

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

**For the Quarterly Period ended March 31, 2012**

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

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

*Commission File number 0-24115*

**WORLDS ONLINE INC.**

(not affiliated with Worldcom, Inc.)

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**

**27-4672745**

(State or Other Jurisdiction of Incorporation or Organization)

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

11 Royal Road

Brookline, MA 02445

(Address of Principal Executive Offices)

(617) 909-4043

(Registrant's Telephone Number, Including Area Code)

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 [X] 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer [ ] Accelerated filer [ ]

Non-accelerated filer [ ] Smaller reporting company [X]

(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 [X]

As of May 15, 2012, 24,411,549 shares of the Issuer's Common Stock were outstanding.

Worlds Online Inc.

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**PART I – FINANCIAL INFORMATION****Item 1. Financial Statements**

Worlds Online Inc.  
Balance Sheets  
March 31, 2012 and December 31, 2011

	Unaudited 31-Mar-12	Audited 31-Dec-11
<b>Current Assets</b>		
Cash	\$ 119,102	\$ 118,803
Trading securities	28,000	71,250
<b>Total Current Assets</b>	<u>147,102</u>	<u>190,053</u>
<b>TOTAL ASSETS</b>	<u>\$ 147,102</u>	<u>\$ 190,053</u>
<b>Current Liabilities</b>		
Accrued expenses	\$ 106,565	\$ 77,959
Account payable - related party	56,114	43,818
Deferred revenue	226,950	226,950
<b>Total Current Liabilities</b>	<u>389,629</u>	<u>348,728</u>
<b>Stockholders (Deficit)</b>		
Common Stock (Par value \$0.001 authorized 100,000,000 shares, issued and outstanding 24,411,549 and 0 on March 31, 2012 and December 31, 2011 respectively)	24,412	—
Common stock subscribed but not yet issued (issued and outstanding 0 and 526,315 on March 31, 2012 and December 31, 2011 respectively)	—	526
Common Stock Warrants	1,165,563	1,165,563
Additional Paid in Capital	(932,568)	(947,354)
Accumulated Deficit	(499,933)	(377,410)
<b>Total stockholders deficit</b>	<u>(242,526)</u>	<u>(158,675)</u>
<b>Total Liabilities and stockholders deficit</b>	<u>\$ 147,102</u>	<u>\$ 190,053</u>

The accompanying notes are an integral part of these financial statements

Worlds Online Inc.  
Statement of Operations  
Three Months Ended March 31, 2012

	Unaudited Three Months Ended March 31, 2012
Revenues	
Revenue	\$ <u>190</u>
Total	<u>190</u>
Cost and Expenses	
Cost of Revenue	4,710
Gross Profit	(4,520)
Selling, General & Admin. Salaries	<u>35,911</u> 32,210
Operating (loss)	<u>(72,642)</u>
Other Income (Expense)	
Loss on investment	(6,523)
Unrealized loss on investment	<u>(19,500)</u>
Net (Loss)	<u>\$ (98,664)</u>
Weighted Average Loss per share (basic and fully diluted)	<u>\$ (0.02)</u>
Weighted Average Common Shares Outstanding	<u>5,774,104</u>

The accompanying notes are an integral part of these financial statements

Worlds Online Inc.  
Statements of Cash Flows  
Three Months Ended March 31, 2012

	Unaudited Three Months Ended March 31, 2012
Cash flows from operating activities:	
Net (loss)	\$ (98,664)
Adjustments to reconcile net (loss) to net cash provided by operating activities	
Realized loss on investment	6,523
Unrealized loss on investment	19,500
Common stock issued for services rendered	14,813
Accrued expenses	28,605
Accounts payable - related party	12,296
Net cash (used in) operating activities:	<u>(16,927)</u>
Cash flows from investing activities:	
Proceeds from trading securities	<u>17,227</u>
Net cash provided by investing activities:	<u>17,227</u>
Net increase in cash and cash equivalents	300
Cash and cash equivalents beginning of period	<u>118,803</u>
Cash and cash equivalents end of period	<u>\$ 119,102</u>
Non-cash financing activities:	
Supplemental disclosure of cash flow information:	
Cash paid during the period for:	
Interest	\$ —
Income taxes	\$ —

