

# Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

## The Metal Arts Company, Inc.

420 Lexington Avenue, Suite 300, New York, NY 10170

(212) 479-2580

SIC Code: 3999

### **Quarterly Report** **For the Period Ending: December 31, 2021** **(the "Reporting Period")**

As of December 31, 2021, the number of shares outstanding of our Common Stock was:

82,512,793

As of September 30, 2021, the number of shares outstanding of our Common Stock was:

14,620,802

As of June 30, 2021, the number of shares outstanding of our Common Stock was:

14,670,802

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes:  No:

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes:  No:

Indicate by check mark whether a Change in Control<sup>1</sup> of the company has occurred over this reporting period:

Yes:  No:

<sup>1</sup> "Change in Control" shall mean any events resulting in:

- (i) Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
- (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

**1) Name and address(es) of the issuer and its predecessors (if any)**

In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the dates of the name changes.

The Metal Arts Company, Inc.

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

State of Incorporation: New York  
Standing: Active

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

None

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

On October 25, 2021, The Metal Arts Company, Inc. (the Company") entered into and closed a Securities Purchase Agreement ("SPA") with Trust Consulting, Inc., a company incorporated under the laws of South Korea and a wholly-owned subsidiary of the Company ("TCI"). Immediately following the closing of the SPA, TCI, Medium, Inc., a company incorporated under the laws of South Korea ("Medium"), and the Company closed a Share Exchange Agreement (the "Agreement"), dated October 25, 2021. Pursuant to the Agreement, TCI assigned all of the MTRT Shares to the shareholders of Medium ("Medium Shareholders") in exchange for all of the issued shares Medium owned by the Medium Shareholders. As the result of the Share Exchange, Medium became a wholly-owned subsidiary of TCI and an indirect subsidiary of MTRT. A merger transaction between TCI and Medium is planned to take place in early 2022, with Medium as a surviving company.

The address(es) of the issuer's principal executive office:

420 Lexington Avenue, Suite 300, New York, NY 10170

The address(es) of the issuer's principal place of business:

*Check box if principal executive office and principal place of business are the same address:*

\_\_\_\_\_

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

Yes:  No:

If this issuer or any of its predecessors have been the subject of such proceedings, please provide additional details in the space below:

None

**2) Security Information**

Trading symbol: MTRT  
 Exact title and class of securities outstanding: Common Stocks  
 CUSIP: 591052 10 5  
 Par or stated value: \$0.01  
  
 Total shares authorized: 2,000,000,000 as of date: December 31, 2021  
 Total shares outstanding: 82,512,793 as of date: December 31, 2021  
 Number of shares in the Public Float<sup>2</sup>: 5,925,703 as of date: December 31, 2022  
 Total number of shareholders of record: 523 as of date: December 31, 2022

*All additional class(es) of publicly traded securities (if any):*

Trading symbol: \_\_\_\_\_  
 Exact title and class of securities outstanding: \_\_\_\_\_  
 CUSIP: \_\_\_\_\_  
 Par or stated value: \_\_\_\_\_  
 Total shares authorized: \_\_\_\_\_ as of date: \_\_\_\_\_  
 Total shares outstanding: \_\_\_\_\_ as of date: \_\_\_\_\_

Transfer Agent

Name: Olde Monmouth Stock Transfer Co., Inc.  
 Phone: (732) 872-2727  
 Email: matt@oldemonmouth.com  
 Address: 200 Memorial Parkway, Atlantic Highlands, NJ 07716

Is the Transfer Agent registered under the Exchange Act?<sup>3</sup> Yes:  No:

**3) Issuance History**

The goal of this section is to provide disclosure with respect to each event that resulted in any direct changes to the total shares outstanding of any class of the issuer’s securities **in the past two completed fiscal years and any subsequent interim period.**

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

**A. Changes to the Number of Outstanding Shares**

Check this box to indicate there were no changes to the number of outstanding shares within the past two completed fiscal years and any subsequent periods:

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<sup>2</sup> “Public Float” shall mean the total number of unrestricted shares not held directly or indirectly by an officer, director, any person who is the beneficial owner of more than 10 percent of the total shares outstanding (a “control person”), or any affiliates thereof, or any immediate family members of officers, directors and control persons.

<sup>3</sup> To be included in the Pink Current Information tier, the transfer agent must be registered under the Exchange Act.

Shares Outstanding as of Second Most Recent Fiscal Year End: <u>Opening Balance</u>			*Right-click the rows below and select "Insert" to add rows as needed.						
Date <u>6/30/2021</u> Common: <u>14,670,802</u> Preferred: <u>None</u>									
Date of Transaction	Transaction type (e.g. new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).	Reason for share issuance (e.g. for cash or debt conversion) - OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
<u>8/26/2021</u>	<u>Cancellation</u>	<u>50,000</u>	<u>Common</u>	<u>\$0.01</u>	<u>No</u>	<u>The Metal Arts Company, Inc.</u>			
<u>10/26/2021</u>	<u>New issuance</u>	<u>67,891,991</u>	<u>Common</u>	<u>\$0.01</u>	<u>Yes</u>	<u>Trust Consulting, Inc.</u>	<u>Cash</u>	<u>Restricted</u>	
<u>10/26/2021</u>	<u>New issuance</u>	<u>3,500,000</u>	<u>Series A Preferred</u>	<u>\$0.01</u>	<u>No</u>	<u>Trust Consulting, Inc.</u>	<u>Cash</u>	<u>Restricted</u>	
Shares Outstanding on Date of This Report: <u>Ending Balance:</u>									
Date <u>12/31/2021</u> Common: <u>82,512,703</u> Preferred: <u>3,500,000</u>									

**Example:** A company with a fiscal year end of December 31<sup>st</sup>, in addressing this item for its quarter ended June 30, 2021, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2019 through June 30, 2021 pursuant to the tabular format above.

Use the space below to provide any additional details, including footnotes to the table above:

On October 25, 2021, The Metal Arts Company, Inc. (the Company) entered into and closed a Securities Purchase Agreement ("SPA") with Trust Consulting, Inc., a company incorporated under the laws of South Korea and a wholly-owned subsidiary of the Company ("TCI"). Pursuant to the SPA, the Company issued an aggregate of 67,891,991 shares of common stock of the Company, par value \$0.01 ("MTRT Common Stock," and 3,500,000 shares of Series A Preferred Stock, par value of \$0.01 ("MTRT Series A Preferred," and together with MTRT Common Stock, the "MTRT Shares") for an aggregate purchase price of \$713,919.91, or \$0.01 per MTRT Common Stock and \$0.01 per MTRT Series A Preferred.

