

M LINE HOLDINGS, INC. AND SUBSIDIARIES

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M LINE HOLDINGS, INC. AND SUBSIDIARIES

**CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)**

Assets

	As of December 31 2018	As of June 30 2018
Current assets:		
Cash and cash equivalents	\$ 3,689	\$ 527
Accounts receivable, net	579,876	39,500
Inventory, net	119,599	-
Receivables - Other	20,679	-
Current Assets - Discontinued Operations	-	-
	723,843	40,027
Property and equipment, net	222,762	-
Goodwill	1,069,000	
Deposits and other	216,508	212,500
Total assets	\$ 2,232,113	\$ 252,527

Liabilities and stockholders' equity

Current liabilities:		
Accounts payable	\$ 808,078	439,726
Accounts payable - related party	35,954	35,954
Accrued expenses and other	1,045,876	696,415
Litigation payable	287,500	287,500
Line of credit	3,245,030	3,245,030
Acquisition Debt	1,150,000	-
Notes payable - current.	2,159,185	2,135,782
Current portion of capital lease obligations	-	-
Current Liabilities - Discontinued Operations	3,099,590	3,099,590
Total Current Liabilities	11,831,213	9,939,997
Total liabilities	11,831,213	9,939,997
Commitments and contingencies	-	-

M LINE HOLDINGS, INC. AND SUBSIDIARIES

Shareholders' equity:

Preferential Stock at Par value \$0.001 authorized 20,000,000 and 20,000,000 outstanding at December 31, 2018 and June 30, 2018 of which the following series of shares were issued and outstanding:

Series A Preferential stock: 200,000 and 200,000 shares issued and outstanding at December 31, 2018 and June 30, 2018 respectively

200

200

Series B Preferential stock: 10,000,000 and 10,000,000 Shares issued and outstanding at December 31, 2018 and June 30, 2018, respectively.

10,000

10,000

Series J Preferential stock: 100 and 0 shares issued and outstanding at December 31, 2018 and June 30, 2018, respectively.

1

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Common stock: \$0.001 par, 9,000,000,000 shares
authorized, 4,417,952,562 and 2,909,165,639 shares
issued and outstanding at December 31, 2018 and June 30,
2018, respectively

4,417,952

2,909,166

Additional paid in capital

10,972,831

10,972,831

Minority Interest

(87,617)

—

Accumulaated Deficit

(24,912,467)

(23,579,667)

Total shareholders' equity

(9,599,100)

(9,687,470)

Total liabilities and stockholders' deficit

\$ 2,232,113 \$

\$	252,527
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The accompanying notes form an integral part of these unaudited consolidated financial statements

M LINE HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND SIX MONTHS ENDED DECEMBER 31, 2018 AND 2017
(UNAUDITED)

	For the 3 months ended December 31,		For the 6 months ended December 31,	
	2018	2017	2018	2017
Net Sales	\$ 1,238,048	\$ 7,500	\$ 1,268,203	\$ 15,000
Cost of Sales	(686,682)	0	(710,041)	0
Gross Profit	551,366	7,500	558,162	15,000
Operating Expenses:				
Selling, General and Administrative	404,870	45,000	528,325	90,000
Depreciation	4,177	-	8,354	-
Total Operating Expense	409,047	45,000	536,679	90,000
Operating Income and (Loss)	142,319	(37,500)	21,483	(75,000)
Interest Expense	(48,161)	(43,439)	(102,662)	(86,877)
Gain (Loss) on value of investments	-	-	-	-
Loss on debt settlement	(974,535)	-	(1,251,621)	-
Total other income (expenses)	(1,022,696)	(43,439)	(1,354,283)	(86,877)
Income (loss) from continuing operations before income tax	(880,377)		(1,332,800)	(161,877)
Income tax provision		-	-	-
Income (Loss) from continuing operations	(880,377)	(80,939)	(1,332,800)	(161,877)
Minority Interest	(81,103)	-	(87,617)	-
Net Income (Loss)	\$ (961,480)	\$ (80,939)	\$ (1,420,417)	\$ (161,877)
Net Income (Loss) per share:				
Basic and dilutive income (loss) per share:	(0.00)	(0.00)	(0.00)	(0.00)
Continuing operations	(0.00)	(0.00)	(0.00)	(0.00)
Discontinued operations	0.00	0.00	0.00	0.00
Weighted average number of common shares under in per share calculations (basic and diluted)	3,012,507,209	2,404,717,401	3,012,507,209	2,404,717,401