The accompanying notes are an integral part of these financial statements

Worlds Online Inc.  
NOTES TO FINANCIAL STATEMENTS  
Three Months Ended March 31, 2012  
(Unaudited)

NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF ACCOUNTING POLICIES

Description of Business

Worlds Online Inc. (the "Company") designs and develops software content and related technologies for the creation of interactive, three-dimensional ("3D") Internet sites on the World Wide Web. Using licensed technology the Company creates its own Internet sites, as well as sites available through third party on-line service providers.

The Company was formed on January 25, 2011 as a wholly-owned subsidiary of Worlds Inc. (formerly known as Worlds.com Inc.). On May 16, 2011, Worlds Inc. transferred to the Company the majority of its operations and related operational assets, except for its patent portfolio. Worlds Inc. has also given to the Company a perpetual world-wide license to its patented technology. Pursuant to the license, the Company has the right to issue unlimited sublicenses to the licensed technology, subject to World Inc.'s reasonable consent.

The Company did not conduct any business during the three months ended March 31, 2011, therefore no prior year first quarter financial statements are presented.

The assets transferred to us include: Worlds Inc.'s technology platform, Worlds Ultimate Chat, Aerosmith World, DMC Worlds, Cinema Virtual, Pearson contracts and related revenue, the following URLs: Worlds.com, Cybersexworld.com, Hang.com, and Worldsfunds.com, a digital inventory of over 10,000 3D objects, animation sequences, an extensive avatar library, texture maps and virtual world architectures. None of the transferred assets have any carrying value on the financial statements of the Company.

The transfer of assets occurred in the context of the spin-off by Worlds Inc. of its online and operational technologies businesses to us. The spin-off was effectuated by Worlds Inc. (formerly known as Worlds.com Inc.) declaring a dividend of its shares of its then wholly-owned subsidiary, Worlds Online, with each share of Worlds Inc. to receive 1/3 of a share of Worlds Online with all fractional shares rounded up. Worlds Inc. did not want a trading market to develop for our shares until the SEC completed its review of our registration statement on Form 10. Accordingly, the actual distribution of the dividend did not occur until the payment date of March 12, 2012. On May 10, 2012 our stock commenced being quoted on the OTC Bulletin Board. Approximately 23,859,248 shares were issued as part of the dividend distribution and immediately following the distribution Worlds Inc. will continue to own approximately 19.7% of our outstanding shares. Worlds Inc. intends to dispose of its stock in an orderly fashion into the open market or in private sales, in either case in ways designed not to impact the market, but in any event within five years. While it holds any of our shares it will vote them in proportion to the votes by other stockholders.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP"), which contemplates continuation of the Company as a going concern. The Company will require substantial additional funds for development and marketing of its products. There can be no assurance that the Company will be able to obtain the substantial additional capital resources necessary to pursue its business plan or that any assumptions relating to its business plan will prove to be accurate. From inception, the Company Inc. was not able to generate sufficient revenue or obtain sufficient financing which had a material adverse effect on it, including requiring it to reduce operations. These factors raise substantial doubt about the Company's ability to continue as a going concern.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Trading Securities

Trading securities consist of marketing equity securities and are reported at fair value. Unrealized holding gains and losses of trading securities are reported on the statement of operations. Realized holding gains and losses of trading securities are calculated by the specific identification method.

### Cash and Cash Equivalents

Cash and cash equivalents are comprised of highly liquid money market instruments, which have original maturities of three months or less at the time of purchase.

