

Mount Knowledge Holdings, Inc.  
Form 10-Q  
May 20, 2011

---

**UNITED STATES  
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 **March 31, 2011**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. **000-52664**

**MOUNT KNOWLEDGE HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of incorporation or  
organization)

**98-0534436**

(I.R.S. Employer Identification No.)

**39555 Orchard Hill Place, Suite 600 PMB 6096, Novi, Michigan 48375**

(Address of principal executive offices) (zip code)

**(888) 682-3038**

(Registrant's telephone number, including area code)

**N/A**

(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 registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required

to submit and post such files).

Yes [ ] No [ ]

---

Edgar Filing: Mount Knowledge Holdings, Inc. - Form 10-Q

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock. As of May 20, 2011 there were 99,959,962 shares, par value \$.0001, of common stock.

---

**MOUNT KNOWLEDGE HOLDINGS, INC.**

**FORM 10-Q**  
**March 31, 2011**

**INDEX**

**PART I-- FINANCIAL INFORMATION**

Item 1. Financial Statements	2
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	13
Item 3. Quantitative and Qualitative Disclosures About Market Risk	22
Item 4. Controls and Procedures	22

**PART II-- OTHER INFORMATION**

Item 1. Legal Proceedings	23
Item 1A. Risk Factors	23
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	23
Item 3. Defaults Upon Senior Securities	24
Item 4. Removed and Reserved	24
Item 5. Other Information	24
Item 6. Exhibits	24

<b>SIGNATURE</b>	<b>24</b>
------------------	-----------

---

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q (this Report ) contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the Securities Act ), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act ). Forward-looking statements discuss matters that are not historical facts. Because they discuss future events or conditions, forward-looking statements may include words such as anticipate, believe, estimate, intend, could, would, may, seek, plan, might, will, expect, predict, project, forecast, potential, continue expressions. Forward-looking statements speak only as of the date they are made, are based on various underlying assumptions and current expectations about the future and are not guarantees. Such statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, level of activity, performance or achievement to be materially different from the results of operations or plans expressed or implied by such forward-looking statements.

We cannot predict all of the risks and uncertainties. Accordingly, such information should not be regarded as representations that the results or conditions described in such statements or that our objectives and plans will be achieved and we do not assume any responsibility for the accuracy or completeness of any of these forward-looking statements. These forward-looking statements are found at various places throughout this Report and include information concerning possible or assumed future results of our operations, including statements about potential acquisition or merger targets; business strategies; future cash flows; financing plans; plans and objectives of management; any other statements regarding future acquisitions, future cash needs, future operations, business plans and future financial results, and any other statements that are not historical facts.

These forward-looking statements represent our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors. Many of those factors are outside of our control and could cause actual results to differ materially from the results expressed or implied by those forward-looking statements. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements might not occur or might occur to a different extent or at a different time than we have described. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Report. All subsequent written and oral forward-looking statements concerning other matters addressed in this Report and attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this Report.

Except to the extent required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, a change in events, conditions, circumstances or assumptions underlying such statements, or otherwise.

---

**PART I FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**MOUNT KNOWLEDGE HOLDINGS, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2011**  
**(Stated in US dollars)**  
**(Unaudited)**

2

---

**MOUNT KNOWLEDGE HOLDINGS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Stated in US dollars)

	<b>SUCCESSOR COMPANY</b>	<b>SUCCESSOR COMPANY</b>
	<b>MARCH 31, 2011</b>	<b>31, 2010</b>
	<b>(Unaudited)</b>	
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 170,302	\$ 288,872
Accounts receivable	198,044	199,287
Unbilled revenue	248,726	188,785
Other receivables	16,889	12,433
Corporate tax recoverable	10,273	10,295
Prepaid expenses and other assets	2,741	2,747
Due from related parties	-	78,488
<b>Total current assets</b>	<b>646,975</b>	<b>780,907</b>
Property and equipment, net	39,752	37,019
Goodwill	375,292	375,292
Investment in non-consolidated subsidiary	490	490
Other assets	30,361	30,285
<b>TOTAL ASSETS</b>	<b>\$ 1,092,870</b>	<b>\$ 1,223,993</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 181,773	\$ 133,521
Deferred revenue	219,661	203,970
Tax payable	62,535	60,997
Other payable	102,336	108,321
Due to related parties	92,162	25,537
Wages payable	141,287	78,468
Notes payable	195,590	935,130
<b>Total current liabilities</b>	<b>995,344</b>	<b>1,545,944</b>
<b>Total Liabilities</b>	<b>995,344</b>	<b>1,545,944</b>
<b>Stockholders Equity (Deficit):</b>		
Preferred stock, \$0.0001 par value, 100,000,000 shares authorized, 50,000,000 shares, designated as Series A convertible preferred stock, \$0.0001 par value, 8,888,888 issued and outstanding at March 31, 2011 and December 31, 2010	889	889
Common stock, \$0.0001 par value, 200,000,000 shares authorized, 99,959,962 and 99,600,226 issued and outstanding at March 31, 2011 and December 31, 2010, respectively	9,996	9,960
Additional paid-in capital	4,352,536	4,265,625
Accumulated other comprehensive income (loss)	(8,115)	(4,647)
Retained deficit	(4,997,012)	(4,399,972)

Edgar Filing: Mount Knowledge Holdings, Inc. - Form 10-Q

Non-controlling interest	739,232	(193,806)
<b>Total Stockholders Equity (Deficit)</b>	<b>97,526</b>	<b>(321,951)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY (DEFICIT)</b>	<b>\$ 1,092,870</b>	<b>\$ 1,223,993</b>

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

**MOUNT KNOWLEDGE HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
(Stated in US dollars)  
(Unaudited)

	<b>SUCCESSOR COMPANY</b>		<b>PREDECESSOR COMPANY</b>	
	<b>THREE MONTHS</b>		<b>THREE MONTHS</b>	
	<b>ENDED</b>		<b>ENDED</b>	
	<b>MARCH 31, 2011</b>		<b>MARCH 31, 2010</b>	
<b>Sales revenue</b>	\$	440,285	\$	328,928
<b>Cost of goods sold</b>		240,826		171,064
<b>Gross profit</b>		199,459		157,864
<b>Operating expenses:</b>				
Selling expenses		2,719		-
General and administrative expenses		976,396		223,577
<b>Total operating expenses</b>		979,115		223,577
<b>Loss from operations</b>		(779,656)		(65,713)
Other income		4,889		27,017
Interest expense		(294)		-
<b>Net loss before non-controlling interest and income taxes</b>		(775,061)		(38,696)
Income taxes		-		-
<b>Net loss</b>	\$	(775,061)	\$	(38,696)
Net loss attributable to the non-controlling interest	\$	178,021	\$	-
<b>Net loss attributable to common shareholders</b>	\$	(597,040)	\$	(38,696)
<b>Other Comprehensive Loss</b>				
Net loss	\$	(775,061)	\$	(38,696)
Foreign currency translation adjustment		(3,468)		(429)
<b>Total Comprehensive Loss</b>	\$	(778,529)	\$	(39,125)
Comprehensive loss attributable to the non-controlling interest		178,021		-
Comprehensive loss attributable to common shareholders		(600,508)		(39,125)
<b>Net loss per share - basic and diluted</b>	\$	(0.07)		N/A
<b>Weighted average number of common shares outstanding - basic and diluted</b>		9,010,127		N/A