Immediately following the closing of the SPA, TCI, Medium, Inc., a company incorporated under the laws of South Korea ("Medium"), and the Company closed a Share Exchange Agreement (the "Agreement"), dated October 25, 2021. Pursuant to the Agreement, TCI assigned all of the MTRT Shares to the shareholders of Medium ("Medium Shareholders") in exchange for all of the issued shares Medium owned by the Medium Shareholders.

Immediately Following the Share Exchange, Medium became a wholly-owned subsidiary of TCI and an indirect subsidiary of MTRT, and Medium Shareholders collectively own approximately 90.71% of the Company's outstanding common stock and 100% of the Company's outstanding Series A Preferred Stock.

## B. Debt Securities, Including Promissory and Convertible Notes

Use the chart and additional space below to list and describe all outstanding promissory notes, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities.

Check this box if there are no outstanding promissory, convertible notes or debt arrangements:

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder (entities must have individual with voting / investment control disclosed).	Reason for Issuance (e.g. Loan, Services, etc.)
<u>9/1/2021</u>	<u>\$141,799.03</u>	<u>\$140,932.03</u>	<u>\$867.00</u>	<u>8/31/2025</u>	<u>NA</u>	<u>Medium, Inc.</u>	<u>_____</u>
<u>8/24/2020</u>	<u>\$2,739,710</u>	<u>\$2,699,283</u>	<u>\$40,427</u>	<u>12/1/2022</u>	<u>NA</u>	<u>JH Lee (Individual)*</u>	<u>Loan</u>
<u>12/8/2021</u>	<u>\$366,400</u>	<u>\$364,403</u>	<u>\$1,997</u>	<u>12/7/2022</u>	<u>NA</u>	<u>KW Paik (Individual)*</u>	<u>Loan</u>
<u>10/8/2021</u>	<u>\$852,562</u>	<u>\$843,526</u>	<u>\$9,036</u>	<u>10/7/2022</u>	<u>NA</u>	<u>CS Choi (Individual)*</u>	<u>Loan</u>
<u>12/6/2021</u>	<u>\$423,517</u>	<u>\$421,763</u>	<u>\$1,754</u>	<u>12/5/2022</u>	<u>NA</u>	<u>DH Yang (Individual)*</u>	<u>Loan</u>

Use the space below to provide any additional details, including footnotes to the table above:

\* Loan to Medium, Inc from individuals listed.

#### 4) Financial Statements

A. The following financial statements were prepared in accordance with:

- U.S. GAAP  
 IFRS

B. The financial statements for this reporting period were prepared by (name of individual)<sup>4</sup>:

Name: **Yunho Chung**  
Title: **CFO**  
Relationship to Issuer: **Officer**

Provide the financial statements described below for the most recent fiscal year or quarter. For the initial disclosure statement (qualifying for Pink Current Information for the first time) please provide reports for the two previous fiscal years and any subsequent interim periods.

<sup>4</sup> The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS by persons with sufficient financial skills.

- C. Balance Sheet;
- D. Statement of Income;
- E. Statement of Cash Flows;
- F. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- G. Financial notes; and
- H. Audit letter, if audited

You may either (i) attach/append the financial statements to this disclosure statement or (ii) file the financial statements through OTCIQ as a separate report using the appropriate report name for the applicable period end. ("Annual Report," "Quarterly Report" or "Interim Report").

If you choose to publish the financial statements in a separate report as described above, you must state in the accompanying disclosure statement that such financial statements are incorporated by reference. You may reference the document(s) containing the required financial statements by indicating the document name, period end date, and the date that it was posted to OTCIQ in the field below. Financial Statements must be compiled in one document.

**The consolidated financial statements for the quarter ended December 31, 2021, are attached hereto.**

Financial statement information is considered current until the due date for the subsequent report (as set forth in the qualifications section above). To remain qualified for Current Information, a company must post its Annual Report within 90 days from its fiscal year-end date and Quarterly Reports within 45 days of each fiscal quarter-end date.

**5) Issuer's Business, Products and Services**

The purpose of this section is to provide a clear description of the issuer's current operations. In answering this item, please include the following:

- A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

The Metal Arts Company Inc. has its general office and R&D center located in Seoul, South Korea.

- B. Please list any subsidiaries, parents, or affiliated companies.

Subsidiaries:

1. Direct subsidiary - Trust Consulting, Inc., a privately held corporation in South Korea
2. Indirect subsidiary - Medium, Inc. a privately held corporation in South Korea

Affiliated companies:

1. Medium Holdings, Inc., a privately held corporation in South Korea
2. Medium Games, Inc., a privately held corporation in South Korea
3. GenNBio, Inc., a privately held corporation in South Korea
4. Midas Partners Group, Inc., a privately held corporation in South Korea
5. Mergerity, Co. Ltd, a privately held corporation in South Korea

- C. Describe the issuers' principal products or services.

The Metal Arts Company Inc. is a leader in providing high-performance blockchain core technology in South Korea. The company's core processor MxP (Medium eXPress engine) was certified at 14,142 TPS which is the fastest blockchain processing speed recorded. Applying its cutting-edge technology, the company provides ultra-high speed performance networks with great stability to support a wide range of B2B and B2C services including finance (DeFi, Digital Asset Custody), games, social VR, digital contents, entertainment, and more.

## 6) Issuer's Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

Please see the attached Notes to the Consolidated Financial Statements page 14 through page 16.

## 7) Company Insiders (Officers, Directors, and Control Persons)

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.

Using the tabular format below, please provide information, as of the period end date of this report, regarding any person or entity owning 5% or more of any class of the issuer's securities, as well as any officer, and any director of the company, or any person that performs a similar function, regardless of the number of shares they own. **If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity in the note section.**

Name of Officer/Director or Control Person	Affiliation with Company (e.g. Officer Title /Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
<u>PAN JONG</u> <u>KIM</u>	<u>Chairman,</u> <u>CEO,</u> <u>President and</u> <u>Director</u>	<u>Seoul,</u> <u>South</u> <u>Korea</u>	<u>None</u>			