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

M LINE HOLDINGS, INC. AND SUBSIDIARIES

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)**

	Six months ended December 31,	
	2018	2017
Cash flows from operating activities:		
Net Income (loss)	\$ (1,332,800)	\$ (409,884)
Reconciliation of net loss to net cash provided by operations:		
Minority Interest	(87,617)	-
Depreciation	8,354	-
Issuance of shares in debt settlement and services	1,508,786	240,218
Issuance of preferential shares	1	
Debt settlement	-	228,207
Changes in operating assets and liabilities:		
Acquisition debt	1,150,000	
Accounts receivable	(561,055)	(15,000)
Inventory	(119,599)	-
Prepaid expenses and other assets	(4,008)	-
Accounts payable, accrued expenses and other	717,813	(138,207)
	<hr/>	<hr/>
Cash provided by operating activities	1,279,875	(94,666)
Cash used in operating activities of discontinued operations	-	-
Net cash provided by operating activities	<hr/> 1,279,875	<hr/> (94,666)
Cash flows from investing activities:		
Disposals (Acquisition) of property and equipment	(231,116)	-
Acquisition of intangible assets	<hr/> (1,069,000)	<hr/> -
Net cash provided by (used in) investing activities	<hr/> (1,300,116)	<hr/> -
Cash flows from financing activities:		
Net borrowings (repayments) on line of credit	-	-
Proceeds from notes payable	23,403	-
Payments (interest) to notes payable	<hr/> -	<hr/> 94,666
Net cash provided by (used in) financing activities	<hr/> 23,403	<hr/> 94,666
Net increase (decrease) in cash and cash equivalent	3,162	-

M LINE HOLDINGS, INC. AND SUBSIDIARIES

Cash and cash equivalents at beginning of period	<u>527</u>	<u>-</u>
Cash and cash equivalents at end of period	\$ <u>3,689</u>	\$ <u>-</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ <u>-</u>	\$ <u>-</u>
Cash paid for income taxes	\$ <u>-</u>	\$ <u>-</u>
Supplemental disclosure of non-cash financing activity:		
Interest added to principal	102,662	86,877
Shares issued for conversion of debt	1,508,786	240,218

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

M LINE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Organization and Business

Organization and Business

M. Line Holdings, Inc. (“we”, “our”, the “Company”) was incorporated in Nevada on September 24, 1997. The Company and its subsidiaries have been engaged in the following businesses.

- (a) Fifty Five percent (55%) of the Caravel Group LLC was acquired on July 31, 2018. Caravel is engaged in the Beverage Branding and Distribution Industry.
- (b) Fifty Five percent (55%) of Best Choice Food and Beverage, LLC., was acquired on August 7, 2018. Best Choice Food and Beverage, LLC is engaged in the Distribution of Food and Beverage in the Florida area. A further 20% of best Choice Food and Beverage was acquired from another shareholder on September 26, 2018.
- (c) One Hundred Percent of Best Choice Nuts, Candy and Specialties, Inc, was acquired on September 26, 2018. Best Choice distributes, nuts, candy and specialties and beverages in the Florida area.
- (d) Sixty Percent of American Asset Holdings, Inc. was acquired on October 11, 2018. American Asset Holdings repurposes shipping containers into grow pods for cannabis and vegetables.
- (e) One hundred percent of Dimension Beverage Branding, LLC the owner of the TORQUE® brand of energy drinks.
- (f) M Line Machinery Funding, Inc., (M Line Funding) its wholly owned subsidiary, provides advice and support in raising new capital, support of management in relation to financial controls and overall management systems of the business, advice relating to stock listing and reverse mergers.

