

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-QSB.

(Mark One)

(X) Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 1999

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

Commission file number: 333-28861

MIRAGE HOLDINGS, INC.

(Exact name of small business issuer as specified in its charter)

NEVADA

95-4627685

(State or other Jurisdiction of  
Incorporation or Organization)

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

233 WILSHIRE BOULEVARD, SUITE 510, SANTA MONICA, CA 90401  
(Address of principal executive offices) (Zip Code)

(310) 395-4073 / (310) 395-0891  
(Issuer's telephone/facsimile numbers, including area code)

Check whether the issuer: (1) 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 issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No  
--- ---

The issuer had 4,002,065 shares of its \$.001 par value Common Stock issued and outstanding as of May 13, 1999.

Transitional Small Business Disclosure Format (check one)

Yes No X  
--- ---

MIRAGE HOLDINGS, INC.

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MIRAGE HOLDINGS, INC.  
CONSOLIDATED BALANCE SHEET  
MARCH 31, 1999  
(UNAUDITED)

<TABLE>

<S>

ASSETS

<C>

CURRENT ASSETS:

Cash	\$ 79,375
Accounts receivable	766,304
Other receivables	142,105

Total current assets	987,784
----------------------	---------

PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization

202,719

OTHER ASSETS:

Deposits	8,279
Product license, renewals, enhancements and copyrights	5,120,000
Customer lists	1,200,000
Goodwill	3,574,490

Total other assets	9,902,769
--------------------	-----------

\$11,093,272

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$508,459
Notes payable	110,400
Current maturities of obligations under capital lease	6,427
Loans payable, related party	18,910
Loans payable, stockholders	193,172

Total current liabilities	837,368
---------------------------	---------

OBLIGATIONS UNDER CAPITALIZED LEASES, less current maturities

25,886

STOCKHOLDERS' EQUITY:

Common stock; \$.001 par value, 25,000,000 shares authorized, 7,202,065 shares issued and outstanding	7,202
Additional paid-in capital	12,032,024
Accumulated deficiency	(1,809,208)

Total stockholders' equity	10,230,018
----------------------------	------------

\$11,093,272

</TABLE>

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MIRAGE HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>

<CAPTION>

	Nine months ended March 31, 1999	Nine months ended March 31, 1998	Three months ended March 31, 1999	Three months ended March 31, 1998
	(unaudited) <C>	(unaudited) <C>	(unaudited) <C>	(unaudited) <C>
NET SALES	\$3,421,582	\$ 126,478	\$ 897,759	\$ 39,252
COST OF SALES	-	95,369	-	29,597
GROSS PROFIT	3,421,582	31,109	897,759	9,655
OPERATING EXPENSES	4,062,245	407,302	980,748	126,404
OTHER INCOME/(EXPENSE)	12,441	-	46,713	(38,919)
NET INCOME BEFORE INCOME ALLOCATED TO MINORITY INTERESTS	(628,222)	(376,193)	(36,276)	(155,668)
MINORITY INTEREST INCOME	(305,616)	-	(137,470)	-
NET LOSS	\$ (933,838)	\$ (376,193)	\$ (173,746)	\$ (155,668)
NET LOSS PER SHARE:				
Basic	(\$0.37)	(\$0.21)	(\$0.07)	(\$0.09)
Diluted	(\$0.25)	(\$0.16)	(\$0.05)	(\$0.07)
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	2,521,142	1,814,065	2,521,142	1,814,065
Diluted	3,668,270	2,331,065	3,668,270	2,331,065

</TABLE>

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MIRAGE HOLDINGS, INC.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
For The Three Months Ended March 31, 1999 and 1998

