

Entertainment Games Announces Fiscal Year 2011 Financial Results

Langhorne, Pa., – September 8, 2011 – Entertainment Games, Inc. (OTC Markets: EGAM), a developer and publisher of casual games for leading social networks, the PC, game consoles and the Internet, today released financial results for its fiscal fourth quarter and year ended June 30, 2011.

COMMENTS:

“Our fourth quarter and fiscal year results reflect the daunting challenges in the traditional videogame segment of the market,” commented Jerry Klein, CEO of Entertainment Games. “While the overall videogame market shows healthy growth, our revenues continue to decline due to continually shifting consumer behavior away from the traditional distribution channels for videogames to the digital distribution of videogames either on the Internet, social platforms, or mobile devices. This shift underscores the importance of our fourth quarter acquisition of Heyday Games and the dramatic change underway as a result; a major signal of this shift was changing our name to Entertainment Games to aptly reflect our bold commitment to deliver a new form of cross-platform entertainment,” Klein said.

“Our mission today is to let people play in their ‘heyday,’” Klein added. “We will do that by developing and publishing innovative social games on the Heyday platform for leading social networks such as Facebook and Google+, mobile devices, and the open web. Our goal is to become the world’s trusted provider of high-quality, fun, easy-to-use social games. To achieve this goal, under the leadership of Gene Mauro, our President and COO, the company has assembled a team of experts in engineering, game design and development, graphics, animation, and music to develop a new social game concept unlike anything on the market today that enables people to experience nostalgic memories with family, friends, or whoever they choose. We plan to release the first chapter in our social game later this fall, with additional games to extend the concept of the original brand into new genres in subsequent releases.”

FINANCIAL DISCUSSION:

Fiscal Fourth Quarter ended June 30, 2011:

Net revenues increased by \$18,000, or 2%, to \$758,000 for the fiscal quarter ended June 30, 2011, compared to \$740,000 for the comparative fiscal quarter a year earlier. This increase in net revenues was traceable to an increase in product revenues partially offset by decreases in licensing and Internet revenues.

Net loss was \$361,000, or \$0.03 per diluted share, for the fiscal quarter ended June 30, 2011, compared to a net loss of \$379,000, or \$0.03 per diluted share, for the same fiscal quarter a year ago. This \$18,000 decrease in the quarterly net loss resulted from a \$108,000 decrease in operating expenses (traceable to reduced product development expense), which was partially offset by an \$83,000 decline in gross profit due to a 12% decrease in the gross profit margin (related to increases in product cost and provision for inventory obsolescence) and a \$7,000 increase in interest expense.

Fiscal Year ended June 30, 2011:

Net revenues decreased by \$518,000, or 14%, to \$3,084,000 for the fiscal year ended June 30, 2011, compared to \$3,602,000 for fiscal year 2010. This decrease in net revenues resulted from declines in North American product revenues, licensing revenues and Internet related revenues.

Net loss was \$1,157,000, or \$0.08 per diluted share, for the fiscal year ended June 30, 2011 compared to a net loss of \$344,000, or \$0.03 per diluted share, for the prior fiscal year. This \$813,000 increase in the net loss for the fiscal year ended June 30, 2011 resulted primarily from a \$763,000 decrease in gross profit resulting from lower net revenues combined with a 15% decline in gross profit margin. Additionally, the prior year's results benefited from a \$47,000 favorable impact from changes in IRS rules governing net operating loss carry-forwards that became effective during fiscal 2010.

Liquidity Condition Update:

At August 31, 2011, the Company had approximately \$190,000 in cash, compared to \$328,000 at June 30, 2011. Considering the Company's net losses for fiscal years 2011, 2010, 2009, 2008, 2007 and 2006, and the fact that it does not currently have access to a credit facility, the Company is continuing to evaluate its options to fund future operations.