2. Basis of Presentation and Significant Accounting Policies

Discontinued operations

The Board of Directors of the company have discontinued the operations of Precision Aerospace and Technologies, Inc. (“Precision”) due to TCA Global Credit Master Fund, LLC (“TCA”) taking all the books and records of the Company and removing all of the Inventory and Fixed Assets of the company. As a result of the actions of TCA, prior losses, and the loss of key personnel the Directors concluded that there were no prospects of being able to restructure and getting back to profitability.

Acquisitions

The Caravel Group, LLC (“Caravel”) is a Beverage Branding and distribution company distributing its owned developed brands as well as brands that have been purchased. Although comparatively new, the Company is managed by Jake Nelson and John Giarrante, two industry veterans who bring a combined 35+ years experience in the beverage industry to the team. Their innovative ideas, trend forward thinking and relationships in all channels of the beverage business have them poised for great success. Caravel’s first two drinks are VEA® Proactive Hydration and VEA® Caffeinated Sparkling Water. Both Beverages come in multiple flavors and hit the “bullseye” in the key attributes of successful “Better for You” Beverages- Function, Taste and Price. Caravel’s innovative team will, in the near future, be introducing many more exciting products in the “Better For You” beverage space. In addition, Caravel will be distributing our TORQUE® brand of energy drinks as well as our Coconut water and Aloe Vera drinks that will be distributed in Mexico and South America. Recently Caravel has taken on a new line of imported wine under the “Larry Caputo” brand, our first step into alcoholic beverages.

Best Choice Food and Beverage is a food and beverage distributing company located in and covering the Florida market. Russ Rickon is another industry veteran who brings experience, contacts and a growing business to M Line. Best Choice will supply Caravel’s products

in the Florida marketplace. In addition to distribution, Best Choice will provide substantial test marketing on Caravel’s new product line, prior to a national launch. Florida is an excellent test market for these new products.

M LINE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Best Choice Nuts, Candy and Specialties, Inc. is a snacks, food and beverage distribution Company located in the Florida area. This Company together with best Choice Food and Beverage will enhance the Company's ability to service more locations in Florida with a wider array of products.

American Asset Holdings, Inc. ("AAH") repurposes 40-53 ft. shipping containers into growing pods designed to operate totally "off the grid". These pods will grow Cannabis and vegetables in hot or cold climates with no requirement for utilities as they are equipped with solar and wind power and water extraction equipment.

Basis of Presentation

The financial statements included herein have been prepared without audit. Certain information and footnote disclosure normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While management believes that the procedures followed in preparing these financial statements are reasonable, the accuracy of the amounts are in respects dependent upon the facts that will exist, and procedures that will be accomplished by the Company later in the year. These unaudited financial statements reflect all adjustments, including normal recurring adjustments which, in the opinion of management, are necessary to present the operations and cash flows for the periods presented.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of M Line Holdings, Inc., The Caravel group, LLC, Best Choice Food and Beverage, LLC, Best Choice Nuts, Candy and Specialties, Inc. and American Asset Holdings, Inc., Dimension beverage Branding, LLC and ML Machinery Funding, Inc. Management discontinued the operations of Precision due to the actions of TCA as noted under Discontinued operations above.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of sales and expenses during the reporting period. Significant estimates made by management are, among others, collectability of accounts receivable, litigation, impairment of goodwill, and long-lived assets other than goodwill. Actual results could materially differ from those estimates.