<u>YUNHO CHUNG</u>	<u>VP, CFO, Secretary and Director</u>	<u>Seoul, South Korea</u>	<u>10,372,889</u>	<u>Common</u>	<u>12.57%</u>	<u>Yunho Chung owns 30% of Medium Holdings, Inc. Consists of (i) 10,372,889 shares of common stock owned by Medium Holdings, Inc., and (ii) 534,748 shares of Series A Preferred Stock owned by Medium Holdings, Inc.</u>
			<u>534,748</u>	<u>Series A Preferred</u>	<u>15.27%</u>	
<u>MEDIUM HOLDINGS, INC.</u>	_____		<u>34,576,297</u>	<u>Common</u>	<u>41.90%</u>	<u>Medium Holdings, Inc. is controlled by Jinho Lee. He can be reached at 158, Seongbok 2-ro, Suji-gu, Yongin-si, Gyeonggi-do, South Korea</u>
			<u>1,782,494</u>	<u>Series A Preferred</u>	<u>50.93%</u>	
<u>MEDIUM GAMES, INC.</u>			<u>15,156,088</u>	<u>Common</u>	<u>18.37%</u>	<u>Medium Games, Inc. is controlled by Jinho Lee. He can be reached at 158, Seongbok 2-ro,</u>

			<u>781,334</u>	<u>Series A Preferred</u>	<u>22.32%</u>	Suji-gu, Yongin-si, Gyeonggi-do, South Korea
<u>GENNBIO, INC.</u>			<u>4,051,910</u>	<u>Common</u>	<u>4.91%</u>	<u>Gennbio, Inc. is controlled by Sung Joo Kim. He can be reached at 118, Eonju-ro, Gangnam-gu, Seoul, South Korea</u>
			<u>208,886</u>	<u>Series A Preferred</u>	<u>5.97%</u>	
<u>JOOHYUN LEE</u>		<u>Seoul, South Korea</u>	<u>3,079,451</u>	<u>Common</u>	<u>3.73%</u>	
			<u>158,753</u>	<u>Series A Preferred</u>	<u>4.54%</u>	
<u>TAE WOON YOON</u>		<u>Seoul, South Korea</u>	<u>2,341,086</u>	<u>Common</u>	<u>2.84%</u>	
			<u>120,689</u>	<u>Series A Preferred</u>	<u>3.45%</u>	
<u>MIDAS PARTNERS GROUP, INC</u>			<u>1,350,637</u>	<u>Common</u>	<u>1.64%</u>	<u>Midas Partners Group, Inc. is controlled by Seok Hyun Seo. He can be reached at No.101, 253, UN village-gil, Yongsan-gu, Seoul, South Korea</u>
			<u>69,629</u>	<u>Series A Preferred</u>	<u>1.99%</u>	
<u>OSIL JOUNG</u>		<u>Gimpo-si, Gyeonggi-do, South Korea</u>	<u>1,080,509</u>	<u>Common</u>	<u>1.31%</u>	
			<u>55,703</u>	<u>Series A Preferred</u>	<u>1.59%</u>	

<u>HAKSUN LIM</u>		<u>Seoul, South Korea</u>	<u>1,080,509</u>	<u>Common</u>	<u>1.31%</u>	
			<u>55,703</u>	<u>Series A Preferred</u>	<u>1.59%</u>	
<u>NAKHYUN KANG</u>		<u>Seoul, South Korea</u>	<u>1,080,509</u>	<u>Common</u>	<u>1.31%</u>	
			<u>55,703</u>	<u>Series A Preferred</u>	<u>1.59%</u>	
<u>TAEHOON KIM</u>		<u>Daegu, South Korea</u>	<u>910,707</u>	<u>Common</u>	<u>1.10%</u>	
			<u>46,949</u>	<u>Series A Preferred</u>	<u>1.34%</u>	
<u>TAEYUN KIM</u>		<u>Daegu, South Korea</u>	<u>910,707</u>	<u>Common</u>	<u>1.10%</u>	
			<u>46,949</u>	<u>Series A Preferred</u>	<u>1.34%</u>	
<u>HOMOON KANG</u>		<u>Seoul, South Korea</u>	<u>630,315</u>	<u>Common</u>	<u>0.76%</u>	
			<u>32,494</u>	<u>Series A Preferred</u>	<u>0.93%</u>	
<u>KIWOON BAIK</u>		<u>Seoul, South Korea</u>	<u>11,048,207</u>	<u>Common</u>	<u>13.39%</u>	<u>Kiwoon Baik owns 30% of Medium Holdings, Inc. Consists of (i) 675,318 shares of common stock, (ii) 34,814 shares of Series A Preferred Stock, (iii) 10,372,889 shares of common stock owned by Medium Holdings, Inc. and (iv) 534,748 shares of Series</u>
			<u>569,562</u>		<u>16.27%</u>	

				<u>Series A Preferred</u>		<u>A Preferred Stock owned by Medium Holdings, Inc. For Medium Holdings, Inc.</u>
<u>JINHO LEE</u>		<u>Yongin-si, Gyeonggi-do, South Korea</u>	<u>24,439,781</u>	<u>Common</u>	<u>29.62%</u>	<u>Jinho Lee owns 40% of Medium Holdings, Inc. and 70% of Medium Games, Inc. Consists of (i) 13,830,519 shares of common stock owned by Medium Holdings, Inc., (ii) 10,609,262 shares of common stock owned by Medium Games, Inc., (iii) 712,998 shares of Series A Preferred Stock owned by Medium Holdings, Inc., and (iv) 546,934 shares of Series A Preferred Stock owned by Medium Holdings, Inc. For Medium Holdings, Inc. and Medium Games, Inc.</u>
			<u>1,259,932</u>	<u>Series A Preferred</u>	<u>36.00%</u>	

<u>DAEHUN YANG</u>		<u>Seoul, South Korea</u>	<u>2,543,540</u>	<u>Common</u>	<u>3.08%</u>	<u>Daehun Yang owns 15% of Medium Games, Inc. Consists of (i) 270,127 shares of common stock, (ii) 13,926 shares of Series A Preferred Stock, (iii) 2,273,413 shares of common stock owned by Medium Games, Inc., and (iv) 117,200 shares of Series A Preferred Stock owned by Medium Games, Inc.</u>
			<u>131,126</u>	<u>Series A Preferred</u>	<u>3.75%</u>	
<u>HYUNGSUB SHIN</u>		<u>Gwangmyeong-si, Gyeonggi-do, South Korea</u>	<u>2,273,413</u>	<u>Common</u>	<u>2.76%</u>	<u>Hyungsub Shin owns 15% of Medium Games, Inc. Consists of (i) 2,273,413 shares of common stock owned by Medium Games, Inc., and (ii)</u>

			<u>117,200</u>	<u>Series A Preferred</u>	<u>3.35%</u>	<u>117,200 shares of Series A Preferred Stock owned by Medium Games, Inc.</u>
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## 8) Legal/Disciplinary History

A. Please identify whether any of the persons or entities listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

None

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

None

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

None

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.