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



**MOUNT KNOWLEDGE HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Stated in US dollars)  
(Unaudited)

	SUCCESSOR COMPANY THREE MONTHS ENDED MARCH 31, 2011	PREDECESSOR COMPANY THREE MONTHS ENDED MARCH 31, 2010
<b>Cash Flows from Operating Activities:</b>		
Net loss	\$ (775,061)	\$ (38,696)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	3,442	602
Shares issued for consulting service provided	63,276	-
Share-based compensation	23,671	
Changes in operating assets and liabilities:		
Accounts receivable	1,621	21,772
Unbilled revenue	(59,331)	(27,690)
Other receivables	(4,410)	595
Prepaid expenses and other assets	(18)	86
Accounts payable and accrued liabilities	48,244	(6,154)
Deferred revenue	15,262	(52,794)
Taxes payable	1,366	(7,289)
Other payable	(26,287)	3,271
Wages payable	62,515	6,734
Due to/from related party	77,504	-
Net cash used in operating activities	(568,206)	(99,563)
<b>Cash Flows from Investing Activities:</b>		
Purchase of property and equipment	(6,093)	(307)
Advance/loans to related party	-	9,586
Net cash provided by (used in) investing activities	(6,093)	9,279
<b>Cash Flows from Financing Activities:</b>		
Proceeds from related parties	30,695	(456)
Repayment of note payable	(20,186)	-
Proceeds from share issuances to non-controlling interests	391,705	-
Net cash provided by (used in) financing activities	402,214	(456)
Effect of exchange rate changes on cash	53,515	(9,934)
<b>Net Change in Cash and Cash Equivalents</b>	<b>(118,570)</b>	<b>(100,674)</b>
<b>Cash and Cash Equivalents, at beginning of period</b>	<b>288,872</b>	<b>207,566</b>

<b>Cash and Cash Equivalents, at end of period</b>	\$	170,302	\$	106,892
--	----	---------	----	---------

**Supplemental Disclosure of Cash Flow****Information:**

Interest expense paid	\$	-	\$	-
Income taxes paid	\$	6,686	\$	-

**Noncash Investing and Financing Activities**

Conversion of note payable to equity	\$	719,354	\$	-
--------------------------------------	----	---------	----	---

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

**MOUNT KNOWLEDGE HOLDINGS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2011**  
**(Unaudited)**

**NOTE 1 - BUSINESS, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

*Organization*

Mount Knowledge Holdings, Inc. ( MKHD ) (the Company or Successor Company ) was incorporated as Auror Capital Corp. under the laws of the State of Nevada on March 16, 2006. On January 25, 2010, the Company filed an amendment and restatement to the Articles of Incorporation of the Company with the State of Nevada, which were approved by the Board of Directors on October 20, 2009 by written consent in lieu of a special meeting in accordance with the Nevada Corporation Law, changing its name to Mount Knowledge Holdings, Inc. and increasing the number of authorized common and preferred shares.

The Company began as an exploration stage company engaged in the acquisition and exploration of mineral properties. On January 23, 2009, the Company decided to abandon its mineral claim due to unsuccessful explorations to date and inability to attract investment capital to proceed with further exploration on the claim.

On July 27, 2009, the Company changed its business purpose from a mining and exploration to an educational software development and sales company offering innovative and proprietary learning software products and teaching services. The Company's principal executive offices are now in Novi, Michigan.

On January 21, 2010, the Company executed a new exclusive Master Software License Agreement with Mount Knowledge Inc, a corporation owned by the Company's founder and present Chairman and director based in Ontario, Canada, wherein the Company was granted the exclusive world-wide license rights to promote, market and sell any and all of Mount Knowledge Inc's products, both existing and future. These existing products consist of patent pending Real Time Learning and Self Improvement Educational System and Method software application referred to as Syntality. During December 2010, Company acquired 100% ownership interest in the intellectual property and the license agreement was cancelled.

On October 19, 2010, the Company formed Mount Knowledge Asia Ltd, a Hong Kong corporation (wholly owned by the Company) for the purposes of facilitating the acquisition of Language Key Asia Ltd and to acquire other Business-to-Business (B2B) and Business-to-Consumer (B2C) business interests throughout Asia.

On December 16, 2010, the Company acquired 490,000 shares of common stock of Mount Knowledge Technologies, Inc., an Ontario corporation (f/k/a 1827281 Ontario Inc.) ( MTK Tech ) for a purchase price of \$490, representing 49% ownership interest in MTK Tech with the remaining 51% ownership interest of MTK Tech owned and held by Ucandu Learning Centres Inc., an Ontario corporation, controlled by a director of the Company. MTK Tech provides software development services for the Company pursuant to an executed Services Agreement dated December 1, 2010 with Mount Knowledge USA, Inc., a subsidiary of the Company.

On December 31, 2010, the Company acquired, via Mount Knowledge Asia, 100% ownership of Language Key Asia Ltd. ( LKA or Predecessor Company ), a Hong Kong corporation formed in October 2010 as a holding company for ownership interests in Business-to-Business operations in Asia.

LKA was established to centralize the administrative, governance, management, and financing for the Language Key Group of companies ( LK Group ), all of which are wholly-owned by LKA, which consists of Language Key Corporate Training Solutions Ltd. (a Hong Kong corporation, and formerly The Language Key China Ltd., established on August 21, 2002, LKCTS ), The Language Key Training Ltd. (a Hong Kong corporation established on March 21,

2003, LKTR ), and The Language Key China Ltd. (a Wholly Owned Foreign Enterprise registered in Shanghai, China established on October 11, 2002, LKCH ), and Language Key Publishing Ltd. (established on January 11, 2011, LKPUB ).

