense) benefit consists of the following:

	For the Three Months Ended November 30,	
	2012	2011
Current		
Federal	\$ -	\$ 2,640
State and local	-	1,695
Total current income tax (expense) benefit	-	4,335
Deferred	(187,951)	
Federal	\$(187,951)	\$ -
State and local	(82,919)	-
Valuation allowance	270,870	-
Total deferred income tax (expense) benefit	-	-
Total income tax (expense) benefit	<u>\$ -</u>	<u>\$ 4,335</u>

[Reconciliation of the statutory federal rate and the Companys effective tax rate](#)

The following table presents a reconciliation of the statutory federal rate and the Company' s effective tax rate for the periods presented.

	For the Three Months Ended November 30,	
	2012	2011
U.S. federal taxes at statutory rate	34%	34%
State taxes, net of federal benefit	15	15
Permanent differences	-	-
Change in valuation allowance	-	-
Change in rate	-	-
Other	-	-
Effective tax rate	<u>49%</u>	<u>49%</u>

[Deferred tax assets and liabilities](#)

The major components of deferred tax assets and liabilities were as follows:

	November 30, 2012	August 31, 2012
Deferred tax assets:		
Net operating loss carryforwards	\$ 2,100,000	\$ 1,600,000
Tax credit carryforwards	-	-
Allowances and other	-	-
Depreciation and amortization	-	-
Total deferred tax assets	<u>2,100,000</u>	<u>1,600,000</u>
Deferred tax liabilities:		
Depreciation and amortization	-	-
Total deferred tax liabilities	<u>-</u>	<u>-</u>
Valuation allowance	<u>(2,100,000)</u>	<u>(1,600,000)</u>

Net deferred tax assets

\$ - \$ -

**Capital Lease - in Default
(Details 1) (USD \$)**

Nov. 30, 2012

Capital Lease - In Default Details 1

<u>2013</u>	\$ 119,966
<u>2014</u>	
<u>2015</u>	
<u>2016</u>	
<u>Total lease payments</u>	119,966
<u>Less: amount representing interest</u>	(8,861)
<u>Present value of minimum lease payments</u>	\$ 111,105

Fair Value (Details) (USD \$) Nov. 30, 2012

None

Total assets measured at fair value

None

Total liabilities measured at fair value 813,784

Liabilities:

Convertible promissory notes 759,757

Derivative liabilities 54,027

Total liabilities measured at fair value 813,784

Fair Value Inputs Level2 [Member]

None

Total assets measured at fair value

None

Total liabilities measured at fair value

Liabilities:

Convertible promissory notes

Derivative liabilities

Total liabilities measured at fair value

Fair Value Inputs Level1 [Member]

None

Total assets measured at fair value

None

Total liabilities measured at fair value 813,784

Liabilities:

Convertible promissory notes 759,757

Derivative liabilities 54,027

Total liabilities measured at fair value 813,784

Fair Value Inputs Level3 [Member]

None

Total assets measured at fair value

None

Total liabilities measured at fair value

Liabilities:

Convertible promissory notes

Derivative liabilities

Total liabilities measured at fair value

**Composition of Certain
Financial Statement
Captions (Details 3) (USD \$)**

Nov. 30, 2012 Aug. 31, 2012

Composition Of Certain Financial Statement Captions Details 3

<u>Original cost</u>	\$ 159,000	\$ 159,000
<u>Less accumulated amortization</u>	(22,085)	(8,834)
<u>Customer list, net</u>	\$ 136,915	\$ 150,166

**Related Party Transactions 3 Months Ended
(Details Narrative) (USD \$) Nov. 30, 2012**

Consulting fees \$ 62,250

**Net Loss Per Share (Details
Narrative) (USD \$)**

Nov. 30, 2012 Aug. 31, 2011

Convertible promissory notes	\$ 147,000	
Series A Preferred Share Outstanding	100	
Warrants converted into stock		362,500
Radio Loyalty		
Convertible promissory notes		1,450,000

**Stockholders' Equity
(Details) (USD \$)**

**3 Months Ended
Nov. 30, 2012 Nov. 30, 2011**

Stock-based compensation expenses

<u>Marketing and sales</u>	\$ 17,667
<u>Product development</u>	35,333
<u>Other</u>	26,500
<u>Total stock-based compensation, recorded in costs and expenses</u>	\$ 79,500

Income Taxes (Details 2)
(USD \$) **Nov. 30, 2012 Aug. 31, 2012**

Deferred tax assets:

Net operating loss carryforwards \$ 2,100,000 \$ 1,600,000

Tax credit carryforwards

Allowances and other

Depreciation and amortization

Total deferred tax assets 2,100,000 1,600,000

Deferred tax liabilities:

Depreciation and amortization

Total deferred tax liabilities

Valuation allowance (2,100,000) (1,600,000)

Net deferred tax assets

**Composition of Certain
Financial Statement
Captions**

**3 Months Ended
Nov. 30, 2012**

**Notes to Financial
Statements**

**Note 3 - Composition of
Certain Financial Statement
Captions**

Accounts Receivable

Accounts receivable, net consisted of the following:

	November 30, 2012	August 31, 2012
Accounts receivable	\$ 449,770	\$ 590,785
Allowance for doubtful accounts	(80,000)	(72,000)
Accounts receivable, net	<u>\$ 369,770</u>	<u>\$ 518,785</u>

Allowance for Doubtful Accounts	Balance at Beginning of Fiscal Year	Charged to Operations	Write-offs, Net of Recoveries	Balance at End of Period
For three months ended November 30, 2012	\$ 72,000	\$ 10,767	\$ 2,767	\$ 80,000
For three months ended November 30, 2011	-	-	-	-

Property and Equipment

Property and equipment consisted of the following:

	November 30, 2012	August 31, 2012
Servers, computers, and other related equipment	\$ 198,924	\$ 198,924
Software	112,204	112,204
Leasehold improvements	1,675	1,675
	312,803	312,803
Less accumulated depreciation and amortization	(102,902)	(74,663)
Property and equipment, net	<u>\$ 209,901</u>	<u>\$ 238,140</u>

Depreciation expense totaled \$28,239 and \$0 for the three months ended November 30, 2012 and 2011, respectively. There were no write-offs during the three months ended November 30, 2012 and 2011, respectively.

Note receivable

Note receivable consisted of a \$150,000 convertible promissory note bearing 7% annual compounded interest due from a digital content provider on or before August 28, 2016. The balance owed can be converted into either preferred stock or common stock of the digital content

provider, at the Company's election, subject to certain conditions and contingencies. The Company agreed to work with the digital content provider to make modifications to its Universal Player™ technology platform to better suit the digital content provider's specific needs. The Company received a \$25,000 deposit with the remaining balance of the contract in the form of the note receivable. The Company expects to receive the remaining fees when the modifications are completed, the technology is fully integrated and operational, and the digital content provider is generating revenue within its advertising segment.

Customer List

Customer list, net consisted of the following:

	November 30, 2012	August 31, 2012
Original cost	\$ 159,000	\$ 159,000
Less accumulated amortization	(22,085)	(8,834)
Customer list, net	<u>\$ 136,915</u>	<u>\$ 150,166</u>

Amortization expense totaled \$13,251 and \$0 for the three months ended November 30, 2012 and 2011, respectively.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following:

	November 30, 2012	August 31, 2012
Accounts payable	\$ 863,137	\$1,041,060
Accrued consulting fees	103,750	41,500
Accrued payroll	32,424	-
Accrued broadcaster commissions	28,525	28,870
Accrued interest	25,124	17,673
Credit card	3,887	4,282
Accounts payable and accrued expenses	<u>\$1,056,847</u>	<u>\$1,133,385</u>

Deferred Revenues

Deferred revenues consisted of the following:

	November 30, 2012	August 31, 2012
Balance due RL upon completion of special project, secured by a convertible promissory note	\$ 89,003	\$ 150,000
Customer deposits	-	7,805
Deferred revenues	<u>\$ 89,003</u>	<u>\$ 157,805</u>

Stockholders' Equity
(Details 1) (USD \$)

3 Months Ended
Nov. 30, 2012

[Equity \[Abstract\]](#)

[Unvested, beginning](#)

[Granted](#)

[Vested](#)

[Canceled](#)

[Unvested, ending](#)

[Expected to vest after November 30, 2012](#)

[Unvested, beginning](#) \$ 0

[Granted](#) \$ 0

[Vested](#) \$ 0

[Canceled](#) \$ 0

[Unvested, ending](#) \$ 0

[Expected to vest after November 30, 2012](#) \$ 0

**Commitments and
Contingencies (Details) (USD
\$) Nov. 30, 2012**

Commitments And Contingencies Details

<u>2013</u>	\$ 180,636
<u>2014</u>	82,792
<u>2015</u>	
<u>2016</u>	
<u>2017</u>	
<u>All future years</u>	
<u>Total minimum lease payments</u>	\$ 263,428

**Stockholders' Equity
(Tables)**

**3 Months Ended
Nov. 30, 2012**

[Stockholders Equity Tables](#)

[Stock-based compensation expenses](#)

Stock-based compensation expenses related to all employee and non-employee stock-based awards for the three months ended November 30, 2012 and 2011 are as follows:

	For the Three Months Ended November 30,	
	2012	2011
Stock-based compensation expenses:		
Marketing and sales	\$ 17,667	\$ -
Product development	35,333	-
Other	26,500	-
Total stock-based compensation, recorded in costs and expenses	\$ 79,500	\$ -

[Activities for the Company's restricted stock units](#)

The following table summarizes the activities for the Company's RSUs for the period ended November 30, 2012:

	Number of Shares	Weighted- Average Grant- Date Fair Value
Unvested at August 31, 2012	-	\$ 0.00
Granted	-	0.00
Vested	-	0.00
Canceled	-	0.00
Unvested at November 30, 2012	-	\$ 0.00
Expected to vest after November 30, 2012	-	\$ 0.00

The following table summarizes the activities for RL's RSUs for the period ended November 30, 2012:

	Number of Shares	Weighted- Average Grant- Date Fair Value (1)
Unvested at August 31, 2012	1,508,750	\$ 0.00
Granted	-	0.53
Vested	(150,000)	0.53
Canceled	-	0.00
Unvested at November 30, 2012	1,358,750	\$ 0.53
Expected to vest after November 30, 2012	1,358,750	\$ 0.53

Debt Instruments (Tables)

3 Months Ended
Nov. 30, 2012

Debt Instruments Tables

Re-measured value of derivative liability

On November 30, 2012 the Company re-measured the derivative liability using the input attributes below and determined the value was \$41,964. Other income of \$21,119 was recorded as of November 30, 2012 and included in the statement of operations in order to adjust the derivative liability to the re-measured value.