<TABLE>

<CAPTION>

	Common stock Shares	Common stock Amount	Additional paid-in capital	Accumulated Deficiency	Total stockholders' equity/ (deficiency)
	-----	-----	-----	-----	-----
Balance at July 1, 1997	1,814,065	\$ 1,814	\$ 562,021	\$ (289,891)	\$ 273,944
Redemption of common stock issued through private offering	(40,000)	(40)	(19,960)	-	(20,000)
Net loss for the year ended June 30, 1998				(585,479)	(585,479)
Balance at June 30, 1998	1,774,065	1,774	542,061	(875,370)	(331,535)
Common stock and warrants sold through initial public offering	251,000	251	987,733	-	987,984
Issuance of common stock relating to stock purchase agreements	640,000	640	2,995,510	-	2,996,150
Exercise of stock options	75,000	75	94,000	-	94,075
Exercise of warrants to convert to common stock	28,400	28	21,252	-	21,280

Exercise of stock options	25,000	25	225	250
Stock options granted and exercised	40,000	40	78,712	78,752
Issuance of common stock for legal fees	15,000	15	59,985	60,000
Exercise of warrants to convert to common stock	153,600	154	116,746	116,900
Issuance of common stock relating to stock purchase agreements	4,200,000	4,200	7,135,800	7,140,000
Net loss for the nine months ended March 31, 1999 (unaudited)			(933,838)	(933,838)
Balance at March 31, 1999 (unaudited)	7,202,065	\$ 7,202	\$12,032,024	\$ (1,809,208) \$10,230,018

</TABLE>

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MIRAGE HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

<TABLE>  
<CAPTION>

	Nine months ended March 31, 1999	Nine months ended March 31, 1998	Three months ended March 31, 1999	Three months ended March 31, 1998
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	<C>	<C>	<C>	<C>
<b>CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>				
Net loss	\$ (933,838)	\$ (376,193)	\$ (173,746)	\$ (155,668)
<b>ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>				
Depreciation and amortization	154,331	1,814	74,640	-
Gain(loss) on sale of marketable securities	-	(38,919)	-	-
Non-cash compensation expense	644,751	-	78,751	-
Minority interest income	305,616	-	137,470	-
<b>CHANGES IN ASSETS AND LIABILITIES:</b>				
<b>(INCREASE) DECREASE IN ASSETS:</b>				
Accounts receivable	(260,383)	-	(38,060)	1,071
Other receivables	(81,584)	-	(66,424)	-
Loan receivable	-	(136,550)	-	0
Inventory	-	15,327	-	(15,440)
Deposits	(3,886)	-	(3,199)	-
<b>INCREASE (DECREASE) IN LIABILITIES - accounts payable and accrued expenses</b>	<b>(446,259)</b>	<b>192,907</b>	<b>(332,106)</b>	<b>136,191</b>
<b>Total adjustments</b>	<b>312,586</b>	<b>34,579</b>	<b>(148,928)</b>	<b>121,822</b>
<b>Net cash provided by (used for) operating activities</b>	<b>(621,252)</b>	<b>(341,614)</b>	<b>(322,674)</b>	<b>(33,846)</b>
<b>CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES:</b>				
(Purchase) sale of investments, net	(161,539)	79,999	-	-
Purchase of property, plant and equipment	(131,339)	(5,051)	(12,587)	0
<b>Net cash provided by (used for) investing activities</b>	<b>(292,878)</b>	<b>74,948</b>	<b>(12,587)</b>	<b>-</b>
<b>CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES:</b>				
Issuance of common stock and warrants, net	1,127,139	-	117,150	-
Proceeds from (payments on) notes payable, net	(228,300)	236,008	-	-
Payments on loan payable, related party	(100,000)	-	-	-
Deferred offering costs	203,813	-	-	-
Payments on capital lease obligations	(3,629)	-	(871)	-
<b>NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES:</b>	<b>999,023</b>	<b>236,008</b>	<b>116,279</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>84,893</b>	<b>(30,658)</b>	<b>(218,982)</b>	<b>(33,846)</b>