LKA was further established to enable the efficient acquisition of the LK Group by Mount Knowledge Holdings Inc. a U.S publicly traded (OTCBB: MKHD) corporation and to be the vehicle into which to receive equity capital contributions from the Company. On December 31, 2010, the shareholders of LKA executed a share exchange agreement with the Company and Mount Knowledge Asia Ltd. ( MKA ), a wholly owned Hong Kong regional holding company established by the Company on November 15, 2010, to hold the 100% ownership interest of LKA after the acquisition.

## Edgar Filing: Mount Knowledge Holdings, Inc. - Form 10-Q

The LK Group provides custom-tailored business English and communications skills courses, soft skills workshops, executive coaching and other related services to public and private sector clients, including government entities in Hong Kong and Mainland China and Fortune 500 corporations.

Upon the completion of the Language Key Asia Acquisition, LKA became a wholly owned subsidiary of Mount Knowledge Holdings, Inc. and the Successor Company no longer qualified as a development stage enterprise as defined under SFAS No. 7 Accounting and Reporting by Development Stage Enterprises.

On December 31, 2010, the Company acquired a 54.34% interest in Mount Knowledge USA, Inc. ( MTK USA ) by issuing 11,166,690 shares of its common stock and 8,888,888 shares of its Series A Convertible Preferred Stock. As of March 31, 2011, the Company held a controlling ownership interest totaling 51% in MTK USA.

MTK USA markets, sells and distributes a proprietary real time self learning system software application domestically and internationally to a variety of customers, including individuals, schools, government agencies, and businesses.

The following chart sets forth the structure of Mount Knowledge Holdings, Inc. and its subsidiaries as of March 31, 2011:

As of March 31, 2011, the corporate structure of the LK Group was as follows:

*Basis of Presentation*

On December 31, 2010, the Company changed its fiscal year end from October 31 to December 31.

The unaudited interim financial statements as of and for the three months ended March 31, 2011 reflect all adjustments which, in the opinion of management, are necessary to fairly state the Company's financial position and the results of its operations for the periods presented. These first quarter financial statements should be read in conjunction with the Company's financial statements and notes thereto included in the Company's December 31, 2010 Form 10-K/A. The Company assumes that the users of the interim financial information herein have read, or have access to, the audited financial statements for the preceding period, and that the adequacy of additional disclosure needed for a fair presentation may be determined in that context. Accordingly, footnote disclosures which would substantially duplicate that contained in the Company's December 31, 2010 financial statements, have been omitted. The results of operations for the three-month period ended March 31, 2011 are not necessarily indicative of the results for the entire year ending December 31, 2011.

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ( US GAAP ). The Company s functional currency is US dollar. The LK Group s functional currencies are the Chinese Renminbi ( RMB¥ ) and Hong Kong dollar ( HKD\$ ); however the accompanying financial statements have been translated and presented in United States Dollars ( USD\$ ).

The financial statements have, in management s opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

*Consolidation*

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany balances and transactions have been eliminated in preparing the accompanying consolidated financial statements.

*Use of Estimates*

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting year. Because of the use of estimates inherent in the financial reporting process, actual results may differ from the estimates.

*Foreign Currency Translation*

The exchange rates used for foreign currency translation were as follows (USD\$1 = RMB):

<u>Period Covered</u>	<u>Balance Sheet Date Rates</u>	<u>Average Rates</u>
Year ended December 31, 2010	6.61201	6.75950
Quarter ended March 31, 2011	6.57030	6.58762
Quarter ended March 31, 2010	6.83620	6.81896

The exchange rates used for foreign currency translation were as follows (USD\$1 = HKD):

<u>Period Covered</u>	<u>Balance Sheet Date Rates</u>	<u>Average Rates</u>
Year ended December 31, 2010	7.80000	7.80000
Quarter ended March 31, 2011	7.80000	7.80000
Quarter ended March 31, 2010	7.80000	7.80000

*Reclassifications*

Certain amounts in the consolidated financial statements for the prior year have been reclassified to conform to the presentation of the current period for the comparative purposes.

**NOTE 2 - STOCKHOLDERS EQUITY (DEFICIT)**

*Authorized*

As of March 31, 2011 and December 31, 2010, the Company s authorized shares consisted of the following:

Edgar Filing: Mount Knowledge Holdings, Inc. - Form 10-Q

- a) 100,000,000 preferred shares with 50,000,000 designated as Series A convertible, par value \$0.0001
- b) 200,000,000 common shares, par value \$0.0001

8

---

*Common Stock*

During the three months ended March 31, 2011, the Company issued a total of 241,380 shares of restricted common stock for services rendered by a contractor to the Company pursuant to a consulting agreement entered into on February 4, 2011. The fair value of the services received during this period was calculated as the market price at the date of grant and the date service is provided with a total value of \$63,276.

On December 31, 2010, the Company agreed to issue to LKA and/or its assigns at closing a total of 480,000 shares of the Common Stock of the Company at a value of \$0.0001 per share, subject to a 12 month sale restriction from the date of issuance, for the purpose of providing certain employee stock incentives (signing bonus) for key management personnel of LKA. The grant date fair value was \$96,000 and \$23,671 of this amount (118,356 shares) was recorded during the three months ended March 31, 2011. The fair value was determined based on the quoted price of our stock on the grant date. The unvested portion of this award, \$72,329, will be recognized ratably over the requisite service period or two to three years.

*Common Stock Warrants*

As of March 31, 2011 and December 31, 2010, there were 12,000,000 warrants with an exercise price of \$0.15 per share outstanding and 12,000,000 warrants with an exercise price of \$0.20 per share outstanding. No warrants were issued or cancelled during the three months ended March 31, 2011.

*Mount Knowledge USA, Inc.*

During the three months ended March 31, 2011, the Company issued 2,611,667 shares of the Common Stock of MTK USA at a value of \$0.15 per share to ten individual investors for cash proceeds of \$391,705. MTK USA converted \$719,354 of note payable owed to Blue Fire Consulting Group into 4,795,694 common share of MTK USA (see NOTE 3). The shares issued were recorded by the Company as an addition to non-controlling interest.

**NOTE 3 NOTES PAYABLE**

During 2010, the Company received loans totaling \$869,354 from third parties. On December 31, 2010, these advances were converted to notes payable which are unsecured, bear interest at 5% per annum beginning December 31, 2010 and mature on December 31, 2011. In March 2011, \$719,354 of these advances was converted into 4,795,694 common shares of MTK USA with a total remaining balance of \$150,000 in Notes Payable.

On December 31, 2010, LKA executed a promissory note in the principal amount of \$65,776 in favor of Foxglove International Enterprises Ltd. ( Foxglove ) in satisfaction of certain royalty payments owed by The Language Key Training, Ltd. to Foxglove for fiscal years 2008 and 2009.