	November 30, 2012	November 20, 2012
Expected life (in years)	0.25	0.28
Balance of note outstanding	\$ 78,500	\$ 78,500
Stock price	\$ 0.0009	\$ 0.0011
Effective conversion price	\$ 0.0006	\$ 0.0006
Shares issuable upon conversion	139,878,831	126,165,220
Risk-free interest rate	0.08%	0.08%
Expected volatility	61.83%	61.83%
Expected dividend yield	-	-

The Company also re-measured the derivative liability associated with the December 28, 2011 convertible promissory note using the input attributes below and determined the value to be \$12,063 as of November 30, 2012. Other income of \$74,052 was recorded as of November 30, 2012 and included in the statement of operations in order to adjust the derivative liability to the re-measured value.

	November 30, 2012
Expected life (in years)	0.1
Balance of note outstanding	\$ 26,000
Stock price	\$ 0.0009
Effective conversion price	\$ 0.0006
Shares issuable upon conversion	40,210,331
Risk-free interest rate	0.08%
Expected volatility	61.83%
Expected dividend yield	-

The following table reflects the balance of the Company's convertible promissory notes as of November 30, 2012.

Convertible promissory notes, principal balance	\$ 147,000
Less: Unamortized portion of debt discount	(15,727)
Convertible promissory notes, net, November 30, 2012	<u>\$ 131,273</u>

Future maturities of the RL convertible promissory notes, in the aggregate, are as follows for the twelve months ending November 30,

2013	\$ -
2014	350,000
2015	375,000
	<u>\$ 725,000</u>

Companys convertible promissory notes

Future maturities of the RL convertible promissory notes

Convertible Promissory Notes

The following table reflects the balance in convertible promissory notes as of November 30, 2012:

[Future maturities of the Company's convertible promissory notes](#)

Convertible promissory notes, principal balance	\$ 725,000
Less: Unamortized portion of debt discount	(96,516)
Convertible promissory notes, net, August 31, 2012	<u>\$ 628,484</u>

Future maturities of the Company's convertible promissory notes, in the aggregate, are as follows for period ending November 30,

2013	\$ 147,000
2014	-
Thereafter	-
	<u>\$ 147,000</u>

Debt Instruments (Details 2)
(USD \$)

Nov. 30, 2012

Debt Instruments Details 1

<u>Convertible promissory notes, principal balance</u>	\$ 147,000
<u>Less: Unamortized portion of debt discount</u>	(15,727)
<u>Convertible promissory notes, net, August 31, 2012</u>	\$ 131,273

**Commitments and
Contingencies (Details
Narrative) (USD \$)**

3 Months Ended
Nov. 30, **Nov. 30,**
2012 **2011**

12 Months
Ended
Aug. 31, 2011

Aug. 31,
2012

Commitments And Contingencies Details
Narrative

Royalty owed to Lenco

\$ 10,344

Rent Expenses

46,542 0

Deferred rent

\$ 0

\$ 0

Net Loss Per Share (Tables)

**3 Months Ended
Nov. 30, 2012**

[Net Loss Per Share Tables](#)

[Computation of historical basic and diluted net loss per share](#)

Basic and diluted net loss per share was the same for each year presented as the inclusion of all potential common shares outstanding would have been anti-dilutive.

	For the Three Months Ended November 30,	
	2012	2011
Denominator		
Weighted-average common shares outstanding used in computing basic and diluted net loss per share	239,256,736	50,273,400
Net loss per share, basic and diluted	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>

[Potential common shares outstanding](#)

The following potential common shares outstanding were excluded from the computation of diluted net loss per share because including them would have been anti-dilutive:

	For the Three Months Ended November 30,	
	2012	2011
Convertible promissory notes (1)	245,000,000	-
Series A Preferred Stock (2)	23,251,841	-
RL convertible promissory notes (3)	***	-
Warrants to purchase RL common stock (4)	***	-
Total quantifiable common stock equivalents	<u>268,251,841</u>	<u>-</u>

**Discontinued Operations
(Tables)**

Discontinued Operations Tables

**Results of operations of the discontinued
entertainment business**

**3 Months Ended
Nov. 30, 2012**

The results of operations of the discontinued entertainment business are detailed below.

	For the Three Months Ended November 30,	
	<u>2012</u>	<u>2011</u>
Sales	\$ -	\$ 18,226
Operating Expenses	-	(28,997)
Other Income & Expenses	-	(1,978)
Income Tax Benefit	-	4,335
Net Loss From Discontinued Operations	\$ -	\$ (8,414)

Summary of Significant Accounting Policies

**3 Months Ended
Nov. 30, 2012**

Notes to Financial Statements

Note 2 - Summary of Significant Accounting Policies

Revenue Recognition

The Company's revenue is principally derived from advertising services.

The Company recognizes revenue when: (1) persuasive evidence exists of an arrangement with the customer reflecting the terms and conditions under which products or services will be provided; (2) delivery has occurred or services have been provided; (3) the fee is fixed or determinable; and (4) collection is reasonably assured. For all revenue transactions, the Company considers a signed agreement, a binding insertion order or other similar documentation to be persuasive evidence of an arrangement.

Advertising Revenue. The Company generates advertising revenue primarily from display and video advertising. The Company generates the majority of its advertising revenue through the delivery of advertising impressions sold on a cost per thousand, or CPM, basis. Currently, advertising revenues are generated through our proprietary technologies from internet-based content. The Company does not currently generate significant revenues from mobile advertising. In determining whether an arrangement exists, the Company ensures that a binding arrangement, such as an insertion order or a fully executed customer-specific agreement, is in place. The Company generally recognizes revenue based on delivery information from its campaign trafficking systems.

The Company also generates advertising revenue pursuant to arrangements with advertising agencies and brokers. Under these arrangements, the Company provides the agencies and brokers the ability to sell advertising inventory on the Company's service directly to advertisers. The Company reports this revenue net of amounts due to agencies and brokers because the Company is not the primary obligor under these arrangements, the Company does not set the pricing, and does not establish or maintain the relationship with the advertisers.

Services Revenue. The Company generated services revenues related to the management and resale of its webhosting capacity at its two facilities in California for the period from December 1, 2011 through November 30, 2012. The Company no longer generates significant services revenues of this nature but does anticipate project-oriented service revenues associated with the integration and private-branding of the Company's technologies with both current and potential business partners and customers, respectively. During the three months ended November 30, 2012, the Company's product development team began work on a project involving a private label version of the Company's Universal Player™. The Company is accounting for this project utilizing percentage of completion accounting principles.

Deferred Revenue. Deferred revenue consists of both prepaid unrecognized revenues and advertising fees received or billed in advance of the delivery or completion of the services or in instances when revenue recognition criteria have not been met. Deferred revenue is recognized when the services are provided and all revenue recognition criteria have been met.

Multiple-Element Arrangements. The Company could potentially enter into arrangements with customers to sell advertising packages that include different media placements or ad services that are delivered at the same time, or within close proximity of one another. The Company uses the prospective method for all arrangements entered into or materially modified from the date of adoption that involve multiple element arrangements. Under this new guidance, the Company allocates arrangement consideration in multiple-deliverable revenue arrangements at the inception of an arrangement to all deliverables or those packages in which all components of the package are

delivered at the same time, based on the relative selling price method in accordance with the selling price hierarchy, which includes: (1) vendor-specific objective evidence (“VSOE”) if available; (2) third-party evidence (“TPE”) if VSOE is not available; and (3) best estimate of selling price (“BESP”) if neither VSOE nor TPE is available.

VSOE . The Company determines VSOE based on its historical pricing and discounting practices for the specific product or service when sold separately. In determining VSOE, the Company requires that a substantial majority of the selling prices for these services fall within a reasonably narrow pricing range. The Company has not historically priced its advertising products within a narrow range. As a result, the Company has not been able to establish VSOE for any of its advertising products.

TPE . When VSOE cannot be established for deliverables in multiple element arrangements, the Company applies judgment with respect to whether it can establish a selling price based on TPE. TPE is determined based on competitor prices for similar deliverables when sold separately. Generally, the Company’s go-to-market strategy differs from that of its peers and its offerings contain a significant level of differentiation such that the comparable pricing of services cannot be obtained. Furthermore, the Company is unable to reliably determine what similar competitor services’ selling prices are on a stand-alone basis. As a result, the Company has not been able to establish selling price based on TPE.

BESP . When it is unable to establish selling price using VSOE or TPE, the Company uses BESP in its allocation of arrangement consideration. The objective of BESP is to determine the price at which the Company would transact a sale if the service were sold on a stand-alone basis. BESP is generally used to allocate the selling price to deliverables in the Company’s multiple element arrangements. The Company determines BESP for deliverables by considering multiple factors including, but not limited to, prices it charges for similar offerings, market conditions, competitive landscape and pricing practices. The Company limits the amount of allocable arrangement consideration to amounts that are fixed or determinable and that are not contingent on future performance or future deliverables. The Company regularly reviews BESP. Changes in assumptions or judgments or changes to the elements in the arrangement may cause an increase or decrease in the amount of revenue that the Company reports in a particular period.

The Company recognizes the relative fair value of the media placements or ad services as they are delivered assuming all other revenue recognition criteria are met.

Reclassifications

Certain reclassifications to the Company’s condensed balance sheets and condensed statements of operations have been made to the August 31, 2012 financial statements in order to conform to the presentation of these financial statements. These reclassifications did not impact the Company’s revenues, net income, total assets, total liabilities or total equity for the three months ended November 30, 2012 and 2011, and as of August 31, 2012, respectively.

