

Translation of the German Version of Testor Treuhand Zurich

First Quarter Report
of the Fiscal Year 2006
Auditor's Report to the Shareholders
Of The Fantastic Corporation AG, Zug

Regarding the Audited Financial Statements First Quarter Report of the Auditors of The Fantastic Corporation, Zug

As auditors we have audited the accounts and annual financial statements balance sheet, profit & loss and appendix of Fantastic Corporation, Zug for the first quarter 2006, ending 31. March 2006.

The board of directors is responsible for the annual financial statements, while it is our responsibility to assess and audit such financial statements. We confirm that we are fulfilling the legal requirements regarding qualification and independence.

Our audit was based on the principles of the Swiss auditors profession, whereby an audit is to be scheduled and performed to discover any significant misstatements contained in financial statement with an appropriate level of certainty. We have audited items and statements in the annual financial statements based on investigations and analyses of samples. Furthermore, we have assessed the application of the relevant accounting principles, the material valuation decisions (*Bewertungsentscheide*) as well as the description of the annual financial statements on the whole. We are of the view that our audit forms sufficient basis for our opinion.

Pursuant to our assessment, the accounting and the annual financial statements comply with Swiss laws and statutes subject to the following limitations:

A capital increase was approved at the last general meeting on 16 August 2005 which was appropriately recorded in the books of The Fantastic Corporation. The registration was approved by the cantonal commercial register of Zug, however, following a legal dispute it was denied by the federal commercial register. The Fantastic Corporation will, thus, know only after issuance of the judgment by the federal court, if it can validly dispose of the cash and contributions in kind which have been obtained in connection with the capital increase. These following items are concerned:

The item **cash deposit account** shows that cash position which was paid in according to the resolution of the general meeting regarding the capital increase. As already described The Fantastic Corporation will only be able to dispose of this cash positions upon the legally valid publication of the increase of capital.

The item **real estate** is conjunction with the increase of capital. The property is owned by an institution (*Anstalt*) established under the laws of Liechtenstein, which was transferred as a contribution in kind. A provision against the pending risk of legal action was made.

The item **rights and licences** was transferred to The Fantastic Corporation as a contribution in kind in conjunction with the capital increase. This item comprises rights, licenses including a source code of a certain software development. Because of the pending legal dispute this position was booked at a value of one SFR.

Based on the recent developments the outcome of the dispute remains uncertain. This resulted in the supervisory board assign the appropriate liabilities to leveraged capital.

It follows from this approach that the company is now overindebted. Therefore, we call the supervisory board's attention to the provisions of article 725 para. 2.

Should the audited interim balance provide that the receivables of the company's creditor are not covered neither by the liquidation nor by the continuation assets, the supervisory board has to advise the judge in the event that the company's creditors in relation to such funding deficit are not ranked subordinated to all other creditors.

Zurich, 02 May 2006

Testor Treuhand Zurich
Signature

J. Badertscher
Public Accountant
Executive Auditor

Quarterly Report Q1 2006

The Fantastic Corporation, Zug

(Amounts in thousands of US dollars)

	31.03.2006
	thousands of US\$
	CH-rate 1.3179
ASSETS	
Current assets	
Liquidity	1
Client money account in favour The Fantastic Corp.	29
Capital deposit account	1.957
Other credit balances third parties	28
Other credit balances (subordinates)	29
Prepaid expensis	11
Total current assets	2.055
Fixed assets	
Tangible assets:	
Participation "The Fantastic IP GmbH"	190
Participation "The Fantastic TM GmbH"	0
Participation "Mallebrann GmbH"	15
Loan "The Fantastic IP GmbH"	61
Loan "The Fantastic TM GmbH"	15
Other tangible assets	0
Real estate	2.500
Immaterial tangible assets:	
Tchnology acquired	0
Rights and licenses	0
Total fixed assets	2.781
Loss	124
TOTAL ASSETS	4.961

FINANCIAL STATEMENTS AS AT 31.03.2006

The Fantastic Corporation, Zug

(Amounts in thousands of US dollars)

	31.03.2006
	thousands of US\$
	CH-rate 1.3179
LIABILITIES	
Short-term debt capital	
Trade accounts payable	17
Other liabilities	1.957
Provisions client money account	319
Prepaid income	505
Total short-term debt capital	2.798
Long-term debt capital	
Other provisions	0
Mortgages	499
Provisions real estate	2.001
Remaining provisions	0
Total long-term debt capital	2.500
Shareholders' equity	
Share capital	337
Capital deposit account	0
Total shareholders' equity	2.912
TOTAL LIABILITIES	4.961

**PROFIT AND LOSS STATEMENT AS AT
31.03.2006**

The Fantastic Corporation, Zug
(Amounts in thousand of US dollars)

1.1.- 31.03.2006
thousands of US\$
CH-rate 1.3179

Operating Yield

Sales revenue:

Licences 2

Other operational yield 0

Total operating yield 2

Operating expenditure

Personnel expenditure 0

Sales and marketing 0

Administration and general costs 209

Total operating expenditure 209

Extraordinary income, expenses

Extraordinary income 15

Extraordinary expenses 77

divers neutral income 1

Total Extraordinary positions 61

Taxes 29

LOSS 124