None

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

## 9) Third Party Providers

Please provide the name, address, telephone number and email address of each of the following outside providers:

Securities Counsel

Name: John P. Yung  
Firm: Lewis Brisbois Bisgaard & Smith LLP  
Address 1: 2020 West El Camino Avenue, Suite 700  
Address 2: Sacramento, CA 95833  
Phone: (916) 646-8288  
Email: John.Yung@lewisbrisbois.com

Accountant or Auditor

Name: Kyoung Tak Kim  
Firm: LEK Partners  
Address 1: 100 Park Avenue  
Address 2: New York, NY 10017  
Phone: (770) 799-8111  
Email: KT.Kim@lekpartners.com

Investor Relations

Name: \_\_\_\_\_  
Firm: \_\_\_\_\_  
Address 1: \_\_\_\_\_  
Address 2: \_\_\_\_\_  
Phone: \_\_\_\_\_  
Email: \_\_\_\_\_

Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s) or consultant(s) or provided assistance or services to the issuer during the reporting period.

Name: John Chung  
Firm: The Kim Law Firm  
Nature of Services: General corporate matters  
Address 1: 8F 447 Teheran-ro, Samseong-dong Gangnam-gu  
Address 2: Seoul, South Korea  
Phone: +82 2-501-3704  
Email: john.jcchung@thekimlawfirm.co.kr

**10) Issuer Certification**

*Principal Executive Officer:*

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Pan Jong Kim, certify that:

1. I have reviewed this Q2 of 2022 disclosure statement of The Metal Arts Company, Inc.;
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

February 14, 2022

/s/ Pan Jong Kim, CEO

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

*Principal Financial Officer:*

I, Yunho Chung certify that:

1. I have reviewed this Q2 of 2022 disclosure statement of The Metal Arts Company, Inc.;
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

February 14, 2022

/s/ Yunho Chung, CFO

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

**THE METAL ARTS COMPANY, INC.**

Consolidated Financial Statements and Notes

Unaudited

As of and for the three-month and six-month periods  
ended December 31, 2021

**THE METAL ARTS COMPANY, INC.**

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**THE METAL ARTS COMPANY, INC.**

Consolidated Balance Sheet

December 31, 2021

**Assets**

Current assets:

Cash and cash equivalents	\$	2,773,848
Short term financial assets		61,577
Other current financial assets		10,426,544
Accounts receivable		2,873,834
Other receivable		530,891
Current derivative assets		454,496
Other current assets		129,480

Total current assets 17,250,670

Property and equipment, net		866,248
Right of use assets		382,206
Intangible assets		1,502,650
Other financial assets		217,517
Total assets	\$	<u>20,219,291</u>

**Liabilities and Stockholders' Equity**

Current liabilities:

Short-term loans		5,256,854
Contract liability	\$	870,368
Current lease liabilities		316,174
Current convertible bonds		3,654,298
Current tax liabilities		34,425
Current derivative liabilities		627,016
Other payables		1,353,391
Other current liabilities		313,254

Total current liabilities 12,425,780

Non current lease liabilities		63,403
Defined benefit liabilities		397,393
Convertible bonds		702,654
Other non-current liabilities		2,952

Total liabilities \$ 13,592,182

Stockholders' equity:

Common stock, \$0.01 par value. Authorized, 200,000,000 shares; issued and outstanding, 82,512,793 shares		1,109,016
Additional paid-in capital		14,263,693
Accumulated other comprehensive income		165,031
Accumulated deficit		(8,910,631)

Total stockholders' equity 6,627,109

Commitment and contingencies

Total liabilities and stockholders' equity \$ 20,219,291

See accompanying notes to consolidated financial statements.

**THE METAL ARTS COMPANY, INC.**

Consolidated Statement of Operations

For the three-month and six-month periods ended December 31, 2021

	<b>Three-month period ended December 31, 2021</b>	<b>Six-month period ended December 31, 2021</b>
Revenue:	\$ 2,606,469	\$ 8,361,342
Costs and expenses:		
Cost of sales	(758,967)	(1,155,001)
Selling, general, and administrative expenses	<u>(2,658,658)</u>	<u>(5,882,321)</u>
Total costs and expenses	(3,417,625)	(7,037,322)
Other Expenses (notes 2(g) and 3)	<u>(1,418,799)</u>	<u>(1,454,763)</u>
Loss before income tax	(2,229,955)	(130,743)
Income tax	—	—
Net loss	<u>\$ (2,229,955)</u>	<u>\$ (130,743)</u>

See accompanying notes to consolidated financial statements.

**THE METAL ARTS COMPANY, INC.**

Consolidated Statement of Changes in Stockholders' Equity

For the six-month period ended December 31, 2021

	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Accumulated other comprehensive income</u>	<u>Accumulated deficit</u>	<u>Total stockholders' equity</u>
Balance at June 30, 2021 (*)	\$ 1,038,951	8,532,816	—	(8,779,888)	791,879
Conversion of convertible debt	70,065	5,730,877	—	—	5,800,942
Other comprehensive income	—	—	165,031	—	165,031
Net loss	—	—	—	(130,743)	(130,743)
Balance at December 31, 2021	\$ <u>1,109,016</u>	<u>14,263,693</u>	<u>165,031</u>	<u>(8,910,631)</u>	<u>6,627,109</u>

See accompanying notes to consolidated financial statements.

(\*) Beginning balance is restated due to change in ownership of the Company reflecting the historical operating results of Legacy Medium prior to the acquisition date, and the assets and liabilities of Legacy Medium at their historical cost. See note 1 and 2(a) for detail.

**THE METAL ARTS COMPANY, INC.**

Consolidated Statement of Cash Flows

For the six-month period ended December 31, 2021

Cash flows from operating activities:	
Net loss	\$ (130,743)
Adjustments to reconcile net income to net cash used in operating activities:	
Depreciation	127,076
Derivative gain	(43,957)
Changes in assets and liabilities:	
Accounts receivable	(2,873,834)
Other receivables	899,807
Other current assets	838,514
Account payable	313,305
Contract liability	783,561
Other payables	52,831
Current tax liabilities	(196,810)
Other current liabilities	(44,777)
Operating lease liabilities	(172,732)
Other non-current liabilities	153
Net cash used in operating activities	<u>(447,606)</u>
Cash flows from investing activities:	
Purchases of property and equipment	(131,671)
Purchase of intangible assets	(1,510,345)
Increase in other current financial assets	(14,405,138)
Decrease in other current financial assets	12,978,321
Increase in other financial assets	(321,729)
Decrease in other financial assets	312,602
Net cash used in investing activities	<u>(3,077,960)</u>
Cash flows from financing activities:	
Proceeds from short term loans	8,215,352
Repayments of short term loans	(5,287,668)
Issuance of convertible bonds	2,562,898
Net cash provided by investing activities	<u>5,490,582</u>
Net increase in cash	1,965,016
Cash and cash equivalents at beginning of year	1,015,600
Effect of exchange rate fluctuation on cash on hand	(206,768)
Cash and cash equivalents at end of year	<u>\$ 2,773,848</u>
Supplemental disclosures for cash paid during the year for:	
Interest	\$ 285,460
Income taxes	68,881

See accompanying notes to consolidated financial statements.