Recently Issued Accounting Standards

In October 2009, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2009-13 regarding Accounting Standard Codification (“ASC”) Subtopic 605-25, *Revenue Recognition - Multiple-element Arrangements*. This ASU addresses criteria for separating the consideration in multiple-element arrangements. ASU 2009-13 requires companies to allocate the overall consideration to each deliverable by using a BESP of individual deliverables in the arrangement in the absence of VSOE or other TPE of the selling price. The changes under ASU 2009-13 are effective prospectively for revenue arrangements entered into or materially modified subsequent to adoption. Under the new guidance, the Company uses BESP when neither VSOE nor TPE are available. As a result, the Company is able to recognize the relative fair value of the elements as they are delivered, assuming other revenue recognition criteria are met.

In May 2011, the FASB issued ASU 2011-04 regarding ASC Topic 820 “Fair Value Measurement.” This ASU updates accounting guidance to clarify how to measure fair value to align the guidance surrounding Fair Value Measurement within GAAP and International Financial Reporting Standards. In addition, the ASU updates certain requirements for measuring fair value and for disclosure around fair value measurement. It does not require additional fair value measurements and the ASU was not intended to establish valuation standards or affect valuation practices outside of financial reporting. This ASU will be effective for the Company’ s fiscal year beginning February 1, 2012. Early adoption is not permitted. The adoption of this guidance is not expected to have a material impact on the Company’ s financial statements.

In June 2011, the FASB issued ASU No. 2011-05, “Comprehensive Income (Topic 220): Presentation of Comprehensive Income”. This ASU amends the ASC to allow an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders’ equity. The amendments to the ASC in the ASU do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. ASU 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted. The adoption of this guidance is not expected to have a material impact on the Company’ s financial statements.

In December 2011, the FASB issued ASU No. 2011-12, “Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05”. This ASU defers the effective date pertaining to reclassification adjustments out of accumulated other comprehensive income in ASU 2011-05. ASU 2011-12 defers only those changes in ASU 2011-05 that relate to the presentation of reclassification adjustments in ASU 2011-05. The amendments are being made to allow the Board time to redeliberate whether to present on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for all periods presented. The amendments in this update are effective at the same time as the amendments in update 2011-05 so that entities will not be required to comply with the presentation requirements in update 2011-05 that this update is deferring. The adoption of this guidance is not expected to have a material impact on the Company’ s financial statements.

Nature of Business (Details Narrative) (USD \$)	3 Months Ended	
	Nov. 30, 2012	Nov. 30, 2011 Aug. 31, 2012
Common stock Issued	253,167,691	220,098,411
Net loss	\$ (552,796)	
Michael Hill		
Common stock Issued		180,000,000
Purchase Price of the outstanding common stock of RL		1

**Composition of Certain
Financial Statement
Captions (Details Narrative)
(USD \$)**

**3 Months Ended
Nov. 30, 2012 Nov. 30, 2011**

Composition Of Certain Financial Statement Captions Details Narrative

<u>Depreciation expense totaled</u>	\$ 28,239	\$ 0
<u>Depreciation Written off</u>	0	0
<u>Amortization expense totaled</u>	\$ 13,251	\$ 0

**Factor Line of Credit
(Details) (USD \$)**

**3 Months Ended
Nov. 30, 2012**

Factor Line Of Credit Details

<u>Balance, August 31, 2012</u>	\$ 68,091
<u>Advances from factor</u>	264,957
<u>Fees charged by factor</u>	10,900
<u>Total</u>	343,948
<u>Payments received from customers</u>	(293,472)
<u>Balance, November 30, 2012</u>	\$ 50,476

Consolidated Balance Sheets
(USD \$)

	Nov. 30,	Aug. 31,
	2012	2012
Assets		
<u>Cash</u>	\$ 63,196	\$ 227,435
<u>Accounts receivable, net of allowances of \$80,000 and \$72,000 at November 30, 2012 and August 31, 2012, respectively</u>	369,770	518,785
<u>Prepaid Expenses</u>	7,105	10,981
<u>Total Current Assets</u>	440,071	757,201
<u>Property and equipment, net</u>	209,901	238,140
<u>Note receivable</u>	150,000	150,000
<u>Customer list, net</u>	136,915	150,166
<u>Other assets</u>	35,918	34,323
<u>Total other assets</u>	322,833	334,489
TOTAL ASSETS	972,805	1,329,830
Current Liabilities		
<u>Accounts Payable and Accrued Expenses</u>	1,056,847	1,133,385
<u>Deferred revenues</u>	89,003	157,805
<u>Factor line of credit</u>	50,476	68,091
<u>Derivative liability embedded within convertible note payable</u>	54,027	86,115
<u>Capital lease payable</u>	111,105	118,443
<u>Related party payable</u>	200,446	136,978
<u>Convertible notes payable, net of debt discount of \$15,727 and \$11,299 as of November 30, 2012 and August 31, 2012</u>	131,273	164,201
<u>Total Current Liabilities</u>	1,693,177	1,865,018
Long term liabilities		
<u>Convertible promissory notes, net of debt discount of \$42,167 and \$6,370 as of November 30, 2012 and August 31, 2012</u>	257,833	43,630
<u>Related party convertible promissory notes, net of debt discount of \$59,983 and \$0 as of August 31, 2012 and 2011</u>	370,651	365,017
<u>Total long term liabilities</u>	628,484	408,647
<u>Total liabilities</u>	2,321,661	2,273,665
STOCKHOLDERS' EQUITY		
<u>Preferred stock, \$0.001 par value; 5,000,000 shares authorized; 100 shares issued and outstanding as of November 30, 2012 and August 31, 2012</u>	1	1
<u>Common stock, \$0.001 par value; 1,000,000,000 shares authorized; 253,167,691 and 220,098,411 shares issued and outstanding as of November 30, 2012 and August 31, 2012</u>	253,167	220,098
<u>Additional Paid in Capital</u>	1,162,093	1,126,887
<u>Deferred stock based compensation</u>	(686,792)	(766,292)
<u>Accumulated Deficit</u>	(2,077,325)	(1,524,529)
<u>Total stockholders (deficit) equity</u>	(1,348,856)	(943,835)
<u>Total liabilities and stockholders (deficit) equity</u>	\$ 972,805	\$ 1,329,830

Income Taxes (Details) (USD \$)	3 Months Ended	
	Nov. 30, 2012	Nov. 30, 2011
<u>Current</u>		
<u>Federal</u>		\$ 2,640
<u>State and local</u>		1,695
<u>Total current income tax expense</u>		4,335
<u>Deferred</u>		
<u>Federal</u>	(187,951)	
<u>State and local</u>	(82,919)	
<u>Valuation allowance</u>	270,870	
<u>Total deferred income tax expense (benefit)</u>		
<u>Total income tax expense</u>		\$ 4,335

**Consolidated Statements of
Cash Flows (USD \$)**

3 Months Ended
Nov. 30, Nov. 30,
2012 2011

Cash Flows From Operating Activities of Continuing Operations:

<u>Net Loss</u>	\$ (552,796)	
<u>Discontinued Operations</u>		(8,414)

Adjustments to reconcile net loss to net cash used in operating activities of continuing operations:

<u>Stock-based compensation</u>	79,500	
<u>Bad debt expense</u>	10,767	
<u>Depreciation and Amortization</u>	41,490	
<u>Remeasurement of derivative liability</u>	(95,171)	
<u>Amortization of debt discount</u>	68,267	

Changes in assets and liabilities:

<u>Accounts receivable</u>	138,248	
<u>Prepaid expenses</u>	3,876	
<u>Other assets</u>	(1,595)	
<u>Accounts payable and accrued expenses</u>	(76,538)	
<u>Deferred revenue</u>	(68,802)	
<u>Net cash used in operating activities of continuing operations</u>	(452,754)	(8,414)

Cash Flows From Financing Activities of Continuing Operations:

<u>Proceeds from issuance of convertible promissory notes</u>	250,000	
<u>Payments on capital lease</u>	(7,338)	
<u>Net advances from related parties</u>	63,468	
<u>Net advances from Factor</u>	(17,615)	
<u>Net Cash Provided by Financing Activities of Continuing Operations</u>	288,515	

Cash flows from discontinued operations

<u>Cash Flows From Operations Activities of Discontinued Operations</u>		26,371
<u>Cash Flows From Investing Activities of Discontinued Operations</u>		(17,957)
<u>Cash Flows From Financing Activities of Discontinued Operations</u>		
<u>Net cash provided by discontinued operations</u>		8,414
<u>Net decrease in cash and cash equivalents</u>	(164,239)	
<u>Cash and cash equivalents at beginning of year</u>	227,435	
<u>Cash and cash equivalents at end of year</u>	63,196	

Supplemental disclosures of noncash financing activities

<u>Issuance of common stock for conversion of debts</u>	28,500	
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Supplemental disclosures of cash flow information

<u>Cash paid during the period for income taxes</u>		
<u>Cash paid during the period for interest</u>	\$ 1,231	

Debt Instruments (Details 5) Aug. 31, 2012
(USD \$)

Debt Instruments Details 4

<u>2013</u>	
<u>2014</u>	350,000
<u>Thereafter</u>	375,000
<u>Total</u>	\$ 725,000

**Composition of Certain
Financial Statement
Captions (Details 1) (USD \$)**

**3 Months Ended
Nov. 30, 2012 Nov. 30, 2011**

Composition Of Certain Financial Statement Captions Details 1

<u>Balance at Beginning of Fiscal Year</u>	\$ 72,000
<u>Charged to Operations</u>	10,767
<u>Write-offs, net of recoveries</u>	2,767
<u>Balance at End of Fiscal Year</u>	\$ 80,000

Net Loss Per Share (Details)
(USD \$)

3 Months Ended
Nov. 30, Nov. 30,
2012 2011

Denominator

<u>Weighted-average common shares outstanding used in computing basic and diluted net loss per share</u>	239,256,736	50,273,400
<u>Net loss per share, basic and diluted</u>	\$ 0.00	\$ 0.00

**Composition of Certain
Financial Statement
Captions (Tables)**

3 Months Ended

Nov. 30, 2012

**Composition Of Certain Financial
Statement Captions Tables**

Accounts Receivable

Accounts receivable, net consisted of the following:

	November 30, 2012	August 31, 2012
Accounts receivable	\$ 449,770	\$590,785
Allowance for doubtful accounts	(80,000)	(72,000)
Accounts receivable, net	<u>\$ 369,770</u>	<u>\$518,785</u>