This Note bears no interest, and is to be repaid in 12 monthly installments. As of December 31, 2010, no payments had been made against the promissory note, however, subsequent to year-end, total payments of \$20,186 were made and as of this filing, the balance of the promissory note was \$45,590.

**NOTE 4 - RELATED PARTY TRANSACTIONS**

Related party transactions were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

The related parties consist of the following:

- (1)

Edgar Filing: Mount Knowledge Holdings, Inc. - Form 10-Q

The Language Key China Ltd. Guangzhou ( LKGZ ), branch office of LKA s China subsidiary that was incorporated in December 2010 but whose accounting books were opened in January 2011

- (2) Mr. Jeff Tennenbaum, current CFO of LKA
- (2) Mr. Paul Murphy, current Vice President of LKA
- (4) Birch First Advisors, LLC, an affiliate and consultant to the Company.
- (5) Practical Business Advisors, LLC, a company controlled by Daniel A. Carr, the Company s President, CEO, Treasurer, and Director.

Due from related parties consists of the following:

	<b>Successor</b> <b>March 31, 2011</b>	<b>Successor</b> <b>December 31, 2010</b>
The Language Key China Ltd. Guangzhou	\$ -	\$ 36,915
Birch First Advisors, LLC	-	41,573
<b>Total Due From Related Parties</b>	<b>\$ -</b>	<b>\$ 78,488</b>

Due to related party consists of the following:

	<b>Successor</b> <b>March 31, 2011</b>	<b>Successor</b> <b>December 31, 2010</b>
Mr. Jeff Tennenbaum	\$ 15,000	\$ 8,697
Mr. Paul Murphy	30,695	-
Practical Business Advisors, LLC	16,840	16,840
Birch First Advisors, LLC	29,627	-
<b>Total Due To Related Parties</b>	<b>\$ 92,162</b>	<b>\$ 25,537</b>

As of March 31, 2011 and December 31, 2010, the Company had outstanding amounts Due to Related Parties in the amounts of \$92,162 and \$25,537, respectively. At March 31, 2011 and December 31, 2010, the Company also had outstanding amounts Due from Related Parties in the amounts of \$0 and \$78,488, respectively.

At December 30, 2010, the amounts due to LKA's shareholders were waived by their mutual consent and recognized as non-operating income by LKA for the period from January 1, 2010 through December 30, 2010.

Payable to Practical Business Advisors, LLC totaled \$16,840 as of March 31, 2011 and December 31, 2010. These represented payables for services provided by an entity controlled by the Company's president.

At December 31, 2010, the amounts Due from Related Parties included funds due from LKCH's Guangzhou branch, which, while it was incorporated in December 2010, did not have opened bank accounts until January 2011. The amounts due from the Guangzhou branch are now eliminated in LKCH, and therefore within LKA's consolidated financial statements.

Payable to Birch First Advisors, LLC totaled \$29,627 as of March 31, 2011. These represented payable for the management and advisory services provided by an entity controlled by a shareholder of Mount Knowledge USA, Inc. At December 31, 2010, the entity held prepaid expenses from the Company in the amount of \$41,573.

Payable to Jeff Tennenbaum, the CFO of LKA, were \$15,000 and \$8,697 as of March 31, 2011 and December 31, 2010, respectively. The payable represented the consulting service provided to the Company.

During the quarter ended March 31, 2011, Paul Murphy, LKA VP for Business Development, extended a loan of \$30,695 to LKCH, LKA's subsidiary in Mainland China. The purpose of the loan was to provide working capital to LKCH in advance of future capital contributions from LKCTS, its Hong Kong parent company. This loan was repaid in full on May 13, 2011.

#### **NOTE 5 - COMMITMENTS AND CONTINGENCIES**

On December 31, 2010, the Company and MKA, its wholly-owned subsidiary, entered into a subscription agreement with LKA for the purchase by the Company of MKA of 10,000,000 shares of Ordinary B stock of LKA for an

Edgar Filing: Mount Knowledge Holdings, Inc. - Form 10-Q

aggregate purchase price of \$1,000,000, which is due over 12 months. During the quarter ended March 31, 2011, the Company has fulfilled \$80,000 of its \$1,000,000 stock subscription in LKA. As of the date of this filing, the Company has fulfilled \$165,500 of its \$1,000,000 stock subscription in LKA.

**NOTE 6 INCOME TAX***United States*

The Company incorporated in United States, and is subject to tax on income or capital gain under the current laws of the United States.

Taxation in the income statement represents the provision for US profits tax for the period. US profits tax is calculated at 34% of the estimated assessable profit for the tax period.

*Hong Kong*

Taxation in the income statement represents the provision for Hong Kong profits tax for the period. Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the period.

*The People's Republic of China (PRC)*

Beginning January 1, 2008, the new Enterprise Income Tax ( EIT ) law has replaced the old laws for Domestic Enterprises ( DES ) and Foreign Invested Enterprises ( FIEs ). The new standard EIT rate of 25% replaces the 33% rate applicable to both DES and FIEs

The new EIT Law also imposes a withholding income tax of 10% on dividends distributed by a foreign invested enterprise to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. Such withholding income tax was exempted under the previous income tax regulations.

LKA's subsidiary, The Language Key China Ltd., as an enterprise established in Shanghai, PRC, was entitled to a preferential enterprise tax rate of 18% prevailing in Pudong Economic Zone for all years before 2008, and the following preferential rates started on January 1, 2008:

<b>Year</b>	<b>Tax Rate</b>
2008	18%
2009	20%
2010	22%
2011	24%
2012 and thereafter	25%

A reconciliation between the income tax computed at the U.S. statutory rate and the Company's provision for income tax in Hong Kong is as follows:

	<b>For three months ended March 31,</b>	
	<b>Successor</b>	<b>Predecessor</b>
	<b>2011</b>	<b>2010</b>
U.S. statutory rate	34.0%	34.0%
Foreign income not recognized in the U.S.	-34.0%	-34.0%
Hong Kong Statutory rate	16.5%	16.5%
Loss not subject to income tax	-16.5%	-16.5%
Effective tax rate	0.0%	0.0%

A reconciliation between the income tax computed at the U.S. statutory rate and the Company's provision for income tax in the PRC is as follows:



**NOTE 7 RECONCILIATION OF LOSS PER SHARE**

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

Diluted net loss per share is computed by using the weighted-average number of shares of common stock outstanding and, when dilutive, potential shares from options and warrants to purchase common stock, using the treasury stock method. Diluted loss per share for the three months ended March 31, 2011 and 2010 excludes the impact of warrants issued as they were antidilutive.