### Revenue Recognition

The Company has the following sources of revenue: (1) consulting/licensing revenue from the performance of development work performed on behalf of the Company, licensing revenue and from the sale of certain software to third parties; and (2) VIP subscriptions to our Worlds Ultimate 3-D Chat service. The Company recognizes revenue when all of the following criteria are met: evidence of an arrangement exists such as a signed contract, delivery has occurred, the price is fixed or determinable, and collectibility is reasonable assured. This will usually be in the form of a receipt of a customer's acceptance indicating the product has been completed to their satisfaction except for development work and service revenue which is recognized when the services have been performed. Deferred revenue represents cash payments received in advance to be recorded as revenue when earned. The corresponding cost associated with those contracts is also deferred as deferred costs until the revenue is ultimately recognized.

### Research and Development Costs

Research and development costs will be charged to operations as incurred.

### Property and Equipment

Property and equipment will be stated at cost. Depreciation will be provided on a straight line basis over the estimated useful lives of the assets ranging from three to five years. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in income. Maintenance and repairs will be charged to expense in the period incurred.

### Impairment of Long Lived Assets

The Company evaluates the recoverability of its fixed assets and other assets in accordance with section 360-10-15 of the FASB Accounting Standards Codification for disclosures about Impairment or Disposal of Long-Lived Assets. Disclosure requires recognition of impairment of long-lived assets in the event the net book value of such assets exceeds its expected cash flows. If so, it is considered to be impaired and is written down to fair value, which is determined based on either discounted future cash flows or appraised values.

### Stock-Based Compensation

The Company accounts for stock-based compensation using the fair value method following the guidance set forth in section 718-10 of the FASB Accounting Standards Codification for disclosure about Stock-Based Compensation. This section requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award- the requisite service period (usually the vesting period). No compensation cost is recognized for equity instruments for which employees do not render the requisite service.

### Income Taxes

The Company accounts for income taxes under Section 740-10-30 of the FASB Accounting Standards Codification. Deferred income tax assets and liabilities are determined based upon differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the consolidated statements of operations in the period that includes the enactment date.

### Deferred Revenue

As part of a debt refinancing in 2000 with Worlds Inc., \$631,950 of debt was renegotiated to deferred revenue representing future services to be provided by the Company. \$355,000 has been amortized into income through December 31, 2010. The balance, \$276,950 had been transferred to the Company. During 2011, \$50,000 had been amortized into income leaving a balance of \$226,950.

### Related Party Transactions

The Company was formed on January 25, 2011 as a wholly-owned subsidiary of Worlds Inc. On May 16, 2011 Worlds Inc. transferred to the Company the majority of its operations and related operational assets, except for its patent portfolio. Worlds Inc. has also given to the Company a perpetual world-wide license to its patented technology. Pursuant to the license, the Company has the right to issue unlimited sublicenses to the licensed technology, subject to World Inc.'s reasonable consent.

The assets transferred to us include: Worlds Inc.'s technology platform, Worlds Ultimate Chat, Aerosmith World, DMC Worlds, Cinema Virtual, Pearson contracts and related revenue, the following URLs: Worlds.com, Cybersexworld.com, Hang.com, and Worldsfunds.com, a digital inventory of over 10,000 3D objects, animation sequences, an extensive avatar library, texture maps and virtual world architectures. None of the transferred assets have any carrying value on the financial statements of the Company.

Account payable related party is comprised of cash payments made by Worlds Inc. on behalf of Worlds Online Inc. for shared operating expenses.

### Comprehensive Income (Loss)

The Company reports comprehensive income and its components following guidance set forth by section 220-10 of the FASB Accounting Standards Codification which establishes standards for the reporting and display of comprehensive income and its components in the consolidated financial statements. There were no items of comprehensive income (loss) applicable to the Company during the period covered in the financial statements.

### Loss Per Share

Net loss per common share is computed pursuant to section 260-10-45 of the FASB Accounting Standards Codification. Basic net loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by dividing net loss by the weighted average number of shares of common stock and potentially outstanding shares of common stock during each period. There were no potentially dilutive shares outstanding as of March 31, 2012.