CASH AND EQUIVALENTS, beginning of period	(5,518)	33,079	298,357	36,267
CASH AND EQUIVALENTS, end of period	\$ 79,375	\$ 2,421	\$ 79,375	\$ 2,421
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION -				
interest expense	\$ 16,840	\$ 14,741	\$ 4,546	\$ 4,914
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING				
ACTIVITIES:				
Issuance of 490,000 shares of common stock per stock purchase agreement	\$2,523,500	\$ -	\$ -	\$ -
Issuance of 15,000 shares of common stock for legal services	\$ 60,000		\$ 60,000	
Exercise of options to 40,000 shares of common stock for services	\$ 78,750		\$ 78,750	
Issuance of 175,000 shares of common stock per stock purchase agreements	\$ 566,000	\$ -	\$ -	\$ -
Issuance of 4,200,000 shares of common stock per stock purchase agreement	\$7,140,000	\$ -	\$7,140,000	\$ -

</TABLE>

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#### PART I - FINANCIAL INFORMATION

Item 2

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

##### THE COMPANY

Mirage Holdings, Inc. ("Company") was incorporated under the laws of the state of Nevada on March 18, 1997. The Company's address is 233 Wilshire Boulevard, Suite 510, Santa Monica, California 90401 and its telephone number is (310) 395-4073. Mirage Collection, Inc. ("Mirage Collection"), a wholly owned subsidiary of Mirage Holdings, Inc., began business as a partnership in July, 1995, and was reorganized into a corporation in the State of Nevada pursuant to Internal Revenue Code Section 351 on April 1, 1997. Recently, the Company's board of directors determined to divest the Company from the fashion industry due to the slowing of the apparel industry and enter into the software and technology arena.

The Company entered into the technology industry in 1998 with the purchase of a majority interest in Network Solutions (PVT) Limited, a software development firm in Lahore, Pakistan ("NetSol Pvt"). The principal business of NetSol is the development and export of software. Through its affiliation with NetSol, the Company can assist NetSol in marketing its software development services to North American and European clients. The Company also purchased 43% of the outstanding capital stock of NetSol (U.K.) Limited, a corporation organized under the laws of the United Kingdom ("NetSol UK"), which is a sister company to NetSol Pvt. The Company paid a total purchase price for the interest in NetSol Pvt and NetSol UK of \$775,000 plus 490,000 shares of common stock of the Company.

In March 1999, the Company acquired 49% of the remaining and outstanding capital stock of NetSol Pvt. NetSol Pvt is the first Pakistani based software firm to be certified as "ISO 9001" which is a prestigious accreditation for software developers. The Company specializes in lease and finance software systems targeted for the automotive captive leasing and financing industry.

According to a recent estimate by Equipment Leasing Association (ELA), the size of the lease and finance industry in North America has grown to \$180 billion annually. The customer base of NetSol has grown to include blue chip companies such as Mercedes Benz Finance Companies in Australia, United Kingdom, Singapore, Thailand, Taiwan and Europe. NetSol posted revenues of approximately \$500,000 in the first half of its fiscal year end as compared to approximately \$94,000 for the same period of 1997. NetSol has a team of over 80 IT professionals and management staff members.

In addition, the Company acquired the remaining 57% of NetSol (UK), as part of the same transaction. NetSol UK is the sales and marketing arm of NetSol which has a team of over 20 IT professionals and consultants. The acquisition of both companies provided Mirage with 100% ownership in each.

NetSol UK has been in operation since 1997. The customer base in Europe has allowed NetSol UK to post revenues of over \$2.1 million for the first half of fiscal year 1999. The transaction proposes issuance of 4.2 million shares of Mirage Stock in exchange for the remaining 49% of NetSol Pvt and

57% stock of NetSol UK. There was no cash component required for this transaction.

The Company engaged the services of an independent nationally recognized valuation expert to assist it in this transaction.

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#### RESULTS OF OPERATIONS

Three Months Ended March 31, 1999 as compared to the Three Months Ended March 31, 1998.