**NOTE 8 - SUBSEQUENT EVENTS**

*Execution of Institutional Financing Term Sheet*

On May 16, 2011, the Company and Westor Capital Group, Inc., a licensed broker-dealer, executed a term sheet whereby Westor would be the Placement Agent for a capital raise up to \$1.5 million for the Company, under certain "to be defined" terms and conditions at closing. The proposed financing assumes a registered offering (the "Offering") for the sale of securities in the form of two year, 10% Convertible Notes (the "Convertible Notes") with additional Warrant Shares exercisable over a three year period (the "Warrants"). The share price and number shares to be issued to investors upon conversion of the Convertible Notes, and subsequently, the share price and number shares representing the Warrants, will be determined at closing and defined a filed registration statement. If the Warrants are exercised, the Company would receive additional financing from the transaction in an amount equal to or greater than the original amount raised in the Offering. The Company and Westor anticipate the closing of the Offering on or before the quarter ended June 30, 2011.

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

*Our financial statements are stated in United States dollars (US\$) and are prepared in accordance with United States Generally Accepted Accounting Principles.*

*In this Report, unless otherwise specified, all dollar amounts are expressed in United States dollars and all references to common stock refer to the common shares in our capital stock.*

*As used in this quarterly report, the terms we, us, our, the Company Successor Company and MKHD mean Mount Knowledge Holdings, Inc., unless the context clearly requires otherwise.*

### General

The Company was incorporated as Auror Capital Corp. under the laws of the State of Nevada on March 16, 2006.

The Company began as an exploration stage company engaged in the acquisition and exploration of mineral properties. On July 27, 2009, the Company changed its previous business plan to an educational software development and sales company

We are now a global provider of innovative and proprietary learning products and training solutions. As an educational platform company of corporate training, language learning and technology development companies, the Company currently has offices in 7 major cities in the United States, Canada, Hong Kong and Mainland China.

The Company has developed a suite of market specific real-time self learning software applications for both corporate and consumer markets worldwide

The Company's technology stems from an interactive and visual learning system referred to as Syntality integrated into a core application known as the Knowledge Generator .

The Company's software learning tools and teaching methodologies are currently being offered in China to the more than 300 million students, from grade school to university, seeking to learn English, including the vast number of people in the Chinese workplace increasing their English fluency to achieve greater income earning potential.

We operate primarily through our wholly owned subsidiary, Language Key Asia Ltd. ( LKA or Predecessor Company ) and the Language Key Group of companies ( LK Group ) which includes Language Key Corporate Training Solutions Ltd. (a Hong Kong corporation, and formerly The Language Key China Ltd., established on August 21, 2002, LKCTS ), The Language Key Training Ltd. (a Hong Kong corporation established on March 21, 2003, LKTR ), The Language Key China Ltd. (a Wholly Owned Foreign Enterprise registered in Shanghai, China established on October 11, 2002, LKCH ), and Language Key Publishing Ltd. Each of the LK Group companies is a direct, wholly owned subsidiary of LKA. We acquired LKA on December 31, 2010 and, as a result, we are not longer considered a development stage enterprise under SFAS No. 7 Accounting and Reporting by Development Stage Enterprises.

The LK Group provides custom business English and communications skills courses, soft skills workshops, executive coaching and other related services to public and private sector clients, including government entities in Hong Kong and Mainland China and Fortune 500 corporations.

We also operate through our majority owned subsidiary, Mount Knowledge USA, Inc. ( MTK USA ), which markets, sells and distributes a proprietary real time self learning system software application domestically and internationally to a variety of customers, including individuals, schools, government agencies, and businesses. As of March 31, 2011, the Company holds a controlling ownership interest totaling 51% in MTK USA.



We also hold a minority interest (49%) of Mount Knowledge Technologies, Inc., an Ontario corporation ( MTK Tech ). The remaining 51% interest of MTK Tech is owned by Ucanu Learning Centres Inc., an Ontario corporation that is controlled by Erwin Sniedzins, the Chairman of our Board of Directors. MTK Tech provides solely software development services to the Company pursuant to a services agreement with MTK USA. No other services have been received from, or agreements entered into with MTK Tech.

### **Corporate Structure**

The Company is a platform company that exists for purpose of acquiring and operating market-leading global educational corporate training, language learning and technology development companies. The following sets forth our corporate structure.

The following chart sets forth the structure of Mount Knowledge Holdings, Inc. and its subsidiaries as of March 31, 2011:

As of March 31, 2011, the corporate structure of the LK Group was as follows:



## Plan of Operations

Over the 12-month of 2011, we must raise capital and complete certain milestones as described below:

### Milestones

#### First Quarter - 2011

In the first quarter of 2011, we completed the integration of the Company's newly acquired subsidiaries, Language Key Asia Ltd ( LKA ) and its operational subsidiaries in Hong Kong and China and Mount Knowledge USA, Inc. ( MTK USA ) in the US, acquired on December 31, 2010. As a result of the integration, the Company now has operations in Novi, Michigan, Toronto, Canada, Hong Kong, Beijing, Guangzhou, Shanghai and Shenzhen, China. Additionally, the U.S. GAAP audited financial statements for MTK USA and LKA, individually, were filed in the Current Report on Form 8-K/A dated March 25, 2011 and March 29, 2011, respectively, and consolidated financials were filed in the Current Report on Form 10K/A dated April 15, 2011.

Furthermore, during the first quarter of 2011, MTK USA, a Company controlled subsidiary, raised approximately \$391,705 in equity and converted approximately \$719,354 in debt into equity in MTK USA, a Company controlled subsidiary.

#### Second Quarter - 2011

In the second quarter of operations, our focus will be to, complete additional administrative functions, obtain new financing to finance committed growth capital and acquire certain existing marketing and sales agreements in order to properly position the Company execute its business plan. Following represents objectives for the next 90 days in 2011:

1. Accelerated Acquisition Strategy. As of January 2011, the Company's management implemented an accelerated acquisition strategy to acquire synergistic companies in the language learning and training business sector. The Company will first target the vast English learning China market and other Asian territories in 2011, with a long-term vision of expanding into other world markets in 2012. The estimated costs initially of research and due diligence of suitable acquisitions targets is \$150,000. There can be no assurance that we will be able to successfully negotiate and consummation and such acquisition with any target that we identify.
2. Secondary Offering and/or Other Financings. We intend to raise between \$2,500,000 and \$5,000,000 within the second quarter of the 2011 to finance our current operations and acquisition strategy and to complete our commitment to fund a total of \$1,000,000 in additional growth capital to Language Key Asia ( LKA ) for 2011. To date, we have funded a total of approximately \$165,500 to LKA against the funding commitment in addition to other advances or loans totaling approximately \$250,000 in 2010.

Such future offerings or financings may take the form of equity or debt. Besides, the original amount of financing anticipated, the Company might seek additional funding as deemed necessary by our management.