## THE METAL ARTS COMPANY, INC.

### Notes to the Consolidated Financial Statements

#### Unaudited

As of and for the three-month and six-month periods ended December 31, 2021

#### **(1) Organization and Nature of Business**

The Metal Arts Company, Inc. (The Company) is publicly traded on OTCIQ under the symbol MTRT and was incorporated in the state of New York in 1976 under the name The Metal Arts Company, Inc. The Company went public in January 1981.

In August 2021, Medium, Inc. (Medium) acquired approximately 52% of the Company's share from a former major shareholder. In September 2021, the Company acquired 100% of outstanding stocks of Trust Consulting, Inc. (Trust) for the purpose of acquiring ownership of Medium. In October 2021, the Company effectively acquired 100% controlling ownership interest of Medium in the form of a reverse triangular acquisition transaction through Trust. As a result, the Company became the consolidating parent company of Trust and Medium.

#### **(2) Summary of Significant Accounting Policies**

##### **(a) Basis of Presentation**

Legacy Medium was deemed the accounting acquirer in the transaction based on an analysis of the criteria outlined in Accounting Standards Codification (ASC) 805. While the Company was the legal acquirer in the transaction, because Legacy Medium was deemed the accounting acquirer, the historical consolidated financial statements of Legacy Medium became the historical consolidated financial statements of the combined company, upon the consummation of the Agreement. As a result, the consolidated financial statements included in this report reflect the historical operating results of Legacy Medium prior to the acquisition date, and the assets and liabilities of Legacy Medium at their historical cost.

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP). The unaudited financial information reflects, in the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair statement of the Company's financial position, results of operations and cash flows for the periods indicated. The results reported for the interim period presented are not necessarily indicative of results that may be expected for the full year.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany accounts and transactions have been eliminated.

##### **(b) Reclassifications**

The Company has reclassified certain amounts relating to its prior period results to conform to its current period presentation. These reclassifications have not changed the results of operations of prior periods.

##### **(c) Use of Estimates**

The preparation of consolidated financial statements in conformity with GAAP 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 consolidated financial statements and

## THE METAL ARTS COMPANY, INC.

### Notes to the Consolidated Financial Statements

#### Unaudited

As of and for the three-month and six-month periods ended December 31, 2021

the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include estimated transaction price, including variable consideration, of the Company's revenue contracts; the useful lives of fixed assets; allowances for doubtful accounts; the valuation of derivatives, deferred tax assets, fixed assets, investments, notes receivable, lease liabilities and right-of-use assets, and reserves for employee benefit obligations, and other contingencies.

#### **(d) Cash and Cash Equivalents**

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less.

#### **(e) Short Term Notes Receivable**

Notes receivable are recorded at face value. Interest is recognized over the life of the note. The Company does not require collateral for the notes. The Company has not and does not intend to sell these receivables. Amounts collected on notes receivable are included in net cash provided by operating activities in the consolidated statements of cash flows.

The allowance for doubtful accounts is the Company's best estimate of the amount of credit losses in the Company's existing notes. The allowance is determined on an individual note basis if it is probable that the Company will not collect all principal and interest contractually due.

The Company considers customers' historical payment patterns, customers' credit ratings as published by credit rating agencies, and general and industry specific economic factors in determining their customers' probability of default. The impairment is measured based on the present value of expected future cash flows discounted at the note's effective interest rate. The Company does not accrue interest when a note is considered impaired. When ultimate collectability of the principal balance of the impaired note is in doubt, all cash receipts on impaired notes are applied to reduce the principal amount of such notes until the principal has been recovered and are recognized as interest income thereafter. Impairment losses are charged against the allowance and increases in the allowance are charged to bad debt expense. Notes are written off against the allowance when all possible means of collection have been exhausted and the potential for recovery is considered remote. The Company resumes accrual of interest when it is probable that the Company will collect the remaining principal and interest of an impaired note. Notes become past due based on how recently payments have been received.

#### **(f) Accounts Receivable**

Accounts receivable are recorded at the invoiced amount and do not bear interest. Amounts collected on trade accounts receivable are included in net cash provided by operating activities in the statement of cash flows. In establishing the required allowance, management considers historical losses adjusted to take into account current market conditions and customers' financial condition, the amount of receivables in dispute, and the current receivables aging and current payment patterns. Past due balances over 90 days and over a specified amount are reviewed individually for collectibility. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

## THE METAL ARTS COMPANY, INC.

### Notes to the Consolidated Financial Statements

#### Unaudited

As of and for the three-month and six-month periods ended December 31, 2021

#### **(g) Investments**

The Company accounts for its investments in accordance with the *Investments—Equity Securities (ASC Topic 321)*. For the purposes of computing realized gains and losses, cost is identified on a specific identification basis. Investments with maturities less than one year as of the consolidated balance sheet date are classified as short-term investments and those that mature greater than one year are classified as long-term investments. During the six-month period ended December 31, 2021, the Company has acquired 8,000 convertible preferred shares of The 9 Company Korea, Inc for approximately \$506,000. The Company has subsequently recognized a \$506,000 loss due to impairment of the fair value of the convertible preferred shares, which is recorded in other expenses in the accompanying statement of operations.

#### **(h) Derivative Instruments**

The Company recognizes all derivative instruments as either assets or liabilities in the balance sheet at their respective fair values except for those derivatives that are designated as qualified cash flow hedges that follow the simplified approach, which the Company recognizes at their settlement values. For derivatives designated in hedging relationships other than designated cash flow hedges that follow the simplified approach, changes in the fair value are either offset through earnings against the change in fair value of the hedged item attributable to the risk being hedged or recognized in Accumulated Other Comprehensive Income (AOCI), to the extent the derivative is effective at offsetting the changes in cash flows being hedged until the hedged item affects earnings. The Company records all the derivatives that are designated as cash flow hedges under the simplified approach at their settlement values with changes in settlement values recorded in AOCI until the hedged item affects earnings.

The Company does not apply hedge accounting to its derivative contracts, nor does it hold or issue them for trading purposes. The effective portion of the interest rate derivative represents the change in fair value of the hedge that offsets the change in fair value of the hedged item. To the extent the change in the fair value of the hedge does not perfectly offset the change in the fair value of the hedged item, the ineffective portion of the hedge is immediately recognized in interest expense.