## Risk and Uncertainties

The Company is subject to risks common to companies in the service and technology industries, including, but not limited to, litigation, development of new technological innovations and dependence on key personnel.

## Recent Accounting Pronouncements

### *Recently issued accounting standards*

The Company has reviewed all recently issued, but not yet effective, accounting pronouncements and does not believe the future adoption of any such pronouncements may be expected to cause a material impact on its consolidated financial condition or the consolidated results of its operations.

In July 2010, the FASB amended the requirements for *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*. As a result of these amendments, an entity is required to disaggregate by portfolio segment or class certain existing disclosures and provide certain new disclosures about its financing receivables and related allowance for credit losses. The new disclosures as of the end of the reporting period are effective for the fiscal year ending December 31, 2010, while the disclosures about activity that occurs during a reporting period are effective for the first fiscal quarter of 2011. The adoption of this guidance will not impact the Company's consolidated results of operations or financial position.

In January 2010, the FASB issued authoritative guidance regarding fair value measures and disclosures. The guidance requires disclosure of significant transfers between level 1 and level 2 fair value measurements along with the reason for the transfer. An entity must also separately report purchases, sales, issuances and settlements within the level 3 fair value roll forward. The guidance further provides clarification of the level of disaggregation to be used within the fair value measurement disclosures for each class of assets and liabilities and clarified the disclosures required for the valuation techniques and inputs used to measure level 2 or level 3 fair value measurements. This new authoritative guidance is effective for the Company in fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The adoption of this guidance will not impact the Company's consolidated results of operations or financial position.

In September 2011, the FASB issued ASU 2011-08 which provides an entity the option to first assess qualitative factors to determine whether it is necessary to perform the current two-step test for goodwill impairment. If an entity believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. The revised standard is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company does not expect that the adoption of this standard will have a material impact on the Company's results of operations, cash flows or financial condition.

In December 2011, FASB issued Accounting Standards Update 2011-11, "Balance Sheet - Disclosures about Offsetting Assets and Liabilities" to enhance disclosure requirements relating to the offsetting of assets and liabilities on an entity's balance sheet. The update requires enhanced disclosures regarding assets and liabilities that are presented net or gross in the statement of financial position when the right of offset exists, or that are subject to an enforceable master netting arrangement. The new disclosure requirements relating to this update are retrospective and effective for annual and interim periods beginning on or after January 1, 2013. The update only requires additional disclosures, as such, the Company does not expect that the adoption of this standard will have a material impact on the Company's results of operations, cash flows or financial condition.



#### NOTE 2 - GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. Worlds Online Inc. has had only minimal revenues from operations, has a negative working capital, has a negative stockholders deficit and negative cash flows from operations. There can be no assurance that the Company will be able to obtain the substantial additional capital resources necessary to fully implement its business plan or that any assumptions relating to its business plan will prove to be accurate. The Company is pursuing sources of additional financing and there can be no assurance that any such financing will be available to the Company on commercially reasonable terms, or at all. Any inability to obtain additional financing will likely have a material adverse effect on the Company, including possibly requiring the Company to reduce and/or cease operations.

These factors raise substantial doubt about the ability of the Company to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

#### NOTE 3 - USE OF EQUITY AS COMPENSATION

During the three months ended March 31, 2012, the Company issued an aggregate of 25,987 shares of common stock as payment for services rendered with an aggregate value of \$14,813.

#### NOTE 4 – DEFERRED REVENUE

Deferred revenue represents advance payments for the license, the design and development of the software, content and related technology for the creation of an interactive, 3D entertainment portal on the internet. During the period herein, no services were provided. The deferred revenue balance is \$226,950.

#### NOTE 5- PROPERTY AND EQUIPMENT

There is no property and equipment on the balance sheet at March 31, 2012. The Company does have property and equipment, however, for accounting purposes, the property and equipment that was transferred was fully depreciated by Worlds Inc. prior to the transfer therefore it has no carrying value to the Company.