Allowance for Doubtful Accounts

Allowance for Doubtful Accounts	Balance at Beginning of Fiscal Year	Charged to Operations	Write-offs, Net of Recoveries	Balance at End of Period
For three months ended November 30, 2012	\$ 72,000	\$ 10,767	\$ 2,767	\$ 80,000
For three months ended November 30, 2011	-	-	-	-

Property and Equipment

Property and Equipment

Property and equipment consisted of the following:

	November 30, 2012	August 31, 2012
Servers, computers, and other related equipment	\$198,924	\$198,924
Software	112,204	112,204
Leasehold improvements	1,675	1,675
	312,803	312,803
Less accumulated depreciation and amortization	(102,902)	(74,663)
Property and equipment, net	<u>\$209,901</u>	<u>\$238,140</u>

Customer List

Customer list, net consisted of the following:

	November 30, 2012	August 31, 2012
Original cost	\$ 159,000	\$ 159,000
Less accumulated amortization	(22,085)	(8,834)

Customer List

Customer list, net	<u>\$ 136,915</u>	<u>\$ 150,166</u>
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Accounts Payable and Accrued Expenses

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consisted of the following:

	November 30, 2012	August 31, 2012
Accounts payable	\$ 863,137	\$1,041,060
Accrued consulting fees	103,750	41,500
Accrued payroll	32,424	-
Accrued broadcaster commissions	28,525	28,870
Accrued interest	25,124	17,673
Credit card	3,887	4,282
Accounts payable and accrued expenses	<u>\$1,056,847</u>	<u>\$1,133,385</u>

Deferred Revenues

Deferred Revenues

Deferred revenues consisted of the following:

	November 30, 2012	August 31, 2012
Balance due RL upon completion of special project, secured by a convertible promissory note	\$ 89,003	\$150,000
Customer deposits	-	7,805
Deferred revenues	<u>\$ 89,003</u>	<u>\$157,805</u>

**Composition of Certain
Financial Statement
Captions (Details 2) (USD \$)**

Nov. 30, 2012 Aug. 31, 2012

Lease Hold Improvements Gross	\$ 312,803	\$ 312,803
Less accumulated depreciation and amortization	(102,902)	(74,663)
Property and equipment, net	209,901	238,140
Servers computers And Other Related Equipment [Member]		
Lease Hold Improvements Gross	198,924	198,924
Software [Member]		
Lease Hold Improvements Gross	112,204	112,204
Lease hold Improvements [Member]		
Lease Hold Improvements Gross	\$ 1,675	\$ 1,675

**Commitments and
Contingencies (Tables)**

**3 Months Ended
Nov. 30, 2012**

**Commitments And Contingencies
Tables**

**Future minimum lease payments under
operating leases**

The following is a schedule of future minimum lease payments under operating leases as of November 30, 2012:

<u>For the Twelve Month Period Ending November 30,</u>	
2013	\$180,636
2014	82,792
2015	-
2016	-
2017	-
All future years	-
Total minimum lease payments	<u>\$263,428</u>

**Discontinued Operations
(Details) (USD \$)**

**3 Months Ended
Nov. 30, 2012 Nov. 30, 2011**

Discontinued Operations Details

<u>Sales</u>	\$ 18,226
<u>Operating Expenses</u>	(28,997)
<u>Other Income & Expenses</u>	(1,978)
<u>Provision for Income Tax</u>	4,335
<u>Net Loss From Discontinued Operations</u>	\$ (8,414)

Nature of Business

**3 Months Ended
Nov. 30, 2012**

**Organization, Consolidation
and Presentation of
Financial Statements**
[Abstract]

Note 1 - Nature of Business

StreamTrack, Inc. (“StreamTrack,” or the “Company”) is a leading digital media and technology services company. StreamTrack provides streaming and advertising services through its RadioLoyalty™ Platform to over 1,100 internet and terrestrial radio stations and other broadcast content providers. The Company has developed a patent-pending video in-stream technology that enables radio broadcasters to enhance the end users’ experience while maximizing the content owners return on investment. StreamTrack is also continuing development of additional internet products and internet and mobile technologies including WatchThis™, a patent-pending merchandising in-stream technology to provide IP television streaming services, advertising and e-commerce services.

On August 31, 2012, the Company’s subsidiary, StreamTrack Media, Inc., a California corporation, acquired certain assets and liabilities of Radioloyalty, Inc., (“RL”) a California corporation (the “Merger”). StreamTrack Media, Inc. was the surviving corporation. As a result of the Merger, StreamTrack Media, Inc. acquired the business of RL, and will continue the existing business operations of RL as a wholly-owned subsidiary, in a transaction treated as a reverse acquisition. Prior to a stock purchase agreement executed by RL’s founder, Michael Hill, on May 16, 2012, the Company had minimal operations. Majority-voting control was transferred to Michael Hill on that date, subject to the successful acquisition of RL by the Company, which occurred on August 31, 2012. The transaction required a recapitalization of the Company. Since RL, through Michael Hill, acquired a controlling voting interest, it was deemed the accounting acquirer, while the Company was deemed the legal acquirer. The historical financial statements of the Company are those of RL, and of the consolidated entities from the date of Merger and subsequent.

Basis of Presentation

The accompanying interim 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”), and should be read in conjunction with the audited financial statements and notes thereto contained in the Company’s Form 10-K filed with the SEC as of and for the period ended August 31, 2012 filed on December 14, 2012. In the opinion of management, all adjustments necessary in order for the financial statements to be not misleading have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, StreamTrack Media, Inc., a California corporation. All intercompany balances and transactions have been eliminated in consolidation. In the opinion of the Company’s management, the consolidated financial statements include all adjustments, which include only normal recurring adjustments, necessary for the fair presentation of the Company’s financial position for the periods presented.

Going Concern

The Company’s financial statements are 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. For the three months ended November 30, 2012, the Company recorded a net loss of \$552,796. The net loss indicates that the Company may have difficulty continuing as a going concern.

Management is confident but cannot guarantee that additional capital can be raised in order to support marketing costs, content costs, media buying costs and product development costs associated with management's business plan. Since inception and through November 30, 2012, the Company has successfully raised a significant amount of capital. Additionally, the Company has recently launched additional new online product offerings and anticipates launching several new product offerings throughout its fiscal year ending August 31, 2013. The Company expects those products to be profitable but notes that it will require significant capital for product development and commercial deployment. However, the ability of the Company to continue as a going concern is dependent on the successful execution of the business plan in order to reach break-even and become profitable. If the Company is unable to become profitable, the Company could be forced to modify its business operations or possibly cease operations entirely. Management cannot provide any assurances that the Company will be successful in its operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

**Consolidated Balance Sheets
(Parenthetical) (USD \$)**

Nov. 30, 2012 Aug. 31, 2012

Statement of Financial Position [Abstract]

<u>Accounts receivable, net of allowances</u>	\$ 80,000	\$ 72,000
<u>Convertible notes payable, net of debt discount</u>	15,727	11,299
<u>Convertible promissory notes, net of debt</u>	42,167	6,370
<u>Related party convertible promissory notes, net of debt discount</u>	\$ 54,349	\$ 59,983
<u>Preferred stock, par value</u>	\$ 0.001	\$ 0.001
<u>Preferred stock, Authorized</u>	5,000,000	5,000,000
<u>Preferred stock, Issued</u>	100	100
<u>Preferred stock, outstanding</u>	100	100
<u>Common stock, par value</u>	\$ 0.001	\$ 0.001
<u>Common stock, Authorized</u>	1,000,000,000	1,000,000,000
<u>Common stock, Issued</u>	253,167,691	220,098,411
<u>Common stock, outstanding</u>	253,167,691	220,098,411

Stockholders' Equity

**3 Months Ended
Nov. 30, 2012**

[Equity \[Abstract\]](#)

[Note 11 - Stockholders' Equity](#) *Series A Preferred Stock*

Each share of Series A Preferred Stock has voting rights equal to the voting equivalent of the common stock into which it is convertible at the time of the vote. All outstanding shares of Series A Preferred Stock will automatically convert into common stock on the first business day after the closing date of the acquisition by the Company of 100% of the total issued and outstanding capital stock of RL. The holders of the Series A Preferred Stock are not entitled to dividends. The Series A Preferred Stock has no preferential rights to the Company's common stock and will share in any liquidation proceeds with the common stock on an as converted basis.

Common Stock

Each share of common stock has the right to one vote per share. The holders of common stock are also entitled to receive dividends as and when declared by the board of directors of the Company, whenever funds are legally available. These rights are subordinate to the dividend rights of holders of all classes of stock outstanding at the time.

Stock Based Compensation

Stock-based compensation expenses related to all employee and non-employee stock-based awards for the three months ended November 30, 2012 and 2011 are as follows:

	For the Three Months Ended November 30,	
	2012	2011
Stock-based compensation expenses:		
Marketing and sales	\$ 17,667	\$ -
Product development	35,333	-
Other	26,500	-
Total stock-based compensation, recorded in costs and expenses	\$ 79,500	\$ -

The fair value of the RSUs is expensed ratably over the vesting period. RSUs vest daily on a cliff basis over the service period, generally three years. The Company recorded stock-based compensation expense related to restricted stock units of \$79,500 during the three months ended November 30, 2012. As of November 30, 2012, total compensation cost not yet recognized of \$686,792 related to non-vested RSUs, is expected to be recognized over a weighted average period of 2.58 years.

The following table summarizes the activities for the Company's RSUs for the period ended November 30, 2012:

	Number of Shares	Weighted- Average Grant- Date Fair Value
Unvested at August 31, 2012	-	\$ 0.00
Granted	-	0.00

Vested	-	0.00
Canceled	-	0.00
Unvested at November 30, 2012	-	\$ 0.00
Expected to vest after November 30, 2012	-	\$ 0.00

The following table summarizes the activities for RL's RSUs for the period ended November 30, 2012:

	Number of Shares	Weighted- Average Grant- Date Fair Value (1)
Unvested at August 31, 2012	1,508,750	\$ 0.00
Granted	-	0.53
Vested	(150,000)	0.53
Canceled	-	0.00
Unvested at November 30, 2012	<u>1,358,750</u>	<u>\$ 0.53</u>
Expected to vest after November 30, 2012	1,358,750	\$ 0.53

(1) Grant date fair value is the fair value associated with RL's common stock, not the Company's common stock.