#### **(i) Property and Equipment**

Property and equipment are stated at historical cost. Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the shorter of their estimated useful lives or lease terms. Expenditures that materially increase asset life are capitalized, while ordinary maintenance and repairs are expensed as incurred.

#### **(j) Leases**

The Company is a lessee in several non-cancellable operating leases, primarily for office space.

The Company accounts for leases in accordance with Topic 842, Leases. The Company determines if an arrangement is or contains a lease at contract inception. The Company recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date.

For the operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date.

## THE METAL ARTS COMPANY, INC.

### Notes to the Consolidated Financial Statements

#### Unaudited

As of and for the three-month and six-month periods ended December 31, 2021

Key estimates and judgments include how the Company determines (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) lease term, and (3) lease payments.

- Topic 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. Generally, the Company cannot determine the interest rate implicit in the lease because it does not have access to the lessor's estimated residual value or the amount of the lessor's deferred initial direct costs. Therefore, the Company generally uses its incremental borrowing rate as the discount rate for the lease. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. Because the Company does not generally borrow on a collateralized basis, it uses the interest rate it pays on its non-collateralized borrowings as an input to deriving an appropriate incremental borrowing rate, adjusted for the amount of the lease payments, the lease term, and the effect on that rate of designating specific collateral with a value equal to the unpaid lease payments for that lease.

- The lease term for all the Company's leases includes the non-cancellable period of the lease plus any additional periods covered by either a Company option to extend (or not to terminate) the lease that the Company is reasonably certain to exercise, or an option to extend (or not to terminate) the lease controlled by the lessor.

- Lease payments included in the measurement of the lease liability comprise of the following:

- Fixed payments, including in-substance fixed payments, owed over the lease term (which includes termination penalties the Company would owe if the lease term assumes the Company's exercise of a termination option);
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the lease commencement date;
- Amounts expected to be payable under a Company-provided residual value guarantee; and
- The exercise price of a Company option to purchase the underlying asset if the Company is reasonably certain to exercise the option.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received.

For the operating leases, the ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Variable lease payments associated with the Company's leases are recognized when the event, activity, or circumstance in the lease agreement on which those payments are assessed occurs. Variable lease payments are presented as operating expense in the Company's consolidated

## THE METAL ARTS COMPANY, INC.

### Notes to the Consolidated Financial Statements

#### Unaudited

As of and for the three-month and six-month periods ended December 31, 2021

statements of income in the same line item as expense arising from fixed lease payments (operating leases) or amortization of the ROU asset (finance leases).

ROU assets for operating and finance leases are periodically reduced by impairment losses. The Company uses the long-lived assets impairment guidance in *ASC Subtopic 360-10, Property, Plant, and Equipment – Overall*, to determine whether an ROU asset is impaired, and if so, the amount of the impairment loss to recognize.

The Company monitors for events or changes in circumstances that require a reassessment of one of its leases. When a reassessment results in the re-measurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative ROU asset balance is recorded in profit or loss.

Operating lease ROU assets are presented as operating lease right of use assets on the consolidated balance sheet. The current portion of operating lease liabilities is included in other current liabilities and the long-term portion is presented separately as operating lease liabilities on the consolidated balance sheet.

#### **(k) Revenue Recognition**

The Company only has revenue from customers. The Company recognizes revenue when it satisfies performance obligations under the terms of its contracts, and control of its products or services is transferred to its customers in an amount that reflects the consideration the Company expects to receive from its customers in exchange for those products. This process involves identifying the customer contract, determining the performance obligations in the contract, determining the transaction price, allocating the transaction price to the distinct performance obligations in the contract, and recognizing revenue when the performance obligations have been satisfied. A performance obligation is considered distinct from other obligations in a contract when it (a) provides a benefit to the customer either on its own or together with other resources that are readily available to the customer and (b) is separately identified in the contract. The Company considers a performance obligation satisfied once it has transferred control of a product or service to a customer, meaning the customer has the ability to direct the use and obtain the benefit of the product or service.

The Company derives revenue from its block chain platform establishment services, maintenance and support services, and from sales of software and hardware products. For the block chain platform establishment services, revenue is recognized over time as the services are performed. For the maintenance and support services, revenue is generally recognized ratably over time of the agreement since the Company is standing ready to provide a series of maintenance services that are substantially the same each period over the term. Sales of software and hardware products are recognized at a point in time as the control of the product transfers to a customer.

The Company regularly enters into product sale transactions where the Company acts as an agent for the customer and orders products from a third party for the customer. For such product sales, the Company recognizes revenue on a net basis as the purchase price collected from the customer less the portion of the purchase price that is payable to the third party merchant.

**THE METAL ARTS COMPANY, INC.**

Notes to the Consolidated Financial Statements

**Unaudited**

As of and for the three-month and six-month periods ended December 31, 2021

*Contract Assets and Liabilities*

Contract assets primarily represent revenue earnings over time for which the Company does not presently have an unconditional right to payment (generally not yet billable) based on the terms of the contracts. The Company does not have any contract assets for the year ended December 31, 2021.

Contract liabilities consist of fees invoiced or paid by the Company's customers for which the associated performance obligations have not been satisfied and revenue has not been recognized based on the Company's revenue recognition criteria described above.

Contract assets and contract liabilities are reported in a net position on an individual contract basis at the end of each reporting period. Contract assets are classified as current in the consolidated balance sheet when the Company expects to complete the related performance obligations and invoice the customers within one year of the balance sheet date, and as long-term when the Company expects to complete the related performance obligations and invoice the customers more than one year out from the balance sheet date. Contract liabilities are classified as current in the consolidated balance sheet when the revenue recognition associated with the related customer payments and invoicing is expected to occur within one year of the balance sheet date and as long-term when the revenue recognition associated with the related customer payments and invoicing is expected to occur in more than one year from the balance sheet date.

**(l) Other Assets**

Other current assets consist of prepaid expenses such as rent and insurance.

**(m) Intangible Assets**

Intangible assets are tested for impairment annually, and more frequently when there is a triggering event. Annually, or when there is a triggering event, the Company first performs a qualitative assessment by evaluating all relevant events and circumstances to determine if it is more likely than not that the intangible assets are impaired; this includes considering any potential effect on significant inputs to determining the fair value of the intangible assets. When it is more likely than not that an intangible asset is impaired, then the Company calculates the fair value of the intangible asset and performs a quantitative impairment test

**(n) Income Tax**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. 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 income in the period that includes the enactment date.