Recent Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new pronouncements that have been issued that might have a material impact on its financial position or results of operations. The latest pronouncements are as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

In May 2011, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) No. 2011-04 (“ASU 2011-04”), “Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.” ASU 2011-04 improves comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. generally accepted accounting principles and International Financial Reporting Standards. ASU 2011-04 clarifies the application of existing fair value measurement requirements including (1) the application of the highest and best use and valuation premise concepts, (2) measuring the fair value of an instrument classified in a reporting entity’s shareholders’ equity, and (3) quantitative information required for fair value measurements categorized within Level 3. ASU 2011-04 also provides guidance on measuring the fair value of financial instruments managed within a portfolio and application of premiums and discounts in a fair value measurement. In addition, ASU 2011-04 requires additional disclosure for Level 3 measurements regarding the sensitivity of fair value to changes in unobservable inputs and any interrelationships between those inputs. The amendments in this guidance are to be applied prospectively and are effective for interim and annual periods beginning after December 15, 2011. The Corporation adopted this standard on March 1, 2012. The adoption of this standard did not have a material effect on the Corporation’s financial statements.

In June 2011, the FASB issued ASU No. 2011-05 (“ASU 2011-05”), “Comprehensive Income (Topic 220): Presentation of Comprehensive Income.” ASU 2011-05 eliminates the option to present components of other comprehensive income as part of the statement of changes in shareholders’ equity and requires the presentation of components of net income and other comprehensive income either in a single continuous statement or in two separate but consecutive statements. The provisions of this guidance are effective for interim and annual periods beginning after December 15, 2011. Effective March 1, 2012, the Corporation adopted the two consecutive statements approach for the presentation of components of net income (loss) and other comprehensive income (loss) and a total for comprehensive income (loss). The Corporation’s Consolidated Financial Statements include the Consolidated Statement of Comprehensive Income as a result of adopting this standard. In February 2013, the FASB issued ASU No. 2013-02 (“ASU 2013-02”), “Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income.” ASU 2013-02 requires entities to disclose additional information about changes in other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income and the income statement line items affected. The provisions of this guidance are effective prospectively for annual and interim periods beginning after December 15, 2012. The Corporation does not expect that the adoption of this standard will have a material effect on its financial statements.

In July 2012, the FASB issued ASU No. 2012-02 (“ASU 2012-02”), “Testing Indefinite-Lived Intangible Assets for Impairment.” ASU 2012-02 gives entities an option to first assess qualitative factors to determine whether the existence of events and circumstances indicate that it is more likely than not that an indefinite-lived intangible asset is impaired. If based on its qualitative assessment an entity concludes that it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount, quantitative impairment testing is required. However, if an entity concludes otherwise, quantitative impairment testing is not required. ASU 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. The Corporation does not expect that the adoption of this standard will have a material effect on its financial statements.

3. Going Concern and Management Plans.

The Company’s consolidated financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, the Company has an accumulated deficit of \$24,912,467 as of December 31, 2018, negative working capital and negative cash flows from operations for the six months ended December 31, 2018.

M LINE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The Company recognizes that the difficulty in raising new funds and the high cost of current funding has and will impact the working capital needs of the Company.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is dependent upon its ability to generate sufficient cash flow to meet its obligations on a timely basis in order to attain profitability.

To date the Company has funded its operations from both internally generated cash flow and external sources. The Company will continue to pursue additional external capitalization opportunities, as necessary, to fund its long-term goals and objectives.

4. Inventories

Inventories are stated at the lower of cost or market, cost being determined using the first in, first out, ("FIFO") method. The company provides inventory reserves for obsolescence and other matters based on management's review of current inventory levels.

	December 31, 2018	June 30, 2018
Finished Goods and Components	\$ 119,599	\$ -
Work in Progress	-	-
	<u>119,599</u>	<u>-</u>

5. Accrued Expenses and Other

Accrued expenses consist of the following at December 31, 2018 and June 30, 2018.

	December 31, 2018	June 30, 2018
Compensation and related benefits	\$ 129,703	\$ 129,703
Audit Fees	-	-
Other	<u>916,173</u>	<u>566,712</u>
	<u>\$ 1,045,876</u>	<u>\$ 696,415</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

6. Capital Leases

At December 31, 2018 and June 30, 2018 there is no leased equipment.