Effect of Proposed Reverse Stock Split

Upon the execution of the proposed reverse stock split, the Company intends to re-issue the RL convertible promissory notes and warrants to purchase common stock in the same form. However, the conversion price of each specific instrument will be adjusted to ensure that the holder of each instrument will have the right to convert the instrument into an equivalent number of shares of the Company's common stock that they would have been entitled to on an as-if basis, if they had elected to convert the instrument they held on the date the reverse stock split became effective.

**Document and Entity
Information**

**3 Months Ended
Nov. 30, 2012**

Jan. 14, 2013

Document And Entity Information

<u>Entity Registrant Name</u>	Streamtrack, Inc.	
<u>Entity Central Index Key</u>	0001442376	
<u>Document Type</u>	10-Q	
<u>Document Period End Date</u>	Nov. 30, 2012	
<u>Amendment Flag</u>	false	
<u>Current Fiscal Year End Date</u>	--08-31	
<u>Is Entity a Well-known Seasoned Issuer?</u>	No	
<u>Is Entity a Voluntary Filer?</u>	No	
<u>Is Entity's Reporting Status Current?</u>	Yes	
<u>Entity Filer Category</u>	Smaller Reporting Company	
<u>Entity Common Stock, Shares Outstanding</u>		253,167,691
<u>Document Fiscal Period Focus</u>	Q1	
<u>Document Fiscal Year Focus</u>	2013	

Net Loss Per Share

**3 Months Ended
Nov. 30, 2012**

Earnings Per Share

[Abstract]

Note 12 - Net Loss Per Share

Basic net loss per share is computed by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period.

Diluted net loss per share is computed by giving effect to all potential shares of common stock, including the shares issuable upon conversion of the Company's convertible promissory notes, the Series A Preferred Stock, the RL convertible promissory notes, and the RL warrants to purchase common stock. Basic and diluted net loss per share was the same for each year presented as the inclusion of all potential common shares outstanding would have been anti-dilutive.

	For the Three Months Ended November 30,	
	2012	2011
Denominator		
Weighted-average common shares outstanding used in computing basic and diluted net loss per share	239,256,736	50,273,400
Net loss per share, basic and diluted	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>

The following potential common shares outstanding were excluded from the computation of diluted net loss per share because including them would have been anti-dilutive:

	For the Three Months Ended November 30,	
	2012	2011
Convertible promissory notes (1)	245,000,000	-
Series A Preferred Stock (2)	23,251,841	-
RL convertible promissory notes (3)	***	-
Warrants to purchase RL common stock (4)	***	-
Total quantifiable common stock equivalents	268,251,841	-

(1) As of November 30, 2012, the Company had convertible promissory notes of \$147,000 outstanding. The Company has estimated the number of shares of common stock the holder of the convertible promissory note agreements could have been issued had the holder elected to convert the convertible promissory notes to common stock as of November 30, 2012. The holder did not make such an election as of November 30, 2012.

(2) As of November 30, 2012, the Company had 100 shares of its Series A Preferred Stock outstanding. The Company has estimated the number of shares of common stock the holders of the Series A Preferred Stock could have been issued had the holder elected to convert the Series A Preferred Stock to common stock as of November 30, 2012. The holder did not make such an election as of August 31, 2012.

(3) In connection with the August 31, 2012 asset purchase agreement with RadioLoyalty, Inc. ("RL"), the Company plans to purchase and assume certain convertible promissory notes previously issued by RL. As of the date of these financial statements, the convertible promissory notes were convertible into 1,450,000 shares of RL common stock, representing approximately 10% of RL's fully diluted outstanding common stock. After taking all known factors into account and making certain assumptions regarding some unknown factors associated with the proposed reverse stock split, management estimates

the holders of the RL convertible promissory notes will have the right to convert their holdings into approximately 9% of the Company' s outstanding common stock, on a post-reverse stock split basis.

- (4) In connection with the August 31, 2012 asset purchase agreement with RL, the Company plans to purchase and assume certain stock purchase warrants previously issued by RL. As of the date of these financial statements, the stock purchase warrants were convertible into 362,500 shares of RL common stock, representing approximately 3% of RL' s fully diluted outstanding common stock. After taking all known factors into account and making certain assumptions regarding some unknown factors associated with the proposed reverse stock split, management estimates the holders of the RL convertible promissory notes will have the right to convert their holdings into approximately 3% of the Company' s outstanding common stock, on a post-reverse stock split basis.

**Consolidated Statements of
Operations (USD \$)**

3 Months Ended
Nov. 30, Nov. 30,
2012 2011

Income Statement [Abstract]

<u>Advertising</u>	\$ 376,425	
<u>Services</u>	108,612	
<u>Total revenue</u>	485,037	
<u>Costs of revenues</u>		
<u>Media network</u>	175,049	
<u>Colocation hosting services</u>	77,457	
<u>Broadcaster fees</u>	45,344	
<u>Other costs of sales</u>	155,657	
<u>Total costs of revenues</u>	453,507	
<u>Gross Profit</u>	31,530	
<u>Operating expenses</u>		
<u>Marketing and sales (includes stock compensation \$17,667 and \$0 in 2012 and 2011)</u>	122,584	
<u>Officer compensation</u>	108,817	
<u>Product development (includes stock compensation \$35,333 and \$0 in 2012 and 2011)</u>	105,801	
<u>Other expenses (includes stock compensation \$26,500 and \$0 in 2012 and 2011)</u>	254,206	
<u>Total operating expenses</u>	591,408	
<u>Loss from continuing operations</u>	(559,878)	
<u>Interest expense (including accretion of debt discount of \$68,267 and \$0 for 2012 and 2011)</u>	(88,089)	
<u>Change in fair value of derivative</u>	95,171	
<u>Total other income</u>	7,082	
<u>Loss from discontinued operations</u>		(12,749)
<u>Loss before income tax provision or benefit</u>	(552,796)	(12,749)
<u>Income tax (provision) benefit</u>		4,335
<u>Net loss</u>	\$ (552,796)	\$ (8,414)
<u>Basic and diluted net loss per share attributable to common stockholders</u>	\$ 0.00	\$ 0.00
<u>Weighted-average number of shares used in computing per share amounts</u>	239,256,736	50,273,400

Income Taxes

**3 Months Ended
Nov. 30, 2012**

[Income Tax Disclosure](#)

[\[Abstract\]](#)

[Note 6 - Income Taxes](#)

The provision for income tax (expense) benefit consists of the following:

	For the Three Months Ended November 30,	
	2012	2011
Current		
Federal	\$ -	\$ 2,640
State and local	-	1,695
Total current income tax (expense) benefit	-	4,335
Deferred	(187,951)	
Federal	\$(187,951)	-
State and local	(82,919)	-
Valuation allowance	270,870	-
Total deferred income tax (expense) benefit	-	-
Total income tax (expense) benefit	<u>\$ -</u>	<u>\$ 4,335</u>

The following table presents a reconciliation of the statutory federal rate and the Company's effective tax rate for the periods presented.

	For the Three Months Ended November 30,	
	2012	2011
U.S. federal taxes at statutory rate	34%	34%
State taxes, net of federal benefit	15	15
Permanent differences	-	-
Change in valuation allowance	-	-
Change in rate	-	-
Other	-	-
Effective tax rate	<u>49%</u>	<u>49%</u>

The major components of deferred tax assets and liabilities were as follows:

	November 30, 2012	August 31, 2012
Deferred tax assets:		
Net operating loss carryforwards	\$ 2,100,000	\$ 1,600,000
Tax credit carryforwards	-	-
Allowances and other	-	-
Depreciation and amortization	-	-
Total deferred tax assets	<u>2,100,000</u>	<u>1,600,000</u>
Deferred tax liabilities:		
Depreciation and amortization	-	-

Total deferred tax liabilities	-	-
Valuation allowance	<u>(2,100,000)</u>	<u>(1,600,000)</u>
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

As of November 30, 2012, the Company had federal net operating loss carryforwards of approximately \$2,100,000, which includes stock-based compensation deductions of approximately \$222,000. The federal net operating losses and tax credits expire in years beginning in 2021. As of November 30, 2012, the Company had state net operating loss carryforwards of approximately \$2,100,000, which expire in years beginning in 2014. Under Section 382 and 383 of the Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an “ownership change,” the corporation’s ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as research tax credits, to offset its post-change income may be limited. In general, an “ownership change” will occur if there is a cumulative change in our ownership by “5-percent shareholders” that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. The Company has previously experienced “ownership changes” under section 382 of the Code and comparable state tax laws. The Company estimates that none of the federal and state pre-change net operating losses will be limited under Section 382 of the Code.

As of November 30, 2012, the Company maintained a full valuation allowance on its net deferred tax assets. The valuation allowance was determined in accordance with the provisions of ASC 740, Accounting for Income Taxes, which requires an assessment of both positive and negative evidence when determining whether it is more likely than not that deferred tax assets are recoverable. Such assessment is required on a jurisdiction by jurisdiction basis. The Company’s history of cumulative losses, along with expected future U.S. losses required that a full valuation allowance be recorded against all net deferred tax assets. The Company intends to maintain a full valuation allowance on net deferred tax assets until sufficient positive evidence exists to support reversal of the valuation allowance.

The Company files income tax returns in the United States and California. The 2011 tax year remains subject to examination for U.S. federal and state purposes. All net operating losses and tax credits generated to date are subject to adjustment for U.S. federal and state purposes. The Company is not currently under examination in federal or state jurisdictions.

Commitments and Contingencies

3 Months Ended
Nov. 30, 2012

[Commitments and Contingencies Disclosure](#)

[\[Abstract\]](#)

[Note 5 - Commitments and Contingencies](#)

Royalty on RadioLoyalty™ Revenues

On November 30, 2011, the Company's Chief Executive Officer and another executive officer of the Company's subsidiary, together with a business entity they organized, executed an asset purchase agreement with their former employer, Lenco Mobile, Inc. ("Lenco"), to acquire certain assets and assume certain liabilities from Lenco. The primary asset acquired from Lenco was the RadioLoyalty™ Platform. Lenco's Board of Directors had previously determined that the RadioLoyalty™ Platform was not considered a core product offering of Lenco. Lenco was determined to focus only on mobile technology products. At the time, the RadioLoyalty™ Platform was not fully functional and was primarily an internet-based product. Upon the purchase of these certain assets and assumption of certain liabilities from Lenco, an agreement was reached to compensate Lenco with a 3.5% royalty on all revenues generated by the RadioLoyalty™ Platform for a period of three years (the "Royalty"). The term of the Royalty began on November 1, 2011 and terminates on November 1, 2014. No other compensation is due to Lenco. The Royalty was assumed by RL upon its organization on December 1, 2011 and subsequently assumed by the Company's subsidiary, StreamTrack Media, Inc. ("StreamTrack"), in connection with the August 31, 2012 asset purchase agreement between the Company, StreamTrack and RL. For the year ended August 31, 2012, the Royalty owed to Lenco was \$10,344. Payments to Lenco under the Royalty can not exceed \$2,500,000.