In accordance with provisions of *ASC Subtopic 740 10, Income Taxes – Overall*, the Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than

## THE METAL ARTS COMPANY, INC.

### Notes to the Consolidated Financial Statements

#### Unaudited

As of and for the three-month and six-month periods ended December 31, 2021

50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

#### **(o) Convertible Bond**

The Company has issued convertible bonds and bonds with warrants that can be converted into equity instruments at the option of the holder. The Company accounts for the convertible bonds and bonds with warrants in accordance with *ASC Subtopic 470-20, Debt- Debt with Conversion and Other Options*.

#### **(p) Pension and Other Postretirement Plans**

The company's retirement pension plan is a defined benefit plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability (asset) recognized in the interim consolidated statement of financial position in respect to defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation. Actuarial gains and losses resulting from the changes in actuarial assumptions, and the differences between the previous actuarial assumptions and what has actually occurred, are recognized in other comprehensive income in the period in which they were incurred.

When plan amendments, curtailments and settlements occur, past service costs or gain or loss from settlements are immediately recognized in profit or loss.

#### **(q) Commitment and Contingencies**

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources, are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated.

#### **(r) Fair Value Measurements**

The Company uses valuation approaches that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels

- Level 1 inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

## THE METAL ARTS COMPANY, INC.

### Notes to the Consolidated Financial Statements

#### Unaudited

As of and for the three-month and six-month periods ended December 31, 2021

- Level 2 inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date

#### **(s) Recently Issued Accounting Standards**

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments which significantly changes the way entities recognize impairment of many financial assets by requiring immediate recognition of estimated credit losses expected to occur over their remaining life, instead of when incurred. In November 2018, the FASB issued ASU 2018-19, Codification Improvements to Topic 326, Financial Instruments—Credit Losses, which amends Subtopic 326-20 (created by ASU 2016-13) to explicitly state that operating lease receivables are not in the scope of Subtopic 326-20. Additionally, in April 2019, the FASB issued ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments; in May 2019, the FASB issued ASU 2019-05, Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief; in November 2019, the FASB issued ASU 2019-10, Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates, and ASU 2019-11, Codification Improvements to Topic 326, Financial Instruments—Credit Losses; and in March 2020, the FASB issued ASU 2020-03, Codification Improvements to Financial Instruments, to provide further clarifications on certain aspects of ASU 2016-13 and to extend the nonpublic entity effective date of ASU 2016-13. The changes (as amended) are effective for the Company for annual and interim periods in fiscal years beginning after December 15, 2022. The Company may early adopt ASU 2016-13, as amended, for annual and interim periods in fiscal years beginning after December 15, 2018. The Company does not expect the adoption of ASU 2016-13 to have a material effect on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*, which modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. Disclosure requirements removed from Subtopic 715-20 include: the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year; the amount and timing of plan assets expected to be returned to the employer; and for nonpublic entities, the reconciliation of the opening balances to the closing balances of plan assets measured on a recurring basis in Level 3 of the fair value hierarchy. However, nonpublic entities will be required to disclose separately the amounts of transfers into and out of Level 3 of the fair value hierarchy and purchases of Level 3 plan assets. ASU 2018-14 also requires disclosure of the weighted average interest crediting rates for cash balance plans and other plans with promised interest crediting rates, and an explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period. ASU 2018-14 is effective for the Company for its annual period ending after December 15, 2021 and will be applied prospectively. Early adoption is permitted. The Company does not expect the adoption of ASU 2018-14 to have a material effect on its consolidated financial statements.

## THE METAL ARTS COMPANY, INC.

### Notes to the Consolidated Financial Statements

#### Unaudited

As of and for the three-month and six-month periods ended December 31, 2021

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which removes certain exceptions for recognizing deferred taxes for investments, performing intra-period allocation and calculating income taxes in interim periods. The ASU also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. ASU 2019-12 is effective for the Company for its annual periods beginning after December 15, 2021. Early adoption is permitted. The Company is currently evaluating the effect the adoption of ASU 2019-12 will have on its consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity*. ASU 2020-06 reduces the number of accounting models for convertible instruments and allows more contracts to qualify for equity classification. ASU 2020-06 is effective for the Company’s annual reporting periods beginning after December 15, 2023. Adoption is either a modified retrospective method or a fully retrospective method of transition. Early adoption is permitted, but no earlier than annual periods beginning after December 15, 2020. The Company is currently evaluating the effect the adoption of ASU 2020-06 will have on its consolidated financial statements.

#### **(3) Notes Receivable**

The recorded investment in notes receivable for which the related allowance for doubtful accounts at December 31, 2021 was approximately \$950,000. The expense related to the allowance for doubtful accounts is recorded in other expenses in the accompanying income statement.

#### **(4) Fair Value Measurements**

##### **(a) Fair Value of Financial Instruments**

The following table presents the carrying amounts and estimated fair values of the Company’s financial instruments at December 31, 2021. Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**THE METAL ARTS COMPANY, INC.**

Notes to the Consolidated Financial Statements

**Unaudited**

As of and for the three-month and six-month periods ended December 31, 2021

	December 31, 2021	
	Book Value	Fair Value
<b>- Financial assets</b>		
Cash and cash equivalents	\$ 2,773,848	2,773,848
Short-term financial assets	61,577	61,577
Other Current financial assets	10,567,476	10,567,476
Other Current notes and accounts receivable	530,891	530,891
Current Derivative Assets	454,496	454,496
Other non-current financial assets	217,517	217,517
<b>Total</b>	<b>14,605,805</b>	<b>14,605,805</b>
<b>- Financial liabilities</b>		
Short-term borrowings	5,256,854	5,256,854
Other payables	1,353,391	1,353,391
Lease liabilities	379,496	379,496
Current Derivative Liabilities	627,016	627,016
Convertible bonds	4,356,953	4,356,953
Long-term borrowings	140,932	140,932
<b>Total</b>	<b>12,114,642</b>	<b>12,114,642</b>

The carrying amounts shown in the table are included in the consolidated balance sheets.

The fair values of the financial instruments shown in the above table as of December 31, 2021 represent the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Company's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Company based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates, available observable and unobservable inputs.

(i) Significant Unobservable Inputs

The table below presents the ranges of significant unobservable inputs used to value the Company's Level 3 financial instruments. These ranges represent the significant unobservable inputs that were used in the valuation of each type of financial instrument. These inputs are not representative of the inputs that could have been used in the valuation of any one financial instrument. Accordingly, the ranges of inputs presented below do not represent uncertainty in, or possible ranges of, fair value measurements of the Company's Level 3 financial instruments.