The following tables represent the Company's net revenues by distribution channel for the fiscal quarters and years ended June 30, 2011 and 2010, respectively:

Net Revenues by Distribution Channel
(rounded to the nearest thousand)

Distribution Channel	Quarters Ended June 30,				Increase (Decrease)	% Change
	2011	%	2010	%		
Traditional product revenues	\$ 516,000	68%	\$ 467,000	63%	\$ 49,000	10%
Licensing revenues	53,000	7%	75,000	10%	(22,000)	(29%)
Internet revenues	146,000	19%	190,000	26%	(44,000)	(23%)
Product liquidation revenues	43,000	6%	8,000	1%	35,000	438%
Totals	<u>\$ 758,000</u>	<u>100%</u>	<u>\$ 740,000</u>	<u>100%</u>	<u>\$ 18,000</u>	<u>2%</u>

Distribution Channel	Years Ended June 30,				Increase (Decrease)	% Change
	2011	%	2010	%		
Traditional product revenues	\$ 1,894,000	62%	\$ 2,171,000	60%	(\$ 277,000)	(13%)
Licensing revenues	321,000	10%	497,000	14%	(176,000)	(35%)
Internet revenues	689,000	22%	849,000	24%	(160,000)	(19%)
Product liquidation revenues	180,000	6%	85,000	2%	95,000	112%
Totals	<u>\$ 3,084,000</u>	<u>100%</u>	<u>\$ 3,602,000</u>	<u>100%</u>	<u>(\$ 518,000)</u>	<u>(14%)</u>

Debt Financing Transaction Completed

The Company completed a liabilities financing transaction on August 26, 2011 with Ironridge Global Partners, LLC in exchange for unregistered shares of the Company's Common Stock and a Common Stock warrant. In the transaction, the Company issued 1,950,000 shares of its Common Stock to Ironridge Global IV, Ltd., a division of Ironridge, in reliance on the private placement exemption from the registration requirements provided by Section 3(a)(10) the Securities Act of 1933, as amended. The Company also issued a five-year warrant to Ironridge for the purchase of 572,393 shares of the Company's Common Stock at an exercise price of \$.54.

The shares were issued to Ironridge on August 29, 2011 in settlement of \$257,576.75 in claims purchased by Ironridge from certain creditors of the Company, plus interest and attorney fees. Ironridge will ultimately be entitled to retain a number of shares of Common Stock (a "Final Amount") equal to the creditor claims plus certain fees, divided by 65% of the volume weighted average price ("VWAP") as reported by Bloomberg over a period of time that is the lesser of 90 days, or that number of consecutive trading days following August 29, 2011 and ending on the date on which the aggregate trading volume of the Company's common stock is equal to \$832,730.25 (the "Calculation Period").

For every million shares that trade during the Calculation Period, or if at any time during the Calculation Period a daily VWAP is below \$.30, Ironridge has the right to cause the Company to issue additional shares of its Common Stock to Ironridge, subject to a 9.99% share ownership limitation. At the end of the Calculation Period, if the sum of the initial issuance of Company shares, plus any additional issuance of Company shares, is less than the Final Amount, the Company will issue additional shares to Ironridge so the total issuance is equal to the Final Amount. If the sum of the initial issuance of Company shares, plus any additional issuance of Company shares, is greater than the Final Amount, Ironridge will return any remaining shares to the Company for cancellation.

Entertainment Games, Inc.
Balance Sheets
(Audited)

<u>ASSETS</u>	As of June 30, 2011	As of June 30, 2010
Current assets:		
Cash and cash equivalents	\$ 328,367	\$ 626,748
Accounts receivable, net	143,397	310,931
Inventory, net	469,871	595,000
Prepaid and other expenses	136,070	99,233
Total current assets	<u>1,077,705</u>	<u>1,631,912</u>
Furniture and equipment, net	10,766	5,866
Intangibles	1,524,089	24,089
Goodwill	680,000	- 0 -
Total assets	<u>\$ 3,292,560</u>	<u>\$ 1,661,867</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Accounts payable	\$ 841,638	\$ 591,868
Unearned revenues	432,581	597,266
Accrued expenses	377,479	409,043
Note payable, short-term portion	130,170	- 0 -
Total current liabilities	<u>1,781,868</u>	<u>1,598,177</u>
Note payable, long-term portion	<u>260,341</u>	<u>- 0 -</u>
Total liabilities	2,042,209	1,598,177
Stockholders' equity		
Convertible preferred stock, (875,000 shares issued and outstanding)	704,568	704,568
Common stock, no par value (40,000,000 shares authorized; 17,711,646 issued and 17,433,746 outstanding)	9,179,827	9,179,827
Additional paid-in capital	5,642,531	3,254,781
Accumulated deficit	(13,723,638)	(12,522,549)
Treasury stock, 277,900 shares	(552,937)	(552,937)
Total stockholders' equity	<u>1,250,351</u>	<u>63,690</u>
Total liabilities and stockholders' equity	<u>\$ 3,292,560</u>	<u>\$ 1,661,867</u>