Leases

The Company conducts its operations using leased office facilities in Santa Barbara, California.

The following is a schedule of future minimum lease payments under operating leases as of November 30, 2012:

For the Twelve Month Period Ending November 30,

2013	\$ 180,636
2014	82,792
2015	-
2016	-
2017	-
All future years	-
Total minimum lease payments	<u>\$ 263,428</u>

The leases are written under separate arrangements expiring through 2014. The Company holds a right to renew the leases for an additional two years at increased rental rates. Rent expenses for the three months ended November 30, 2012 and 2011 totaled \$46,542 and \$0, respectively. The Company recognizes rent expense on a straight-line basis over the lease term including expected renewal periods. The difference between rent expenses and rent payments is recorded as deferred rent in current and long-term liabilities. No deferred rent existed as of November 30, 2012 and August 31, 2012, respectively.

Indemnification Agreements

In the ordinary course of business, the Company may provide indemnifications of varying scope and terms to customers, vendors, lessors, business partners, and other parties with respect to certain matters, including, but not limited to, losses arising out of breach of such agreements, services to be provided by the Company or from intellectual property infringement claims made by third parties. In addition, the Company plans to enter into indemnification agreements with directors and certain officers and employees that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers or employees.

While the outcome of these matters cannot be predicted with certainty, the Company does not believe that the outcome of any claims under indemnification arrangements will have a material adverse effect on the Company's financial position, results of operations, or cash flows.

Legal Proceedings

The Company is potentially subject to various legal proceedings and claims arising in the ordinary course of its business. There are no pending legal proceedings against the Company as of the date of these financial statements.

Fair Value (Tables)

**3 Months Ended
Nov. 30, 2012**

Fair Value Tables

Fair Value of financial assets and liabilities

The fair value of these financial assets and liabilities was determined using the following inputs at November 30, 2012:

	Fair Value Measurement Using			Total
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Fair values as of November 30, 2012				
Assets:				
None	\$ -	\$ -	\$ -	\$ -
Total assets measured at fair value	\$ -	\$ -	\$ -	\$ -
Liabilities:				
None	\$ -	\$ -	\$ -	\$ -
Total liabilities measured at fair value	\$ -	\$ -	\$ -	\$ -
Fair values as of November 30, 2012				
Liabilities:				
Convertible promissory notes	\$ -	\$ 759,757	\$ -	\$ 759,757
Derivative liabilities	-	54,027	-	54,027
Total liabilities measured at fair value	\$ -	\$ 813,784	\$ -	\$ 813,784

Discontinued Operations

**3 Months Ended
Nov. 30, 2012**

[Discontinued Operations and Disposal
Groups \[Abstract\]](#)

[Note 13 - Discontinued Operations](#)

The results of operations of the discontinued entertainment business are detailed below.

	For the Three Months Ended November 30,	
	2012	2011
Sales	\$ -	\$ 18,226
Operating Expenses	-	(28,997)
Other Income & Expenses	-	(1,978)
Income Tax Benefit	-	4,335
Net Loss From Discontinued Operations	\$ -	\$ (8,414)

Factor Line of Credit

3 Months Ended
Nov. 30, 2012

Notes to Financial Statements

Note 9 - Factor Line of Credit

On January 26, 2012 the Company executed a contract with an unrelated party (the "Factor") to provide financing to the Company in the form of a factoring line of credit. The Company utilizes the factoring line of credit to take cash advances on its accounts receivable balances prior to its customers paying the balances owed to the Company. The Factor charges a variety of fees totaling approximately 3% of the funds advanced by the Factor. Transactions involving the Factor for the three months ended November 30, 2012 are detailed in the table below.

Balance, August 31, 2012	\$ 68,091
Advances from Factor	264,957
Fees charged by Factor	10,900
Total	343,948
Payments received from customers	<u>(293,472)</u>
Balance, November 30, 2012	<u>\$ 50,476</u>

Debt Instruments (Details Narrative) (USD \$)	3 Months Ended	
	Nov. 30, 2012	Nov. 30, 2011
Derivative liability	\$ 41,964	
Other income	21,119	
Convertible Notes Payable [Member]		
Derivative liability	12,063	
Other income	74,052	
Convertible promissory notes converted into common stock, amount	28,500	
Convertible promissory notes converted into common stock, Shares	33,069,280	
Interest expense on all debts owed to Creditor	\$ 3,291	\$ 2,072

Capital Lease - in Default

3 Months Ended
Nov. 30, 2012

Notes to Financial Statements

Note 7 - Capital Lease - in Default

The Company periodically leases computer servers and related hardware under capital lease agreements. The lease terms are typically from three to five years, depending on the type of equipment. The leased equipment typically has a bargain purchase price, and qualifies for treatment as a capital lease. For book purposes, the assets are amortized over their estimated useful lives.

Assets under capital lease as of November 30, 2012 and August 31, 2012 were as follows:

	November 30, 2012	August 31, 2012
Servers	\$ 147,049	\$ -
Less: accumulated depreciation	(57,293)	-
Net assets under capital lease	<u>\$ 89,756</u>	<u>\$ -</u>

The monthly payment under the lease is \$8,569. As of November 30, 2012 and as of the date of these financial statements, the Company was in default on the lease. The Company is working with the lessor to resolve this issue. During the three months ended November 30, 2012 the Company paid a total of \$7,338 in principal payments towards capital leases. The following is a schedule of future payments required under the lease together with their present values:

	Payments
2013	\$ 119,966
2014	-
2015	-
2016	-
Total lease payments	<u>119,966</u>
Less: amount representing interest	<u>(8,861)</u>
Present value of minimum lease payments	<u>\$ 111,105</u>

Related Party Transactions

3 Months Ended

Nov. 30, 2012

[Related Party Transactions](#)

[\[Abstract\]](#)

[Note 8 - Related Party Transactions](#)

The related party payable as of November 30, 2012 consists of unpaid compensation and non-interest bearing cash advances and charges on personal credit lines made on behalf of the Company by the Company's Chief Executive Officer and the Chief Executive Officer of StreamTrack Media, Inc. (the "Executives"). The balances owed to the Executives are not secured and are due on demand. Interest will be charged on these balances. However, no formal agreement has been executed to quantify the interest.

RL records consulting fees payable to these three executives on a straight-line basis, over the term of the agreements. A total of \$62,250 in consulting fees were recorded for the three months ended November 30, 2012. However, these amounts were not paid to the executives as of November 30, 2012 as a result of their agreement to defer their pay until January 1, 2013.

Debt Instruments

3 Months Ended Nov. 30, 2012

[Debt Disclosure \[Abstract\]](#) [Note 10 - Debt Instruments](#)

The Company has relied on financing from one lender since 2010 (the "Creditor"). During the period from August 31, 2012 through November 30, 2012, the Creditor converted \$28,500 of its convertible promissory notes into 33,069,280 shares of the Company's common stock. The principal balance owed to the Creditor as of January 14, 2013 was \$147,000.

Upon the six-month anniversary of all financings with the Creditor, the shares underlying the convertible promissory notes are issuable without restriction and can be sold to the public through the OTC Bulletin Board. As a result of the conversion price not being fixed, the number of shares of the Company's common stock that are issuable upon the conversion of the convertible promissory notes is indeterminable until such time as the Creditor elects to convert to common stock. As a result of this the Company has determined that a derivative liability existed as of the six-month anniversary of the May 24, 2012 convertible promissory note. The Company measured the derivative liability using the input attributes disclosed below and recorded a derivative liability of \$63,083 as of November 20, 2012. On November 30, 2012 the Company re-measured the derivative liability using the input attributes below and determined the value was \$41,964. Other income of \$21,119 was recorded as of November 30, 2012 and included in the statement of operations in order to adjust the derivative liability to the re-measured value.

	November 30, 2012	November 20, 2012
Expected life (in years)	0.25	0.28
Balance of note outstanding	\$ 78,500	\$ 78,500
Stock price	\$ 0.0009	\$ 0.0011
Effective conversion price	\$ 0.0006	\$ 0.0006
Shares issuable upon conversion	139,878,831	126,165,220
Risk-free interest rate	0.08%	0.08%
Expected volatility	61.83%	61.83%
Expected dividend yield	-	-

The Company also re-measured the derivative liability associated with the December 28, 2011 convertible promissory note using the input attributes below and determined the value to be \$12,063 as of November 30, 2012. Other income of \$74,052 was recorded as of November 30, 2012 and included in the statement of operations in order to adjust the derivative liability to the re-measured value.

	November 30, 2012
Expected life (in years)	0.1
Balance of note outstanding	\$ 26,000
Stock price	\$ 0.0009
Effective conversion price	\$ 0.0006
Shares issuable upon conversion	40,210,331
Risk-free interest rate	0.08%
Expected volatility	61.83%
Expected dividend yield	-

Interest expense on all debts owed to the Creditor during the three months ended November 30, 2012 and 2011 totaled \$3,291 and \$2,072, respectively.

The following table reflects the balance of the Company's convertible promissory notes as of November 30, 2012.

Convertible promissory notes, principal balance	\$ 147,000
Less: Unamortized portion of debt discount	(15,727)
Convertible promissory notes, net, November 30, 2012	<u>\$ 131,273</u>

Future maturities of the Company's convertible promissory notes, in the aggregate, are as follows for period ending November 30,

2013	\$ 147,000
2014	-
Thereafter	-
	<u>\$ 147,000</u>

On August 31, 2012, RL issued a convertible promissory note for \$250,000 to an investor. On September 4, 2012, RL received the proceeds from the issuance of the convertible promissory note. The convertible promissory note bears 4% interest, is convertible into the RL's common stock at a \$0.50 conversion price and matures on August 31, 2015. RL recorded a beneficial conversion feature of \$15,000 in connection with this financing. A total of 125,000 warrants were issued in connection with this financing. The warrants were valued at \$24,775, have a three-year term, and are exercisable at a price of \$0.50.