7. Line of Credit

TCA Global Credit Master Fund, LLC:

In April 2013, the Company obtained a line of credit from TCA Global Credit Master Fund, LLC ("TCA") in the amount of \$10 million. As of June 30, 2016, the Company has drawn \$1,700,000 from the line of which \$3,245,030 is outstanding as of June 30, 2018. There is no further communication between the Company and TCA and as a result this number has not changed and stands at \$3,245,030 as of September 30, 2018.

In June 2016, M Line entered into a new agreement with TCA Global Credit Master Fund, LLC. ("TCA"). This agreement provided new working capital for the group as well as dismissed all the legal suits against M Line and rewrote the old note at a lower rate of interest (12%). As a part of the transaction, TCA acquired the inventory subject to current liens.

As a part of the negotiation and the agreed updated terms of the new agreement, M Line had negotiated and signed a Letter of Intent to acquire a Company in the aerospace industry. Even though M Line was negotiating with other lenders, TCA offered a quick and affordable funding solution for that acquisition. The intent was that the acquisition would be placed in a special purpose corporation and would be managed by the M Line COO with M Line owning some shares in the Company and over time as the capital for the acquisition was repaid, the majority of the shares in that acquisition would revert back to M Line. There were a number of benefits to the acquisition; i, Revenues in the first year of approximately \$6 million per annum, ii. Net profit in the 20-25% range, iii. M Line would through its Precision Aerospace and Technologies, Inc. subsidiary would manufacture aerospace parts for that acquisition thereby increasing the overall profit of both companies. The acquisition was profitable, had a significant backlog and the purchase price based on estimates was less than two years purchase of the EBITDA. TCA did not honor its agreements with M Line and closed this transaction in September 2016 but TCA never honored any of their agreements with M Line.

In addition, as a part of this transaction, it was agreed that TCA would have control of the Board of Directors and two new Board members were appointed and resignations were obtained from two of M Line's current Board members. Furthermore, the CFO was also asked to resign and stay on as controller. TCA took full management control of M Line.

In October 2016, TCA, without just cause, fired M Line's COO from his position in the Company however the COO still remained a board member. At that time without the legal authority, TCA took complete control of the business, changed the locks on the building and proceeded to remove assets including equipment and tooling, furniture, computers and servers as well as paperwork from the building and proceeded to shut down the aerospace business.

In January 2017, the prior COO obtained possession of the building again, and it was discovered that TCA had no authority, from the Board or CEO of the Company, to remove the assets and paperwork from the building. Unfortunately, with the removal of the tooling, manufacturing software and equipment as well as the computers and paperwork it was impossible to restart the aerospace business. In February 2017, the two TCA appointed Directors resigned having recognized that actions taken by TCA that dramatically impacted M Line's ability to operate its business were taken without Board approval. During the month of February, TCA did return some of the missing tooling as it was another lender's security but to date has never returned the paperwork, computers and servers, some of the equipment and furniture. In May 2017 an auction was held selling all of the remaining equipment and the funds paid down the debt holder.

M LINE HOLDINGS, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

Since the middle of 2017 there has been no communication between TCA and the Company regarding this matter however TCA still operates the proposed acquisition which continues to grow and is very profitable.

8. Notes Payable:

Notes payable as of December 31, 2018 and June 30, 2018 consist of:

	<u>December 31, 2018</u>	<u>June 30, 2018</u>
CONVERTIBLE NOTES (DERIVATIVE).		
One unsecured 5% convertible notes payable to a financial institution due March 4, 2015. This note can be converted to common stock at 55% of the lowest closing price in the 20 trading days prior to conversion.	\$ 914,539	\$ 813,554
Two unsecured 8% convertible notes payable in the sum of \$110,751 to a financial institution due February 12, 2015. These notes can be converted to common stock after 180 days from the date of issuance at 55% of the lowest closing price in the last 7 trading days prior to conversion.	53,456	51,400
An unsecured 12% convertible note payable to a financial institution due January 31, 2015. This note can be converted to common stock at 55% of the lowest price in the 5 trading days prior to conversion.	17,236	16,260
An unsecured 12% convertible note payable to a financial institution due February 12, 2016. This note can be converted to common stock at \$0.0235 or 60% of the lowest closing price in the last 25 trading days prior to conversion.	60,626	57,194