There can be no assurance that such financing will be available to us on terms that are acceptable or at all.

#### Third and Fourth Quarters - 2011

In the third and fourth quarters of 2011, we plan to expand our objectives to include new product enhancements, the development of new partnerships and distribution channels, and direct sales opportunities in the form of infomercials and online membership programs, including the option of bundling our product with potential technology partners to increase brand awareness and product reach as follows:



1. *Business Enterprise Applications (Corporations, Schools and Government Agencies)*. With the acquisition of LKA, we foresee the use of our products and services as a learning solution for schools, government agencies, healthcare facilities, and corporations to provide an enhanced, interactive learning program to facilitate new job skills training and continual education programs. Therefore, we intend to develop product-specific enhancements to our existing products and services for use in various business applications. It is likely that most of the product enhancements for business applications will be in the form of client-specific modifications based upon requests for customized specifications and functionality. As such, we anticipate that some of the costs for these modifications will be borne by each respective client. Therefore, it is difficult to accurately determine the upfront costs attributable to us for any research and development of business enterprise applications.
2. *Product Enhancements, Membership Program and Technology Partners*. Subject to the successful launch of our products and services in the US, Canada, China and Hong Kong, we plan to provide product enhancements consistent with perceived customer requirements for other world markets. Most of these enhancements are believed by management to be in the form of updated graphics, to enhance the fluidity of the user experience and interface, and some market-specific content. In addition, we foresee a web-based e-learning membership program with recurring monthly fee based revenues as being one of the more important and lucrative long-term revenue models for us. It is difficult to accurately estimate the total cost involved in the design and development of this program, including the time required to implement such a program. Furthermore, we will seek to identify and develop relationships with globally recognized technology providers and OEM's to pursue the possibility of bundling the Mount Knowledge™ products and services with established product platforms, including mobile applications (PDA) to provide the Company with an ancillary revenue stream. We see this as a potentially significant opportunity to generate revenues, if the Company can successfully demonstrated the desirability of the Knowledge Generator™ product with its initial audience and market(s).
3. *New Business Development and Marketing (Additional Partnerships and Distribution Channels)*. We will also pursue our business development and marketing efforts in other territories of Asia, and in the North American and European markets.

The milestones outlined above represent our objectives for the purpose of obtaining revenues from the marketing and sales of our products and services through various marketing and distribution channels.

Although, we have arranged and specified each respective milestone in a defined order, or timeline, over the next 12 months, as evident in the first quarter of 2011, we may find the need to modify any or all of the milestones listed in subsequent yearly quarters, subject to unforeseen circumstances and other contingences which may require us to alter, in whole, or in part, certain aspects of each respective milestone in order for us to successfully realize revenue and ultimately attempt to achieve profitability.

Each milestone may begin at a different time than indicated and may continue for a shorter or longer period of time than suggested, depending upon if such milestones have successfully resulted in generating revenues for us. Also, each milestone may require more or less capital than anticipated and may need to be adjusted from time to time. Furthermore, any adjustments made to the proposed milestones may adversely affect the revenue potential of each milestone and overall revenues and/or our profitability.

### **Requirements and Utilization of Funds**

To implement our plan of operations, including some or all of the above described milestones (objectives), we will need to raise capital in an amount between \$2.5 and \$5.0 million over the remaining 9 months of 2011 on terms and conditions to be determined. Management intends to raise such capital through the issuance of equity securities. Management may elect to seek subsequent interim or "bridge" financing in the form of debt (corporate loans) as may be necessary.

We anticipate the need to raise additional capital beyond the first 6 months of operations, subject to the successful implementation of our initial milestones over the first 180 days of operations and our revenue growth cycle thereafter. At this time, management is unable to determine the specific amounts and terms of such future financings.

We foresee the proceeds from capital raised to be allocated as follows: (a) consolidation and integration; (b) growth capital; (c) acquisition research and due diligence; (d) business enterprise applications; (e) product enhancements, membership programs and technology partners; (f) new business development and marketing; (g) legal, audit, SEC filings and compliance fees; (h) financing costs; (i) working capital (general and administrative); (j) reserve capital for costs of acquisition and market expansion.

### **Financial Condition, Liquidity and Capital Resources**

As of March 31, 2011, we had \$170,302 in cash, \$198,044 in accounts receivables, and \$248,726 in unbilled revenue. We had revenues of \$440,285 during the three-month period ended March 31, 2011. We are illiquid and need cash infusions from investors and/or current shareholders to support our proposed marketing and sales operations.

Management believes this amount may not satisfy our cash requirements for the next 12 months and as such we will need to either raise additional proceeds and/or our officers and/or directors will need to make additional financial commitments to our company, neither of which is guaranteed. We plan to satisfy our future cash requirements, primarily the working capital required to execute on our objectives, including marketing and sales of our product, and to offset legal and accounting fees, through financial commitments from future debt/equity financings, if and when possible.

Management believes that the Company will continue to generate sales revenue comparable to 2010 within the next twelve (12) months, but that these sales revenues will not satisfy our cash requirements during that period. We have no committed source for funds as of this date. No representation is made that any funds will be available when needed. In the event that funds cannot be raised when needed, we may not be able to carry out our business plan, may never achieve sales, and could fail to satisfy our future cash requirements as a result of these uncertainties.

If we are unsuccessful in raising the additional proceeds from officers and/or directors, we may then have to seek additional funds through debt financing, which would be extremely difficult for an early stage company to secure and may not be available to us. However, if such financing is available, we would likely have to pay additional costs associated with high-risk loans and be subject to above market interest rates.

At such time as these funds are required, management would evaluate the terms of such debt financing and determine whether the business could sustain operations and growth and manage the debt load. If we cannot raise additional proceeds via a private placement of our common stock or secure debt financing we might be required to cease business operations. As a result, investors in our common stock would lose all of their investment.

Other than engaging and/or retaining independent consultants to assist the Company in various administrative and marketing related needs, we do not anticipate a significant change in the number of our employees, if any, unless we are able to obtain adequate financing and grow the Company organically or through subsequent acquisitions.

### **Results of Operations**

#### *Basis of Presentation*

For management discussion and analysis purposes, the operational data for the three months ended March 31, 2011, represents the financial results of Mount Knowledge Holdings, Inc., ( Successor Entity ), and for the three months ended March 31, 2010 represents the financial results of Language Key Asia, Ltd. and Mount Knowledge USA, Inc., combined, the ( Predecessor Entity ).