## NOTE 6 – STOCK OPTIONS

During the three months ended March 31, 2012, no stock options or warrants were exercised. There are no outstanding warrants as of March 31, 2012.

## Stock Warrants and Options

Stock options outstanding and exercisable as of March 31, 2012 are as follows:

<u>Exercise Price per Share</u>	<u>Shares Under Option/Warrant</u>	<u>Remaining Life in Years</u>
<b>Outstanding</b>		
\$ 0.57	675,000	1.92
\$ 0.57	170,832	1.71
\$ 0.57	33,333	1.59
\$ 0.57	99,999	1.07
\$ 0.57	99,999	0.71
\$ 0.57	166,666	0.50
\$ 0.57	<u>5,000,000</u>	0.46
	<u>6,245,829</u>	
<b>Exercisable</b>		
\$ 0.57	675,000	1.92
\$ 0.57	170,832	1.71
\$ 0.57	33,333	1.59
\$ 0.57	99,999	1.07
\$ 0.57	99,999	0.71
\$ 0.57	166,666	0.50
\$ 0.57	<u>5,000,000</u>	0.46
	<u>6,245,829</u>	

## NOTE 7 - INCOME TAXES

At March 31, 2012, the Company had federal and state net operating loss carry forwards of approximately \$500,000 that expire in 2024.

Due to operating losses, there is no provision for current federal or state income taxes for the period ended March 31, 2012.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for federal and state income tax purposes.

The Company's deferred tax asset at March 31, 2012 consists of a net operating loss calculated using federal and state effective tax rates equating to approximately \$195,000 less a valuation allowance in the amount of approximately \$195,000. Because of the Company's lack of earnings history, the deferred tax asset has been fully offset by a valuation allowance.

The Company's total deferred tax asset as of March 31, 2012 is as follows:

Net operating loss	\$	195,000
Valuation allowance		<u>(195,000)</u>
Net deferred tax asset	<u>\$</u>	<u>—</u>

The reconciliation of income taxes computed at the federal and state statutory income tax rate to total income taxes for

the period ended March 31, 2012 is as follows:

Income tax computed at the federal statutory rate	34%
Income tax computed at the state statutory rate	5%
Valuation allowance	<u>(39%)</u>
Total deferred tax asset	<u><u>0%</u></u>

During the three months ended March 31, 2012, the valuation allowance increased by approximated \$39,000.

## NOTE 8 - TRADING SECURITIES

Marketable equity securities	<u>Cost</u>	<u>Market value</u>	<u>Unrealized Loss</u>
	\$50,000	\$28,000	\$22,000

Fair market measurement at March 31, 2012 were computed using quoted prices in an active market for identified assets, (level 1). The shares were obtained as compensation for performing consulting services.

During the three months ended March 31, 2012 the Company sold 100,000 shares of marketable equity securities for a loss of \$6,523.

The unrealized loss for the three months ended March 31, 2012 is \$19,500 and is included in the Statement of Operations.

## NOTE 9 – RELATED PARTY TRANSACTIONS

Included in the accompanying Balance Sheet at March 31, 2012 is \$56,114 payable to Worlds Inc. for payments made on shared expenses.