M LINE HOLDINGS, INC. AND SUBSIDIARIES

Two unsecured convertible notes payable in the sum of \$110,674 to a financial institution with \$50,000 due on February 6, 2015 and \$55,674 due on May 30, 2015. These notes can be converted to company stock after 180 days from the date of issuance at 55% if the lowest closing price in the last 7 to 10 trading days prior to conversion.

18,646 17,758

Two unsecured 8% convertible notes payable to a financial institution both due May 30, 2015. These notes can be converted to common stock after 180 days of the issuance at 55% of the lowest closing price in the last 10 trading days prior to conversion.

179,687 172,776

Four unsecured convertible notes with interest ranging from 8% to 12% payable to a financial institution with \$50,000 due April 25, 2015, \$75,000 due on December 25, 2014, \$125,662 due on October 3, 2014 and \$37,500 due on February 18, 2015. These notes can be converted to common stock after maturity date at 40% - 55% of the lowest closing price in the last 10 to 20 trading days prior to conversion.

316,188 298,291

Three unsecured 8% convertible notes payable in the sum of \$160,674 to a financial institution with \$50,000 due on February 6, 2015 and \$110,674 due on June 10, 2015. These notes can be converted to common stock after 180 days from the date of issuance at 50% - 55% of the lowest closing price in the last 7 to 15 trading days prior to conversion.

94,186 90,563

An unsecured 8% convertible note payable to a financial institution due on June 10, 2015. This note can be converted to common stock after 180 days from the date of issuance at 55% of the lowest closing price in the last 10 trading days prior to conversion.

65,505 62,986

M LINE HOLDINGS, INC. AND SUBSIDIARIES

An unsecured 10% convertible note payable to a financial institution due on May 12, 2014. This note can be converted to common stock at any time after issuance of note at the lessor of \$0.026 or a 30% discount from the lowest closing bid price in the 10 trading days prior to date holder requests conversion.

26,250 25,000

An unsecured 10% convertible note payable to a financial institution due on June 16, 2017. This note can be converted to common stock at any time after issuance of note at the lessor of \$0.026 or a 50% discount from the lowest closing bid price in the 10 trading days prior to date holder requests conversion.

312,866 530,000

An unsecured 10% convertible note payable to an individual due on demand. This note can be converted to common stock at any time after issuance of note by lessor of \$0.026 or a 50% discount from the lowest closing bid price in the 10 trading days prior to date the holder requests conversion.

100,000 -

TOTAL

2,159,185 2,135,782

Less Current Portion

(2,159,185) (2,135,782)

Long Term Portion

\$ - \$ -

2019 - -

2020 - -

2021 - -

2022 - -

Thereafter - -

- -

Interest has been accrued on our convertible debt for the period ending December 31, 2018 and has been provided in these financial statements.

M LINE HOLDINGS, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

9. Litigation Payable

	December 31,2018	June 30,2018
An unsecured note payable to a corporation in settlement of a lawsuit.	\$ 210,000	210,000
Unsecured notes payable to various parties in settlement of lawsuits payable in full.	77,500	77,500
TOTAL	\$ <u>287,500</u>	<u>287,500</u>

10. Commitments and Contingencies

Leases

At December 31, 2018 and June 30, 2018, the Company operated from a virtual office and does not pay any rent.

11. Litigation.

The Company's existing litigation proceedings are set forth below:

1. *Donald Yu v. M Line Holdings, Inc., et al.; Case No. 30-2012-00574019-CU-BC-CJC*

This is an employment dispute asserted by a former employee against M Line Holdings and two corporate insiders, Jitu Banker and Anthony Anish, in their respective individual capacities. The action was filed in Orange County Superior Court on June 4, 2012. The parties entered into a settlement agreement and stipulation for judgment against M Line Holdings, only, on about May 12, 2013. Pursuant to the terms and conditions of the settlement agreement, M Line agreed to pay \$21,450.00 in three (3) equal installments. M Line Holdings failed to make payment on a timely basis, and plaintiff filed a stipulated judgment against M Line Holdings on June 12, 2013. Plaintiff also filed default judgments against Messrs. Banker and Anish.