Three Months Ended March 31, 2011 and 2010

The following table represents sales of our products and services for the three months ended March 31, 2011 and 2010:

	<b>SUCCESSOR COMPANY THREE MONTHS ENDED MARCH 31, 2011</b>	<b>PREDECESSOR COMPANY THREE MONTHS ENDED MARCH 31, 2010</b>
--	--	--

<b>Sales revenue</b>	\$ 440,285	\$ 328,928
<b>Cost of goods sold</b>	240,826	171,064
<b>Gross profit</b>	199,459	157,864

*Revenues*

The Company generates revenue, through its wholly owned subsidiary, LKA. Revenue for the three months ended March 31, 2011 was \$440,285 compared to revenue for the three months ended March 31, 2010 of \$328,928, an increase of \$111,357, or 34%. The increase is mainly due to corporate initiatives and incentives offered to our employees during the third and fourth quarters, resulting in higher sales in the first quarter of 2011 compared to sales in the first quarter of 2010.

Cost of goods sold is primarily composed of the costs of the Company's trainers as well as materials and transportation expenses associated with delivering training courses. Cost of goods sold for the three months ended March 31, 2011 was \$240,826 compared to cost of goods sold for the three months ended March 31, 2010 of \$171,064, an increase of 41%. Gross margin is calculated by deducting cost of goods sold from revenues and ranges from 40% to 50%, depending on the nature of the specific courses sold and the contract terms negotiated. Gross margin for the three months ended March 31, 2011 was 45.3% compared to gross margin for the three months ended on March 31, 2010 of 48.0%, a decrease of 2.7%.

The following table represents operating costs and expenses for the three months ended March 31, 2011 and 2010:

	<b>SUCCESSOR COMPANY THREE MONTHS ENDED MARCH 31, 2011</b>	<b>PREDECESSOR COMPANY THREE MONTHS ENDED MARCH 31, 2010</b>
<b>Operating expenses:</b>		
Selling expenses	\$ 2,719	\$ -
General and administrative expenses	976,396	223,577
<b>Total operating expenses</b>	<b>979,115</b>	<b>223,577</b>
<b>Loss from operations</b>	<b>(779,656)</b>	<b>(65,713)</b>

Edgar Filing: Mount Knowledge Holdings, Inc. - Form 10-Q

Other income	4,889	27,017
Interest expense	(294)	-
<b>Loss before non-controlling interest and income taxes</b>	<b>(775,061)</b>	<b>(38,696)</b>
Income taxes	-	-
<b>Net loss</b>	<b>\$ (775,061)</b>	<b>\$ (38,696)</b>

18

*Operating costs and expenses*

Selling, general, and administrative expenses for the quarter ended March 31, 2011 were \$979,115 compared to \$223,577 for the quarter ended March 31, 2010, an increase of 338%. This increase is due to both the impact of corporate decisions made in the third and fourth quarters of 2010 for expansion in 2011 and beyond, as well as additional costs incurred during the quarter ended March 31, 2011. The increase in selling, general, and administrative expenses was primarily attributable to audit fees, maintaining compliance as a publicly reporting company, and the development of the ECO-Learning platform. In addition, the increase in operating expenses in the first quarter of 2011 compared to the first quarter of 2010, reflects expenses related to initiatives and changes at LKA that became effective after the first quarter of 2010. Specifically, during the third and fourth quarters of 2010, LKA opened a new office in Guangzhou, hired additional key staff in each of its offices, increasing the salaries of key personnel, outsourced its monthly bookkeeping and accounting functions, and invested in systems and personnel to develop the content for ECO-Learning. The costs related to aforementioned are expected to be ongoing as LKA builds out its infrastructure for growth. Also, during the quarter ended March 31, 2011, LKA incurred costs related to the initial launch of ECO learning, including technical, promotional, and legal. LKA expects to incur future costs related to ECO as it builds the business unit going forward.

**Liquidity and Capital Resources**

Our main sources of liquidity and capital resources for fiscal 2011 will be cash on hand, internally generated cash flows from operations. As of March 31, 2011, we had cash on hand of \$170,302, \$198,044 in accounts receivables, and \$248,726 in unbilled revenue and negative working capital as a result of added operational expenses due to acquisition integration costs and the development and release of a new product line.

*Cash Flows*

The following table summarizes the cash flows for the three month periods ended March 31, 2011 and 2010:

	<b>SUCCESSOR COMPANY THREE MONTHS ENDED MARCH 31, 2011</b>	<b>PREDECESSOR COMPANY THREE MONTHS ENDED MARCH 31, 2010</b>
Net cash used in operating activities	\$ (568,206)	\$ (99,563)
Net cash provided by (used in) investing activities	(6,093)	9,279
Net cash provided by (used in) financing activities	402,214	(456)
Net decrease in cash	\$ (118,570)	\$ (100,674)

We anticipate that we will incur approximately \$250,000 for operating expenses. Accordingly, we will need to obtain additional financing in order to complete our business plan.

Cash Used In Operating Activities

We used cash in operating activities in the amount of \$568,206 during the three month period ended March 31, 2011 and \$99,563 during the three month period ended March 31, 2010. Cash used in operating activities was funded by cash from operating revenues and financing activities.

Cash From Investing Activities

We used cash in investment activities in the amount of \$6,093 during the three month period ended March 31, 2011 and generated \$9,279 cash from investing activities during the three month period ended March 31, 2010.

### Cash from Financing Activities

We generated \$402,214 cash from financing activities during the three month period ended March 31, 2011 and used \$456 during the three months ended March 31, 2010.

For the period from January 1, 2009 through March 31, 2011, the Company incurred net losses aggregating \$854,339. We do not have sufficient working capital to enable us to carry out our stated plan of operation for the next twelve months. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should our company be unable to continue as a going concern.

Due to the uncertainty of our ability to meet our future operating expenses and the capital expenses in their report on the financial statements for the year period ended December 31, 2010, our independent auditors included an explanatory paragraph regarding concerns about our ability to continue as a going concern. Our financial statements contain additional note disclosures describing the circumstances that lead to this disclosure by our independent auditors.

The continuation of our business is dependent upon us raising additional financial support. The issuance of additional equity securities by us could result in a significant dilution in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

### **Future Financings**

We anticipate continuing to rely on equity sales of our common shares in order to continue to fund our business operations. Issuances of additional shares will result in dilution to our existing stockholders. There is no assurance that we will achieve any additional sales of our equity securities or arrange for debt or other financing to fund our planned activities. There is no assurance that the Company will be able to obtain financing to carry on our legal, accounting and reporting needs.

### **Off-Balance Sheet Arrangements**

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to stockholders.

### **Application of Critical Accounting Estimates**

The financial statements of our company have been prepared in accordance with generally accepted accounting principles in the United States ( GAAP ). Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates, which have been made using careful judgment.