Entertainment Games, Inc.
Statements of Operations

	(Unaudited)		(Audited)	
	Quarters Ended		Years Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Net revenues	\$ 758,211	\$ 740,137	\$ 3,083,557	\$ 3,602,172
Cost of revenues	<u>425,678</u>	<u>324,809</u>	<u>1,705,743</u>	<u>1,460,945</u>
Gross profit	332,533	415,328	1,377,814	2,141,227
Operating expenses:				
Product development	165,545	341,732	859,095	930,882
Selling, general and administrative	520,824	452,999	1,668,720	1,751,103
Intangibles impairment (recovery)	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>(150,000)</u>
Total operating expenses	<u>686,369</u>	<u>794,731</u>	<u>2,527,815</u>	<u>2,531,985</u>
Operating loss	(353,836)	(379,403)	(1,150,001)	(390,758)
Interest income (expense), net	<u>(7,438)</u>	<u>234</u>	<u>(7,336)</u>	<u>339</u>
Loss before income taxes	(361,274)	(379,169)	(1,157,337)	(390,419)
Income tax expense (benefit)	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>(46,811)</u>
Net loss	<u>(\$ 361,274)</u>	<u>(\$ 379,169)</u>	<u>(\$ 1,157,337)</u>	<u>(\$ 343,608)</u>
Net loss per common share:				
- Basic	<u>(\$ 0.03)</u>	<u>(\$ 0.03)</u>	<u>(\$ 0.08)</u>	<u>(\$ 0.03)</u>
- Diluted	<u>(\$ 0.03)</u>	<u>(\$ 0.03)</u>	<u>(\$ 0.08)</u>	<u>(\$ 0.03)</u>
Weighted average common shares outstanding – Basic	13,998,772	13,549,636	13,718,943	12,669,436
Dilutive effect of common share equivalents	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Weighted average common shares outstanding - Diluted	<u>13,998,772</u>	<u>13,549,636</u>	<u>13,718,943</u>	<u>12,669,436</u>

Entertainment Games, Inc.
Statements of Cash Flows
(Audited)

	Years Ended June 30,	
	2011	2010
<u>OPERATING ACTIVITIES:</u>		
Net loss	(\$ 1,157,337)	(\$ 343,608)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	104,090	107,616
Depreciation and amortization	7,172	14,669
Changes in operating assets and liabilities:		
Accounts receivable, net	167,534	(31,104)
Inventory, net	125,129	(43,448)
Prepaid and other expenses	23,071	32,775
Accounts payable	259,769	34,419
Unearned revenues	(164,685)	(33,276)
Accrued expenses	(31,564)	49,050
Net cash used in operating activities	(666,821)	(212,907)
<u>INVESTING ACTIVITIES:</u>		
Purchase of furniture and equipment	(12,071)	(2,057)
Net cash used in investing activities	(12,071)	(2,057)
<u>FINANCING ACTIVITIES:</u>		
Net proceeds from common stock private placement	- 0 -	497,280
Net proceeds from issuance of note payable	390,000	- 0 -
Repayments of note payable	(9,489)	- 0 -
Net cash provided by financing activities	380,511	497,280
Net increase (decrease) in cash and cash equivalents	(298,381)	282,316
Cash and cash equivalents:		
Beginning of period	626,748	344,432
End of period	\$ 328,367	\$ 626,748
Supplemental cash flow information:		
Cash paid for interest	\$ 5,638	\$ - 0 -

Entertainment Games, Inc.
Statements of Stockholders' Equity (Deficit)
(Audited)