The valuation of the stock warrants and the beneficial conversion feature associated with the issuance of convertible promissory notes utilized valuation inputs and related figures provided by a professional and independent valuation firm.

The conversion feature associated with the convertible promissory notes provide for a rate of conversion that is below market value. This conversion feature is accounted for as a beneficial conversion feature. A beneficial conversion feature was recorded by RL and classified as a debt discount on the balance sheet at the time of issuance of each convertible promissory note with a corresponding credit to additional paid-in capital. The value is amortized over the three-year term of the convertible promissory note. The amortized value for each period is recorded as an offset against the debt discount on the balance sheet, classified as interest expense in the statement of operations and as accretion of debt discount within the statement of cash flows.

The following table reflects the balance in convertible promissory notes as of November 30, 2012:

Convertible promissory notes, principal balance	\$ 725,000
Less: Unamortized portion of debt discount	(96,516)
Convertible promissory notes, net, August 31, 2012	<u>\$ 628,484</u>

Future maturities of the RL convertible promissory notes, in the aggregate, are as follows for the twelve months ending November 30,

2013	\$ -
2014	350,000
2015	375,000
	<u>\$ 725,000</u>

As of November 30, 2012, the amounts of long-term and short-term convertible promissory notes payable are stated at contract amounts that approximate fair value based on current interest rates available in the United States of America.

Stockholders' Equity (Details Narrative) (USD \$)	3 Months Ended	
	Nov. 30, 2012	Nov. 30, 2011 Aug. 31, 2012
<u>Stock-based compensation</u>	\$ 79,500	
<u>Deferred stock based compensation</u>	686,792	766,292
Radio Loyalty		
<u>Stock-based compensation</u>	79,500	
<u>Deferred stock based compensation</u>	\$ 686,792	
<u>Weighted average period</u>	2 years 6 months 29 days	

Net Loss Per Share (Details)	Aug. 31, 2012	Aug. 31, 2011
<u>Earnings Per Share [Abstract]</u>		
<u>Convertible promissory notes (1)</u>	245,000,000	
<u>Series A Preferred Stock (2)</u>	23,251,841	
<u>RL convertible promissory notes (3)</u>		
<u>Warrants to purchase RL common stock (4)</u>		
<u>Total common stock equivalents</u>	268,251,841	

Stockholders' Equity
(Details 2) (USD \$)

3 Months Ended
Nov. 30, 2012 Aug. 31, 2011

Number of Shares

Unvested, beginning

Granted

Vested

Canceled

Unvested, ending

Expected to vest after November 30, 2012

Weighted-Average Grant-Date Fair Value (1)

Unvested, beginning \$ 0

Granted \$ 0

Vested \$ 0

Canceled \$ 0

Unvested, ending \$ 0

Expected to vest after November 30, 2012 \$ 0

Radio Loyalty

Number of Shares

Unvested, beginning 1,508,750

Granted

Vested (150,000)

Canceled

Unvested, ending 1,358,750 1,508,750

Expected to vest after November 30, 2012 1,358,750

Weighted-Average Grant-Date Fair Value (1)

Unvested, beginning \$ 0

Granted \$ 0.53

Vested \$ 0.53

Canceled \$ 0

Unvested, ending \$ 0.53 \$ 0

Expected to vest after November 30, 2012 \$ 0.53

**Composition of Certain
Financial Statement
Captions (Details) (USD \$)**

Nov. 30, 2012 Aug. 31, 2012

Composition Of Certain Financial Statement Captions Details

<u>Accounts receivable</u>	\$ 449,770	\$ 590,785
<u>Allowance for doubtful accounts</u>	(80,000)	(72,000)
<u>Accounts receivable, net</u>	\$ 369,770	\$ 518,785

**Capital Lease - in Default
(Details Narrative) (USD \$)**

**3 Months Ended
Nov. 30, 2012**

Capital Lease - In Default Details Narrative

<u>Principal payments towards capital leases</u>	\$ 7,338
<u>Monthly payment under the lease</u>	\$ 8,569

Summary of Significant Accounting Policies (Policies)

Summary Of Significant Accounting Policies Policies

Basis of Presentation

The accompanying interim 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"), and should be read in conjunction with the audited financial statements and notes thereto contained in the Company's Form 10-K filed with the SEC as of and for the period ended August 31, 2012 filed on December 14, 2012. In the opinion of management, all adjustments necessary in order for the financial statements to be not misleading have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, StreamTrack Media, Inc., a California corporation. All intercompany balances and transactions have been eliminated in consolidation. In the opinion of the Company's management, the consolidated financial statements include all adjustments, which include only normal recurring adjustments, necessary for the fair presentation of the Company's financial position for the periods presented.

Going Concern

The Company's financial statements are 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. For the three months ended November 30, 2012, the Company recorded a net loss of \$552,796. The net loss indicates that the Company may have difficulty continuing as a going concern.

Management is confident but cannot guarantee that additional capital can be raised in order to support marketing costs, content costs, media buying costs and product development costs associated with management's business plan. Since inception and through November 30, 2012, the Company has successfully raised a significant amount of capital. Additionally, the Company has recently launched additional new online product offerings and anticipates launching several new product offerings throughout its fiscal year ending August 31, 2013. The Company expects those products to be profitable but notes that it will require significant capital for product development and commercial deployment. However, the ability of the Company to continue as a going concern is dependent on the successful execution of the business plan in order to reach break-even and become profitable. If the Company is unable to become profitable, the Company could be forced to modify its business operations or possibly cease operations entirely. Management cannot provide any assurances that the Company will be successful in its operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Revenue Recognition

The Company's revenue is principally derived from advertising services.

The Company recognizes revenue when: (1) persuasive evidence exists of an arrangement with the customer reflecting the terms and conditions under which products or services will be provided; (2) delivery has occurred or services have been provided; (3) the fee is fixed or determinable; and (4) collection is reasonably assured. For all revenue transactions, the Company considers a signed agreement, a binding insertion order or other similar documentation to be persuasive evidence of an arrangement.

Advertising Revenue. The Company generates advertising revenue primarily from display and video advertising. The Company generates the majority of its advertising revenue through the delivery of advertising impressions sold on a cost per thousand, or CPM, basis. Currently, advertising revenues are generated through our proprietary technologies from internet-based content. The Company does not currently generate significant revenues from mobile advertising. In determining whether an arrangement exists, the Company ensures that a binding arrangement, such as an insertion order or a fully executed customer-specific agreement, is in place. The Company generally recognizes revenue based on delivery information from its campaign trafficking systems.

**3 Months Ended
Nov. 30, 2012**

The Company also generates advertising revenue pursuant to arrangements with advertising agencies and brokers. Under these arrangements, the Company provides the agencies and brokers the ability to sell advertising inventory on the Company's service directly to advertisers. The Company reports this revenue net of amounts due to agencies and brokers because the Company is not the primary obligor under these arrangements, the Company does not set the pricing, and does not establish or maintain the relationship with the advertisers.

Services Revenue. The Company generated services revenues related to the management and resale of its webhosting capacity at its two facilities in California for the period from December 1, 2011 through November 30, 2012. The Company no longer generates significant services revenues of this nature but does anticipate project-oriented service revenues associated with the integration and private-branding of the Company's technologies with both current and potential business partners and customers, respectively. During the three months ended November 30, 2012, the Company's product development team began work on a project involving a private label version of the Company's Universal Player™. The Company is accounting for this project utilizing percentage of completion accounting principles.

Deferred Revenue. Deferred revenue consists of both prepaid unrecognized revenues and advertising fees received or billed in advance of the delivery or completion of the services or in instances when revenue recognition criteria have not been met. Deferred revenue is recognized when the services are provided and all revenue recognition criteria have been met.

Multiple-Element Arrangements. The Company could potentially enter into arrangements with customers to sell advertising packages that include different media placements or ad services that are delivered at the same time, or within close proximity of one another. The Company uses the prospective method for all arrangements entered into or materially modified from the date of adoption that involve multiple element arrangements. Under this new guidance, the Company allocates arrangement consideration in multiple-deliverable revenue arrangements at the inception of an arrangement to all deliverables or those packages in which all components of the package are delivered at the same time, based on the relative selling price method in accordance with the selling price hierarchy, which includes: (1) vendor-specific objective evidence ("VSOE") if available; (2) third-party evidence ("TPE") if VSOE is not available; and (3) best estimate of selling price ("BESP") if neither VSOE nor TPE is available.

VSOE. The Company determines VSOE based on its historical pricing and discounting practices for the specific product or service when sold separately. In determining VSOE, the Company requires that a substantial majority of the selling prices for these services fall within a reasonably narrow pricing range. The Company has not historically priced its advertising products within a narrow range. As a result, the Company has not been able to establish VSOE for any of its advertising products.

TPE. When VSOE cannot be established for deliverables in multiple element arrangements, the Company applies judgment with respect to whether it can establish a selling price based on TPE. TPE is determined based on competitor prices for similar deliverables when sold separately. Generally, the Company's go-to-market strategy differs from that of its peers and its offerings contain a significant level of differentiation such that the comparable pricing of services cannot be obtained. Furthermore, the Company is unable to reliably determine what similar competitor services' selling prices are on a stand-alone basis. As a result, the Company has not been able to establish selling price based on TPE.

BESP. When it is unable to establish selling price using VSOE or TPE, the Company uses BESP in its allocation of arrangement consideration. The objective of BESP is to determine the price at which the Company would transact a sale if the service were sold on a stand-alone basis. BESP is generally used to allocate the selling price to deliverables in the Company's multiple element arrangements. The Company determines BESP for deliverables by considering multiple factors including, but not limited to, prices it charges for similar offerings, market

conditions, competitive landscape and pricing practices. The Company limits the amount of allocable arrangement consideration to amounts that are fixed or determinable and that are not contingent on future performance or future deliverables. The Company regularly reviews BESP. Changes in assumptions or judgments or changes to the elements in the arrangement may cause an increase or decrease in the amount of revenue that the Company reports in a particular period.

The Company recognizes the relative fair value of the media placements or ad services as they are delivered assuming all other revenue recognition criteria are met.