## NOTE - 10 COMMITMENTS AND CONTINGENCIES

The Company is committed to an employment agreement with our President and CEO, Thom Kidrin. The agreement was transferred to the Company as part of the operations and related operational assets that was transferred to the Company on May 16, 2011. The agreement, dated as of September 1, 2007, is for five years with a one-year renewal option held by Mr. Kidrin. The agreement provides for a base salary of \$200,000, which increases 10% on January 1 of each year; a monthly car allowance of \$1,000; an annual bonus equal to 2.5% of Pre-Tax Income (as defined in the agreement); an additional bonus as follows: \$75,000, if Pre-Tax Income for the year is between 150% and 200% of the prior fiscal year's Pre-Tax Income or (B) \$100,000, if Pre-Tax Income for the year is between 201% and 250% of the prior fiscal year's Pre-Tax Income or (C) \$200,000, if Pre-Tax Income for the year is 251% or greater than the prior fiscal year's Pre-Tax Income, but in no event shall this additional bonus exceed five (5%) percent of Pre-Tax Income for such year; payment of up to \$10,000 in life insurance premiums; options to purchase 15 million shares of our Worlds Inc. common stock at an exercise price of \$0.05 per share, of which one-third vested on September 4, 2007, one-third vest on August 31, 2008 and the balance vested on August 31, 2009; a death benefit equal to one year of the then base salary and a disability benefit equal to two years of the then base salary; and a payment equal to 2.99 times his base amount (as defined in the agreement) in the event of a Change of Control (as defined in the agreement). The agreement also provides that Mr. Kidrin can be terminated for cause (as defined in the agreement) and that he is subject to restrictive covenants for 12 months after termination.

## **Item 2. Management's Discussions and Analysis of Financial Condition and Results of Operations**

### **Forward Looking Statements**

When used in this form 10-Q and in future filings by the Company with the Commission, the words or phrases such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "will" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Readers are cautioned not to place undue reliance on any such forward looking statements, each of which speak only as of the date made. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. The Company has no obligation to publicly release the result of any revisions which may be made to any forward-looking statements to reflect anticipated or unanticipated events or circumstances occurring after the date of such statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different. These factors include, but are not limited to, changes that may occur to general economic and business conditions; changes in current pricing levels that we can charge for our services or which we pay to our suppliers and business partners; changes in political, social and economic conditions in the jurisdictions in which we operate; changes to regulations that pertain to our operations; changes in technology that render our technology relatively inferior, obsolete or more expensive compared to others; foreign currency fluctuations; changes in the business prospects of our business partners and customers; increased competition, including from our business partners; delays in the delivery of broadband capacity to the homes and offices of persons who use our services; general disruptions to Internet service; and the loss of customer faith in the Internet as a means of commerce.

The following discussion should be read in conjunction with the unaudited financial statements and related notes which are included under Item 1.

We do not undertake to update our forward-looking statements or risk factors to reflect future events or circumstances.

### **Overview**

#### **General**

We are a 3D entertainment portal which leverages its proprietary technology to offer visitors a network of virtual, multi-user environments which we call "worlds". These worlds are visually engaging online environments featuring animation, motion and content where people can come together and, by navigating through the website, shop, interact with others, attend events and be entertained.

Sites using our technology allow numerous simultaneous visitors to enter, navigate and share interactive "worlds". Our 3D Internet sites are designed to promote frequent, repeat and prolonged visitation by users by providing them with unique online communities featuring dynamic graphics, highly useful and entertaining information content, and interactive capabilities. We believe that our sites are highly attractive to advertisers because they offer access to demographic-specific user bases comprised of people that visit the site frequently and stay for relatively long periods of time.

We were formed on January 25, 2011 and effective May 16, 2011 Worlds Inc. transferred to us a substantial portion of its operational assets and granted us a world-wide license to its existing, and future, 3-D related patent portfolio. Accordingly, we have only had operations of our own since May 16, 2011 and therefore no prior year first quarter results are presented. Our fiscal year ends on December 31.

#### **Revenues**

Revenue that was generated resulted from VIP subscriptions to the Worlds Ultimate 3-D Chat service.

#### **Expenses**

We classify our expenses into two broad groups:

- o cost of revenues; and
- o selling, general and administration.

#### **Liquidity and Capital Resources**

We were able to issue equity in 2011 and raise a small amount of capital that enabled us to begin upgrading our technology, develop new products and actively solicit additional business. We continue to pursue additional sources of capital though we have no current arrangements with respect to, or sources of, additional financing at this time and there can be no assurance that any such financing will become available. If we cannot raise additional capital, form an alliance of some nature with another entity, or start to generate sufficient revenues, we may need to scale back operations.

## **RESULTS OF OPERATIONS**

Our net revenues for the three months ended March 31, 2012 was \$190.