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock		Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount			Shares	Amount	
Balances at June 30, 2009	<u>875,000</u>	<u>\$ 704,568</u>	<u>12,331,040</u>	<u>\$ 9,179,827</u>	<u>\$ 2,562,142</u>	<u>(\$ 12,135,189)</u>	<u>(277,900)</u>	<u>(\$ 552,937)</u>	<u>(\$ 241,589)</u>
Net loss						(343,608)			(343,608)
Common stock options issued to employees and directors					81,940				81,940
Dividends declared on preferred stock			210,533		43,752	(43,752)			- 0 -
Common stock shares issued in connection with consulting agreement			225,000		19,391				19,391
Common stock shares and warrant issued in connection with private placement financing			1,000,000		497,280				497,280
Common stock shares issued in connection with consulting agreement			75,000		50,276				50,276
Balances at June 30, 2010	<u>875,000</u>	<u>\$ 704,568</u>	<u>13,841,573</u>	<u>\$ 9,179,827</u>	<u>\$ 3,254,781</u>	<u>(\$ 12,522,549)</u>	<u>(277,900)</u>	<u>(\$ 552,937)</u>	<u>\$ 63,690</u>
Net loss						(1,157,337)			(1,157,337)
Common stock options issued to employees and directors					75,252				75,252
Dividends declared on preferred stock			128,365		43,752	(43,752)			- 0 -
Common stock shares issued upon warrant exercise			35,321		- 0 -				- 0 -
Common stock warrant issued					88,746				88,746
Common stock shares issued to acquired company			3,706,387		2,180,000				2,180,000
Balances at June 30, 2011	<u>875,000</u>	<u>\$ 704,568</u>	<u>17,711,646</u>	<u>\$ 9,179,827</u>	<u>\$ 5,642,531</u>	<u>(\$ 13,723,638)</u>	<u>(277,900)</u>	<u>(\$ 552,937)</u>	<u>\$ 1,250,351</u>

About Entertainment Games, Inc.

Entertainment Games, Inc. (formerly eGames, Inc), headquartered in Langhorne, Pennsylvania, develops and publishes casual games for leading Social Networks, the PC, Nintendo DS and Wii, iPhone, and the Internet including The Dracula Files, Burger Island®, Burger Island 2: The Missing Ingredient, Satisfashion®, Purrfect Pet Shop®, and more. Additional information regarding eGames, Inc. can be found at <http://www.egames.com>.

Accessing Our Financial Information

Shareholders have three ways to access the Company's financial and other information: by going to the Investor Relations page of the Company's website at www.egames.com, where the Company's fiscal 2010 annual report, as well as fiscal 2011 press releases containing quarterly financial information, can be accessed; by going to the Pink Sheets website at www.pinksheets.com and typing in the Company's symbol "EGAM"; or by requesting a paper copy of financial information by contacting the Company by mail at Entertainment Games, Inc. 2000 Cabot Boulevard West, Suite 110, Langhorne, Pennsylvania 19047 to the attention of the Chief Financial Officer. Shareholders can also be placed on a list to receive press releases, as they are issued, via email by going to the following link on the eGames investor relations webpage: <http://www.egames.com/investors/contact-us/email-alerts/>.

Forward-Looking Statement Safe Harbor

This press release contains certain forward-looking statements, including without limitation, statements regarding: the overall videogame market showing healthy growth; shifting consumer behavior away from the traditional distribution channels for videogames to the digital distribution of videogames either on the Internet, social platforms, or mobile devices; the Company's commitment to delivering a new form of cross-platform entertainment; the Company's plans to develop and publish innovative social games on the Heyday platform for leading social networks such as Facebook and Google+, mobile devices, and the open web; the Company's goal is to become the world's trusted provider of high-quality, fun, easy-to-use social games; the Company's plans to develop a new social game concept unlike anything on the market today that will enable people to experience nostalgic memories with family and friends; and the Company's plan to release the first chapter in our social game later this fall, with additional games to extend the concept of the original brand into new genres in subsequent releases. The Company cautions readers that the risks and uncertainties that may affect the Company's future results and performance include, but are not limited to, delays in the development of future titles; inability to fund continued development of future titles; technical and other issues that may delay or halt development of future titles; competition in the social gaming market; the failure of new titles to sell well or be used by consumers on social networks; our inability to enter into and maintain commercially successful publishing, licensing and distribution relationships; and an increase in worldwide competition in the overall videogame market; as well as the risks and uncertainties discussed under the heading "Factors Affecting Future Performance" in the Company's Annual Report for the fiscal year ended June 30, 2010 as posted on the Company's website and on www.pinksheets.com.

Contact:

Entertainment Games, Inc.

Jerry Klein, CEO

(215) 750-6606 (Ext. 118)

Gene Mauro, President and COO

(203) 878-5022