In response, defendants filed a motion to set aside the defaults and vacate the default judgments against Messrs. Banker and Anish as well as renegotiate the terms of the prior settlement with Plaintiff. On or about September 30, 2013, the parties entered into a supplemental settlement agreement and mutual release wherein the Company agreed to pay plaintiff the sum of \$24,000 in two (2) equal installments. The first installment of \$12,000 has already been paid.

The final installment of \$12,000 was due on or before October 30, 2013, and has not been paid at this time. A judgment remains outstanding against the Company in the sum of \$12,000 as of December 31, 2018.

M LINE HOLDINGS, INC. AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

2. Can Capital Asset Servicing, Inc. v. E.M. Tool Company, Inc., et al.; Case No. 30-2014-00727606- CU-CL-CJC

This is a breach of contract and related claims arising out of a business loan that alleges that E.M. Tool failed to pay Can Capital all amounts due under the loan agreement in the principal sum of \$58,313, plus interest, costs and attorneys' fees.

On or about November 2014, the parties entered into a settlement agreement and stipulated judgment. Pursuant to the terms and conditions of the settlement agreement, the Company agreed to pay plaintiff the sum of \$50,000 in installments on or before May 15, 2015.

As of May 13, 2015, the defendants have made partial payments, and still owe plaintiff \$25,500. Plaintiff provided notice of its intent to file the stipulated judgment on May 7, 2015, and commence collection efforts if payment of \$10,000 is not paid prior thereto and those payments have been made. Since May, a payment of \$1,500 has been made. The balance as of August 17, 2015 and as at December 31, 2018 is \$24,000.

3. Fadal Machining v. All American CNC Sales, et al., Los Angeles Superior Court, Los Angeles, California, Case No. BC415693.

The Complaint was filed on June 12, 2009.

The Complaint alleges causes of action for breach of contract and common counts against All American CNC seeking damages in the amount of at least \$163,579 and arises from a claim by Fadal that All American failed to pay amounts due. On June 26, 2009, Fadal amended the complaint to include M Line Holdings, Inc. as a defendant.

A settlement agreement in the amount of \$60,000 was signed on May 31, 2011.

The Company had made a provision in the sum of \$210,000 in the financial statements as of September 30 and June 30, 2014 as no payments that were due under the settlement agreement have been made. Judgment was entered on June 16, 2011, and a Writ was issued on February 24, 2012. The balance outstanding as of December 31, 2018 is \$210,000.

4. C. William Kircher Jr. v. M Line Holdings, Inc. Orange County Superior Court Case No. 00397576

A former attorney for M Line Holdings, Inc. has sued seeking damages for failure to pay legal fees in the amount of \$120,166.

The parties reached a settlement. The terms of the settlement call for 12 payments of \$5,000 per month commencing August 25, 2011 and the issuance of 150,000 shares of common stock. The Company has issued the 150,000 shares of common stock and made two payments to date. The Company has a provision in the sum of \$50,000 in the financial statements as of December 31, 2018 and June 30, 2018.

The Company currently is in default of its payment obligations under the settlement. Plaintiff currently is seeking to obtain a judgment as a result of the breach of the settlement agreement.

5 Timothy D. Consalvi v. M Line Holdings, Inc. et.al., Orange County Superior Court Case No. 00308489.

A former president of All American CNC Sales, Inc. has filed suit against the Company seeking payment on an alleged severance obligation by the Company. The Complaint does not specify the damages sought. The parties then reached a settlement in the principal sum of \$40,000 to be documented in due course. Meanwhile a default was entered against the Company, which management believes was in error because a settlement was already reached by the principal

M LINE HOLDINGS, INC. AND SUBSIDIARIES

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parties involved. The default has since been vacated, and the Company has answered the complaint and has filed a motion for leave to file a cross complaint.