The financial statements have been prepared within the framework of the significant accounting policies summarized below:

#### a) Exploration Stage Activities and Mineral Property Interests

Until abandonment of its mineral property on January 23, 2009, the Company was an exploration stage mining company and had not realized any revenue from its operations. It was primarily engaged in the acquisition, exploration and development of mining properties.



b) Financial Instruments and Concentration of Risk

The fair value of financial instruments, which consist of cash, and accounts payable and accrued liabilities, were estimated to approximate their carrying values due to the immediate or relatively short maturity of these instruments.

Unless otherwise noted, it is management's opinion that this Company is not exposed to significant interest or credit risks arising from these financial instruments.

c) Basic and Diluted Loss Per Share

In accordance with ASC Topic 260, Earnings Per Share (formerly SFAS 128), the basic loss per common share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding. Diluted loss per common share is computed similar to basic loss per common share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Diluted earnings per share excludes all dilutive potential shares if their effect is anti-dilutive.

The Company accounts for common stock purchase warrants at fair value in accordance with EITF 00-19, Accounting for Derivative Financial Instruments Indexed to and Practically Settled in, a Company's Own Stock, (codified in ASC 815, *Derivatives and Hedging*). The Black-Scholes option pricing valuation method is used to determine fair value of these warrants. Use of this method requires that the Company make assumptions regarding stock volatility, dividend yields, expected term of the warrants and risk-free rates.

d) Foreign Currency Translation

The Company's functional currency is now the U.S. dollar. In the fiscal year 2009, the functional currency was the Canadian dollar.

Transactions in Canadian currency are translated into U.S. dollars as follows:

- i) monetary items at the exchange rate prevailing at the balance sheet date;
- ii) non-monetary items at the historical exchange rate;
- iii) revenue and expense at the average rate in effect during the applicable accounting period.

Translation adjustments resulting from this process are recorded in Stockholders' Equity as a component of Accumulated Other Comprehensive Income (Loss). Gains and losses arising on translation or settlement of foreign currency denominated transactions or balances are recorded in the Statement of Operations.

g) Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Actual results may differ from the estimates.

h) Impairment of Long-Lived Assets

Impairment losses on long-lived assets used in operations are recorded when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. In such cases, the amount of the impairment is determined based on the relative fair values of the impaired assets.



i) Treasury Stock

Common stock repurchases are recorded as treasury stock at cost.

On forward stock split-ups, the number of all common shares disclosed in the financial statements is adjusted to give retroactive effect to such recapitalizations.

**Recent Accounting Pronouncements**

In June 2009, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standards ( SFAS ) No. 166, Accounting for Transfers of Financial Assets ( ASC Topic 860 ) which will require more information about transfers of financial assets in situations where companies have continuing exposure to the risk related to transferred financial assets. It eliminates the concept of a qualifying special purpose entity, changes the requirements for derecognizing financial assets, and requires additional disclosure. This guidance is effective for interim and annual periods ending after November 15, 2009. The Company does not expect the adoption of the guidance to have a material impact on its financial statements.

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) ( ASC Topic 810 ). The guidance is intended to improve financial reporting by providing additional guidance to companies involved with variable interest entities and by requiring additional disclosures about a company s involvement in variable interest entities. This guidance is effective for interim and annual periods ending after November 15, 2009. The Company does not expect the adoption of the new accounting guidance to have a material impact on its financial statements.

In June 2009, the FASB issued its final Statement of Financial Accounting Standards ( SFAS ) No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162 ( SFAS 168 ). SFAS 168 establishes the FASB Accounting Standards Codification ( Codification ), which officially launched July 1, 2009, to become the source of authoritative U.S. generally accepted accounting principles ( GAAP ) recognized by the FASB to be applied by non-governmental entities, superseding existing FASB, American Institute of Certified Public Accountants ( AICPA ), Emerging Issues Task Force ( EITF ), and related accounting literature.

Rules and interpretive releases of the Securities and Exchange Commission ( SEC ) under authority of federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. SFAS 168 recognizes the previously issued GAAP pronouncements into accounting topics and displays them using a consistent structure.

In January 2010, the FASB issued ASU No. 2010-6, Improving Disclosures About Fair Value Measurements, that amends existing disclosure requirements under ASC 820 by adding required disclosures about items transferring into and out of levels 1 and 2 in the fair value hierarchy; adding separate disclosures about purchase, sales, issuances, and settlements relative to level 3 measurements; and clarifying, among other things, the existing fair value disclosures about the level of disaggregation. This ASU is effective for the first quarter of 2010, except for the requirement to provide level 3 activities of purchases, sales, issuances, and settlements on a gross basis, which is effective beginning the first quarter of 2011. Since this standard impacts disclosure requirements only, its adoption does not have a material impact on the Company s consolidated results of operations or financial condition.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Not Applicable.

**Item 4. Controls and Procedures.**



*Management's evaluation of disclosure controls and procedures*

- a) *Evaluation of Disclosure Controls.* Our Chief Executive Officer and Chief Accounting Officer evaluated the effectiveness of our disclosure controls and procedures as of the end of our third fiscal quarter 2010 pursuant to Rule 13a-15(b) of the Securities and Exchange Act. Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, as appropriate to allow timely decisions regarding required disclosure. Based on his evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of March 31, 2011 due to the following:
- i. there is a lack of adequate segregation of duties in our accounting and financial reporting functions;
  - ii. there is a lack of entity wide controls, including no audit committee, and a failure to maintain formalized accounting policies and procedures;
  - iii. senior management has not established and maintained a proper tone as to internal control over financial reporting;
  - iv. there may be a lack of sufficient controls relating to user access security levels in our accounting software to restrict access to certain financial applications only to e

*Changes to Internal Controls and Procedures Over Financial Reporting*

There have been no changes in our internal control over financial reporting during our fiscal year that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, except as discussed herein.

**PART II - OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

We know of no material, active or pending legal proceedings against our company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

**ITEM 1A. RISK FACTORS.**

Not applicable, as we are a smaller reporting company.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. (REMOVED AND RESERVED).**

**ITEM 5. OTHER INFORMATION**

**ITEM 6. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.**

<b>Exhibit Number</b>	<b>Description</b>
<u>31.1</u>	<u>Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule13a- 14(a) or Rule 15(d)-14(a)).</u>
<u>32.1</u>	<u>Certifications pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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.

**MOUNT KNOWLEDGE HOLDINGS, INC.**

By /s/ Daniel A. Carr  
Daniel A. Carr  
President, Treasurer, Chief Executive Officer and Chief Financial Officer  
(Principal Executive Officer, Principal Accounting Officer and Principal Financial Officer)

Date: May 20, 2011