**THE METAL ARTS COMPANY, INC.**

Notes to the Consolidated Financial Statements

**Unaudited**

As of and for the three-month and six-month periods ended December 31, 2021

<b>Financial Instruments</b>	<b>Fair Value</b>	<b>Level</b>	<b>Valuation Model</b>	<b>Input Factor</b>	<b>Level 3 Input Range</b>
Derivative Assets	454,496	3	Binomial model	Annualized Credit Volatility	48.37% to 51.29%
				Assets stock price at the beginning of the year	\$53.22
				Risk free interest rate	0.99% to 1.69%
				Risk interest rate	17.33% to 18.46%
Derivative Liabilities	627,016	3	Binomial model	Spot Rate	11.2% ~ 15.1%
				Forward Rate	0.4% ~ 0.7%

**(5) Property and Equipment**

Property and equipment consisted of the following at December 31, 2021:

	<u>12/31/2021</u>
Vehicles	\$ 250,714
Fixtures	468,512
Equipment Appliance	<u>583,345</u>
	1,302,571
Less accumulated depreciation	<u>(436,323)</u>
Net property and equipment	<u>\$ 866,248</u>

Total depreciation for the three-month and six-month periods ended December 31, 2021 was approximately \$64,000 and \$127,000, respectively.

**(6) Short Term Debt**

As of December 31, 2021, the Company has four short-term loans from owners of the Company. All short-term loans bear interest at 4.6% and matures on December 5, 2022.

**(7) Convertible Debt**

The Company has issued twelve convertible bonds with issuance dates ranging from December, 2019 through December, 2021 and maturity dates ranging from December 2022 through December 2024. These bonds have a coupon interest rate ranging from 0% to 2% per annum, with a guaranteed maturity yield ranging from 1% to 5% per annum.

**THE METAL ARTS COMPANY, INC.**

Notes to the Consolidated Financial Statements

**Unaudited**

As of and for the three-month and six-month periods ended December 31, 2021

Holders of the convertible bonds may convert their convertible bonds into shares of the Company's common stock at their option on the first scheduled day after 12 months from the issuance date until the close of business on the second scheduled day immediately preceding the maturity date. The conversion rate for the convertible bonds range from 15,000 to 80,000 Korean Won (KRW) (approximately \$12.65 to \$67.48 using exchange rate of 1,185.5 at December 31, 2021). Such conversion rate will be subject to adjustment in certain events as specified in the indenture. Holders may request the convertible notes to be redeemed prior to the maturity date, with eligible periods ranging from two months to one year after the issuance date, at the guaranteed yield rate according to the indenture.

For the six-month period ended December 31, 2021, there is approximately \$115,000 of interest expense resulting from the convertible bonds. As of December 31, 2021, the outstanding balance of the convertible bonds are approximately \$4,357,000, which is recorded as current convertible bonds and non-current convertible bonds in the accompanying balance sheet.

**(8) Leases**

The Company has several non-cancellable operating leases, primarily for office space that expire over the next two years. These leases generally contain renewal options for periods ranging from two to five years. Because the Company is not reasonably certain to exercise these renewal options, the options are not considered in determining the lease term, and associated potential option payments are excluded from lease payments. The Company's leases generally do not include termination options for either party to the lease or restrictive financial or other covenants. Payments due under the lease contracts include fixed payments plus, for many of the Company's leases, variable payments.

Future minimum lease payments under non-cancelable leases (with initial or remaining lease terms in excess of one year) as of December 31, 2021 are as follows:

	<u>Lease payments</u>
Year ending December 31:	
2022	\$ 326,106
2023	59,085
2024	<u>5,992</u>
Total minimum lease payments	<u>\$ 391,183</u>

Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease. Lease expense for the six-month period ended December 31, 2021 was approximately \$178,000.

**(9) Income Taxes**

Total income taxes for the six-month period ended December 31, 2021 was \$0.

The difference between the corporate tax expense for the company's net loss before tax and the amount calculated using the statutory tax rate applied to the company is as follows:

**THE METAL ARTS COMPANY, INC.**

Notes to the Consolidated Financial Statements

**Unaudited**

As of and for the three-month and six-month periods ended December 31, 2021

	<b>For the six-month period ended December 31, 2021</b>
Net loss before tax	\$ (130,743)
Corporate tax income calculated at the corporate tax rate	(28,763)
<b>Corporate income tax effect :</b>	
Non-taxable income	(177,815)
Expenses not deductible for tax	276,610
Change in DTA allowance	(471,519)
Others	401,487
Income tax expense	—

The valuation allowance for deferred tax assets as of December 31, 2021 was approximately \$1,287,000. The valuation allowance at December 31, 2021 was primarily related to net operating loss carryforwards that, in the judgment of management, are not more likely than not to be realized. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that all or some portion of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the effect of available carryback and carryforward periods), projected future taxable income, and tax-planning strategies in making this assessment.

Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is not more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2021.

**(10) Related-Party Transactions**

The following summarizes significant transactions with related parties as of and for the six-month period ended December 31, 2021:

	<b>Medium Holdings</b>	<b>Medium Games</b>	<b>Mergerity Co., Ltd.</b>	<b>Others</b>	<b>Total</b>
Balances as of December 31, 2021:					
Due from affiliates	\$ 5,821,421	415,194	1,388,223	211,182	7,836,020
Due from affiliates, long-term portion	—	—	—	—	—
Due to affiliates	—	—	—	3,102,856	3,102,856
Transactions for the six-month period ended December 31, 2021:					
Interest Income	\$ 169,033	4,828	22,107	2,373	198,341
Interest expense	—	136	—	30,127	30,263

**THE METAL ARTS COMPANY, INC.**

Notes to the Consolidated Financial Statements

**Unaudited**

As of and for the three-month and six-month periods ended December 31, 2021

**(11) Defined Benefit Plan**

The Company has a noncontributory defined benefit pension plan based on age, years of service and level of compensation. Details of defined benefit liabilities as of December 31, 2021 are as follows:

	<u>12/31/2021</u>
Present value of unfunded defined benefit obligations	\$ 397,393
Fair value of plan assets	<u>-</u>
Net defined benefit liabilities	397,393

**(12) Common Stock**

The Company has 2,000,000,000 of authorized common stock at \$0.01 par value. There are 82,512,793 outstanding shares issued and outstanding as of December 31, 2021. The Company has no warrants or stock options outstanding.

**(13) Commitments and Contingencies**

The Company has no significant commitments or contingencies as of December 31, 2021.

**(14) Subsequent Events**

The Company has evaluated subsequent events from the balance sheet date through February 14, 2022, the date at which the consolidated financial statements were available to be issued, and determined there are no other items to disclose except for the following transaction.

During the shareholder meeting on January 21, 2022, the decision was made that Trust and Medium will merge on February 28, 2022, with Medium as a surviving company.