A settlement of \$50,000 was reached in this case, requiring payments commencing on March 11, 2011 for 10 months. The first two month's payments were made; however, the Company currently is in default of the terms of this settlement agreement. Mr. Consalvi filed his stipulated judgment on March 5, 2012. Abstract of judgment and Writ were issued on March 13, 2012.

A provision in the sum of \$40,000 has been made in the financial statements as of December 31, 2018 and June 30, 2018.

To date there has been no further action on this case,

6. TCA Global Credit Master Fund, L.P. vs M Line Holdings, Inc. EM Tool Company, Inc. dba Elite Machine Tool, Precision Aerospace and Technologies, Inc., Anthony Anish and Jitendra Banker case # CACE-14-012871

Plaintiff filed this case on July 1, 2014 in Broward County, Florida.

The complaint alleges that the Company owes the Plaintiff the amount due under the revolving note, and is claiming foreclosure of the collateral, breach of the credit agreement and a claim against the individuals under the validity agreement due to the non-payment.

The Plaintiff obtained a default judgment however due to a settlement agreement reached on September 5, 2014 ceased any further legal activity. The Defendants were unable to honor the agreement and Plaintiff continued to obtain sister state judgments in California and Nevada.

In June 2016 a agreement was reached between the parties under which plaintiff agreed to dismiss the current action and rewrite the loan. The loan was written at a lower rate of interest. Further details are included in the subsequent events section.

The Company has accrued \$2,786,030 and 2,633,030 in the financial statements that includes all interest and fees due to Plaintiff through December 31, and June 30, 2015.

Due to the loss of documentation that was removed from the building by a lender (see the going concern and subsequent events notes) it is possible that there is litigation that is not included in this list.

The Company has accrued \$3,245,030 and 3,245,030 in the financial statements that includes all interest and fees due to Plaintiff through December 31, 2018 and June 30, 2018.

Litigation is subject to inherent uncertainties, and unfavorable rulings could occur. If an unfavorable ruling were to occur in any of the above matters, there could be a material adverse effect on the Company's financial condition, results of operations or liquidity.

The related provisions for these litigations are reported under litigation payable, accounts payable and accrued expenses and other in the consolidated balance sheets.

All documents and files relating to lawsuits were removed by TCA.

M LINE HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

12. Shareholder's Equity

The Company's articles of incorporation authorize up to 9,000,000,000 shares of common stock with a \$0.001 par value. Shares of common or preferential stock may be issued in one or more classes or series at such time as the Board of Directors determine.

The Company's articles of incorporation authorize up to 20,000,000 shares of \$0.001 par value preferred stock.

The Company designated 200,000 shares as Series A preferred shares. The Series A preferred shares are not entitled to dividends but are convertible to common shares of the Company.

The Company designated 10,000,000 shares as Series B preferred shares. The Series B preferred shares are entitled to vote 50% of the common stock of the Company but are not entitled to dividends and cannot be converted to common shares of the Company.

The Company designated 100 shares as Series J preferred shares. The Series J preferred shares are entitled to vote and to dividends and are convertible to common shares of the Company.

During the six months ended December 31, 2018, the Company issued the following shares of common stock:

1,508,786,923 common shares were issued in settlement of debt of the company. The company valued these shares at the conversion discounted price to the convertible note holders on the date of issuance of these shares.

13. Fair Value of Financial Investments

The management has not provided for a valuation of the derivative financial instruments and the provision for derivative liability has been written back in these financial statements.

14. Subsequent Events

1. In January 2019, the Company increased its authorized Common Stock of the Company to Eleven Billion shares
2. In February 2019, the Company closed its acquisition of 38.5 acres of land and three restaurants in Arizona. The purchase price was \$3,625,000 less mortgages of \$891,000 paid in cash and stock