#### NET SALES

Net sales of \$897,759 were reported for the third quarter of fiscal 1999, which ended March 31, 1999. This is an increase of \$858,507 from \$39,252 in the same period of fiscal 1998. The sales increase is solely attributed to the 100% acquisition of NetSol Pvt and NetSol UK in April 1999. Management concludes the continued growth of NetSol Pvt and NetSol UK produced the revenue increases. Both of these software companies have a strong customer base in Europe and Asia Pacific regions.

The net sales of the Company for nine months ended March 31, 1999 were \$3,421,582 in comparison with \$126,478 for the same period the previous year. Again, the management finds the increase in sales was solely attributable to the 100% acquisition of NetSol Pvt and NetSol UK.

#### COST OF SALES, GROSS PROFIT AND NET LOSS

The gross profit was \$897,759 in the quarter ending March 31, 1999 in comparison with a loss of \$9,654 for the same quarter the previous year. The gross profit for the nine months ended March 31, 1999 was \$3,421,582 in comparison with \$31,108. The cost of sales for the quarter ending March 31, 1999 was zero as compared to \$29,597 for the same quarter last year. The cost of sales for the nine months ended in March 31, 1999 was nothing as compared to the previous year at \$95,369. The net loss in the quarter ending March 31, 1999 was \$933,838 in comparison with net loss of \$173,746 for same quarter last year.

The Company issued 4,200,000 shares of restricted Company stock to consummate the acquisition of NetSol Pvt and NetSol UK. Again, the management concludes the significance in the loss is due to the issuance of shares discussed above.

#### OPERATING EXPENSES

Operating expenses were \$980,748 of net sales during the quarter ending March 31, 1999. This compares with \$126,404 for the quarter ending March 31, 1998.

Operating expenses for the quarter ending March 31, 1999 increased \$854,344 compared to the same time period in 1998. The difference was primarily due to an increase in expenses due to the acquisition of NetSol which increased profits but also increased expenses.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company's primary cash requirements are for capital expenditures and operating expenses, including labor costs, raw materials purchases, and funding of accounts receivable. The Company's primary sources of cash have been from operations of NetSol.

Accounts receivable was \$766,304 in the quarter ending March 31, 1999. Other receivables in the quarter ending March 31, 1999, were \$142,105. There were no accounts receivable in the same quarter of the previous year due to the nature of the Company's business at that time. During the nine months ended March 31, 1998, there was an increase of \$326,807 in the accounts receivable compared with a 104,484 decrease for the same period. During fiscal year 1998, the Company's retail operation was under the cash and carry method of accounting and the Company did not have any specific type of accounts receivable.

The increase in the receivables is due to the increase in sales volume with the acquisition of NetSol.

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The Company's current plans require additional capital expenditures for the remainder of the year of approximately 1,500,000. Year to date, the Company has expended approximately \$600,000. The Company believes the additional funds received from the sale of shares and warrants from the initial Public Offering will generate sufficient capital to finance its operations and anticipated capital expenditures through fiscal 1999.

## PART II. OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

On October 26, 1998 the Company's Board of Directors terminated Mr. Gill Champion as the Company's Chief Financial Officer. There is currently a dispute between Mr. Champion and the Company regarding the status of certain options and shares of the Company's stock.

## ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

## ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Acquisition of NetSol (UK) and NetSol (Pvt). The Company plans to change its name from Mirage Holdings, Inc. to NetSol International, Inc.

## ITEM 5. OTHER INFORMATION

None.

## ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

## (a) EXHIBITS:

(27) Financial Data Schedule

## (b) REPORTS ON FORM 8-K:

Filed January 13, 1999 Company moved its headquarters to new premises.

## SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MIRAGE HOLDINGS, INC.  
(Registrant)

Date: May 14, 1999

/s/ Najeeb Ghauri

-----  
NAJEEB U. GHAURI  
President, Chief Executive Officer, Chief  
Financial Officer, and Secretary

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