### **Three months ending March 31, 2012**

Revenue was \$190 for the three months ended March 31, 2012. Revenue was from VIP subscriptions. We need to raise a sufficient amount of capital to provide the resources required that would enable us to continue running the business.

Cost of revenues for the three months ended March 31, 2012 was \$4,710. This includes software development and hosting fees.

Selling general and administrative (SG&A) was \$35,911 for the three months ended March 31, 2012.

Salaries for the three months ended March 31, 2012 was \$32,210.

Under other expenses for the three months ended March 31, 2012, we had an unrealized loss on the market value of our investment in a publicly traded security of \$19,500 and a realized loss on the sale of publicly traded security of \$6,523.

As a result of the foregoing, for the three months ended March 31, 2012, we realized a net loss of \$98,664.

### **Liquidity and Capital Resources**

Our unrestricted cash and cash equivalents was \$119,102 at March 31, 2012. There were no capital expenditures in the three months ending March 31, 2012.

We were able to issue equity last year and raise a small amount of capital that enabled us to begin upgrading our technology, develop new products and actively solicit additional business. We continue to pursue additional sources of capital though we have no current arrangements with respect to, or sources of, additional financing at this time and there can be no assurance that any such financing will become available. If we cannot raise additional capital, form an alliance of some nature with another entity, or start to generate sufficient revenues, we may need to once again scale back operations.

#### **Item 4. Controls And Procedures**

As of March 31, 2012, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2012. The above statement notwithstanding, you are cautioned that no system is foolproof.

#### **Changes in Internal Control Over Financial Reporting**

During the quarter covered by this report there were no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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



## PART II OTHER INFORMATION

### Item 1. Legal Proceedings.

None

### Item 1A. Risk Factors

We are not obligated to disclose our risk factors in this report, however, limited information regarding our risk factors appears in Part I, Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the caption “Forward-Looking Statements” contained in this Quarterly Report on Form 10-Q, and in “Item 1A. RISK FACTORS” of our From 10 Report on Form 10. There have been no material changes from the risk factors previously disclosed in our Report on Form 10.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosure

Not applicable.

### Item 5. Other Information

None.

### Item 6. Exhibits

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

**SIGNATURES**

In accordance with the requirements of the Exchange Act, the Registrant caused this Report to be signed on its behalf by the undersigned thereto duly authorized.

Date: May 15, 2012

**WORLDS ONLINE INC.**

By: /s/ Thomas Kidrin  
Thomas Kidrin  
President and CEO

By: /s/ Christopher Ryan  
Christopher Ryan  
Chief Financial Officer

**INDEX TO EXHIBITS**

<b>Exhibit No.</b>	<b>Description</b>
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## EXHIBIT 31.1

### Certifications

I, Thomas Kidrin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Worlds Online Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2012

/s/ Thomas Kidrin

Thomas Kidrin

Chief Executive Officer

## EXHIBIT 31.2

### Certifications

I, Christopher J. Ryan, Principal Accounting and Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Worlds Online Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2012

/s/ Christopher J. Ryan

Christopher J. Ryan

Principal Accounting and Financial Officer

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

In connection with the Quarterly Report of Worlds Online Inc. (the "Company") on Form 10-Q for the three months ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas Kidrin, Chief Executive Officer of the Company, certifies, pursuant to 18 U.S.C. 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

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

WORLDS ONLINE INC.

(Registrant)

Date: May 15, 2012

By: /s/ Thomas Kidrin  
Thomas Kidrin

Chief Executive Officer

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

In connection with the Quarterly Report of Worlds Online Inc. (the "Company") on Form 10-Q for the three months ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher J. Ryan, Principal Accounting and Financial Officer of the Company, certifies, pursuant to 18 U.S.C. 1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

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

WORLDS ONLINE INC.

(Registrant)

Date: May 15, 2012

By: /s/ Christopher J. Ryan  
Christopher J. Ryan

Principal Accounting and Financial Officer