The Company records cash equivalents, debt discounts on convertible promissory notes and derivatives at fair value.

Fair value is an exit price, representing the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. Fair value measurements are required to be disclosed by level within the following fair value hierarchy:

Level 1 - Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 - Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level 3 - Inputs lack observable market data to corroborate management's estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

Certain reclassifications to the Company's condensed balance sheets and condensed statements of operations have been made to the August 31, 2012 financial statements in order to conform to the presentation of these financial statements. These reclassifications did not impact the Company's revenues, net income, total assets, total liabilities or total equity for the three months ended November 30, 2012 and 2011, and as of August 31, 2012, respectively.

In October 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2009-13 regarding Accounting Standard Codification ("ASC") Subtopic 605-25, *Revenue Recognition - Multiple-element Arrangements*. This ASU addresses criteria for separating the consideration in multiple-element arrangements. ASU 2009-13 requires companies to allocate the overall consideration to each deliverable by using a BESP of individual deliverables in the arrangement in the absence of VSOE or other TPE of the selling price. The changes under ASU 2009-13 are effective prospectively for revenue arrangements entered into or materially modified subsequent to adoption. Under the new guidance, the Company uses BESP when neither VSOE nor TPE are available. As a result, the Company is able to recognize the relative fair value of the elements as they are delivered, assuming other revenue recognition criteria are met.

In May 2011, the FASB issued ASU 2011-04 regarding ASC Topic 820 "Fair Value Measurement." This ASU updates accounting guidance to clarify how to measure fair value to align the guidance surrounding Fair Value Measurement within GAAP and International Financial Reporting Standards. In addition, the ASU updates certain requirements for measuring fair value and for disclosure around fair value measurement. It does not require additional fair value measurements and the ASU was not intended to establish valuation standards or affect valuation practices outside of financial reporting. This ASU will be effective for the Company's fiscal year beginning February 1, 2012. Early adoption is not permitted. The adoption of this guidance is not expected to have a material impact on the Company's financial statements.

In June 2011, the FASB issued ASU No. 2011-05, "Comprehensive Income (Topic 220): Presentation of Comprehensive Income". This ASU amends the ASC to allow an entity the option

[Fair Value Measurement](#)

[Presentation of Reclassifications](#)

[Recently Issued Accounting Standards](#)

to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In both choices an entity is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. The amendments to the ASC in the ASU do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income. ASU 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted. The adoption of this guidance is not expected to have a material impact on the Company' s financial statements.

In December 2011, the FASB issued ASU No. 2011-12, "Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05". This ASU defers the effective date pertaining to reclassification adjustments out of accumulated other comprehensive income in ASU 2011-05. ASU 2011-12 defers only those changes in ASU 2011-05 that relate to the presentation of reclassification adjustments in ASU 2011-05. The amendments are being made to allow the Board time to redeliberate whether to present on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for all periods presented. The amendments in this update are effective at the same time as the amendments in update 2011-05 so that entities will not be required to comply with the presentation requirements in update 2011-05 that this update is deferring. The adoption of this guidance is not expected to have a material impact on the Company' s financial statements.

**Capital Lease - in Default
(Tables)**

**3 Months Ended
Nov. 30, 2012**

Capital Lease - In Default Tables

Assets under capital lease

Assets under capital lease as of November 30, 2012 and August 31, 2012 were as follows:

	November 30, 2012	August 31, 2012
Servers	\$ 147,049	\$ -
Less: accumulated depreciation	<u>(57,293)</u>	<u>-</u>
Net assets under capital lease	<u>\$ 89,756</u>	<u>\$ -</u>

Schedule of future payments required
under the lease

The following is a schedule of future payments required under the lease together with their present values:

	<u>Payments</u>
2013	\$ 119,966
2014	-
2015	-
2016	-
Total lease payments	<u>119,966</u>
Less: amount representing interest	<u>(8,861)</u>
Present value of minimum lease payments	<u>\$ 111,105</u>

**Capital Lease - in Default
(Details) (USD \$)**

Nov. 30, 2012 Aug. 31, 2012

Capital Lease - In Default Details

<u>Servers</u>	\$ 147,049
<u>Less: accumulated depreciation</u>	(57,293)
<u>Net assets under capital lease</u>	\$ 89,756

Nature of Business (Details Narrative) (USD \$)	3 Months Ended	
	Nov. 30, 2012	Nov. 30, 2011
<u>Nature Of Business Details Narrative</u>		
<u>Net Loss</u>	\$ (552,796)	\$ (8,414)

Consolidated Statements of Operations (Parenthetical) **3 Months Ended**
(USD \$) **Nov. 30, 2012** **Nov. 30, 2011**

Income Statement [Abstract]

<u>Marketing and sales</u>	\$ 17,667	\$ 0
<u>Product development</u>	35,333	0
<u>Other expenses</u>	26,500	0
<u>Interest expense</u>	\$ 68,267	\$ 0

Fair Value

**3 Months Ended
Nov. 30, 2012**

[Fair Value Disclosures](#)

[\[Abstract\]](#)

[Note 4 - Fair Value](#)

The Company records cash equivalents, debt discounts on convertible promissory notes and derivatives at fair value.

Fair value is an exit price, representing the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. Fair value measurements are required to be disclosed by level within the following fair value hierarchy:

Level 1 - Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 - Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level 3 - Inputs lack observable market data to corroborate management's estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

When determining fair value, whenever possible the Company uses observable market data, and relies on unobservable inputs only when observable market data is not available.

The fair value of these financial assets and liabilities was determined using the following inputs at November 30, 2012:

	Fair Value Measurement Using			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Fair values as of November 30, 2012				
Assets:				
None	\$ -	\$ -	\$ -	\$ -
Total assets measured at fair value	\$ -	\$ -	\$ -	\$ -
Liabilities:				
None	\$ -	\$ -	\$ -	\$ -
Total liabilities measured at fair value	\$ -	\$ -	\$ -	\$ -
Fair values as of November 30, 2012				
Liabilities:				
Convertible promissory notes	\$ -	\$ 759,757	\$ -	\$ 759,757
Derivative liabilities	-	54,027	-	54,027
Total liabilities measured at fair value	\$ -	\$ 813,784	\$ -	\$ 813,784

The Company' s convertible promissory notes and derivative liabilities were classified as Level 2 within the fair value hierarchy because they were valued using significant other observable inputs.

Debt Instruments (Details 4)
(USD \$)

Nov. 30, 2012

<u>Convertible promissory notes, principal balance</u>	\$ 147,000
<u>Less: Unamortized portion of debt discount</u>	(15,727)
<u>Convertible promissory notes, net, August 31, 2012</u>	131,273
Convertible Notes Payable [Member]	
<u>Convertible promissory notes, principal balance</u>	725,000
<u>Less: Unamortized portion of debt discount</u>	(96,516)
<u>Convertible promissory notes, net, August 31, 2012</u>	\$ 628,484

**Factor Line of Credit
(Tables)**

**3 Months Ended
Nov. 30, 2012**

Factor Line Of Credit Tables

Factor charges

Transactions involving the Factor for the three months ended November 30, 2012 are detailed in the table below.

Balance, August 31, 2012	\$ 68,091
Advances from Factor	264,957
Fees charged by Factor	10,900
Total	343,948
Payments received from customers	(293,472)
Balance, November 30, 2012	<u>\$ 50,476</u>

**Composition of Certain
Financial Statement
Captions (Details 4) (USD \$)**

Nov. 30, 2012 Aug. 31, 2012

Composition Of Certain Financial Statement Captions Details 4

<u>Accounts payable</u>	\$ 863,137	\$ 1,041,060
<u>Accrued consulting fees</u>	103,750	41,500
<u>Accrued payroll</u>	32,424	
<u>Accrued broadcaster Commissions</u>	28,525	28,870
<u>Accrued interest</u>	25,124	17,673
<u>Credit card</u>	3,887	4,282
<u>Accounts payable and accrued expenses</u>	\$ 1,056,847	\$ 1,133,385

Subsequent Events

3 Months Ended
Nov. 30, 2012

[Subsequent Events](#)

[\[Abstract\]](#)

[Note 14 - Subsequent Events](#)

On December 1, 2012, the Company's Chief Executive Officer agreed to defer the calculation of amounts owed to him under an agreement date June 1, 2012 whereby the Chief Executive Officer would be compensated for the Company's exclusive use of his available credit with a lender. The compensation will be calculated based on the total advances from the lender or charges on the credit account for verified business expenses each month ("Total Usage"). The charge on the Total Usage will be calculated at an annualized interest rate of 5%. The Chief Executive Officer and the Company plan to calculate the compensation during the second quarter of the Company's fiscal year ending August 31, 2013. The compensation will likely be in the form of a one-time adjustment to ensure the Chief Executive Officer is compensated for providing liquidity to the Company since the inception of RL on December 1, 2011.

On December 28, 2012, the Company received funding from the Creditor for an additional financing of \$100,000. The funding was received in exchange for the issuance of a convertible promissory note bearing interest at 8% per annum.

During the period from November 30, 2012 through January 14, 2013, the Factor provided additional financing to the Company of approximately \$28,000. Payments to the Factor from the Company's customers exceeded the total value of the additional financings. The balance owed to the Factor as of January 14, 2013 was approximately \$7,000.

On January 2, 2013, the Wyoming Secretary of State accepted the filing by the Company of an Amended and Restated Articles of Incorporation ("Amended and Restated Articles") that was filed with the Wyoming Secretary of State on December 27, 2012 in order to (1) effect a one-for-twelve hundred reverse stock split of all of the issued and outstanding common stock for shareholders of record on the recording date of the Amended and Restated Articles, (2) empower the Company's board of directors to fix, by resolution, the rights, preferences and privileges of, and qualifications, restrictions and limitations applicable to, any series of the Company's preferred stock, and (3) change the Company's name to StreamTrack, Inc. In connection with the proposed reverse stock split, the Company has also filed certain documents with the Financial Industry Regulatory Authority ("FINRA"). The Company will work with FINRA to seek the approval of the proposed reverse stock split. Although the reverse stock split has been filed with the State of Wyoming, FINRA has not approved the reverse stock split. If and once FINRA approves the reverse stock split the Company revise the presentation of its common stock in its financial statements on a post-reverse stock split basis.