

## **Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines**

### **Seven Arts Entertainment Inc.**

3440 Oakcliff Road  
Suite 104  
Atlanta, GA 30340

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770-866-6250  
sevenartsentertainment.com  
sevenartsent@gmail.com  
7812

**Annual Report**  
**For the Period Ending: 06/30/2022**  
(the "Reporting Period")

As of 06/30/2022, the number of shares outstanding of our Common Stock was:

1,503,444,252

As of 03/31/2022, the number of shares outstanding of our Common Stock was:

1,503,444,252

As of 06/30/2021, the number of shares outstanding of our Common Stock was:

4,003,444,252

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: ☒

## 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.

Seven Arts Entertainment Inc. as of 02/15/2018  
Wireless Connect Inc. from 10/15/2014 to 02/15/2018  
Seven Arts Entertainment Inc. from 06/11/2010 to 10/15/2014

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):

The issuers state of incorporation is Wyoming as of 10/15/2014  
The issuers standing is Active in the state of Wyoming

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:

None

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

3440 Oakcliff Road, Suite 104, Atlanta, GA 30340

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: ☒

## 2) Security Information

Trading symbol:	<u>SAPX</u>	
Exact title and class of securities outstanding:	<u>Common</u>	
CUSIP:	<u>81783N508</u>	
Par or stated value:	<u>.0001</u>	
Total shares authorized:	<u>1,800,000,000</u>	as of date: <u>03/14/2022</u>
Total shares outstanding:	<u>1,503,444,252</u>	as of date: <u>06/30/2022</u>
Number of shares in the Public Float <sup>2</sup> :	<u>1,338,590,411</u>	as of date: <u>06/30/2022</u>
Total number of shareholders of record:	<u>441</u>	as of date: <u>06/30/2022</u>

<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.

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

Trading symbol: SAPX  
 Exact title and class of securities outstanding: Series D Preferred  
 Par or stated value: 100.00  
 Total shares authorized: 30,000 as of date: 08/27/2014  
 Total shares outstanding: 30,000 as of date: 06/30/2022

Trading symbol: SAPX  
 Exact title and class of securities outstanding: Series A Preferred  
 Par or stated value: .01  
 Total shares authorized: 10,000,000 as of date: 07/15/2021  
 Total shares outstanding: 6,000,000 as of date: 06/30/2022

#### Transfer Agent

Name: Transfer Online, Inc.  
 Phone: 503-227-2950  
 Email: info@transferonline.com  
 Address: 512 SE Salmon St, Portland, OR 97214

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.**

#### 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:

Shares Outstanding as of Second Most Recent Fiscal Year End: <u>Opening Balance</u> Date <u>07/01/2020</u> Common: <u>4,003,444,252</u> Preferred D: <u>30,000</u>			*Right-click the rows below and select "Insert" to add rows as needed.						
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.

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

<u>07/21/2021</u>	<u>New Issuance</u>	<u>6,000,000</u>	<u>Preferred A</u>	<u>.01</u>	<u>No</u>	<u>Jason Black</u>	<u>Acquisition</u>	<u>Restricted</u>	<u>None</u>
<u>01/11/2022</u>	<u>Cancellation</u>	<u>2,500,000,000</u>	<u>Common</u>	<u>.0001</u>	<u>No</u>	<u>Richard Bjorklund</u>	<u>Salary</u>	<u>Restricted</u>	<u>None</u>
Shares Outstanding on Date of This Report: <u>Ending Balance</u>									
Date <u>06/30/2022</u>									
Common: <u>1,503,444,252</u>									
Preferred D: <u>30,000</u>									
Preferred A: <u>6,000,000</u>									

## 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>08/01/2021</u>	<u>\$55,334</u>	<u>\$51,135</u>	<u>\$757</u>	<u>08/02/2022</u>	<u>9% per annum convertible at .001</u>	<u>Capitol Capital Corp Howard Salamon</u>	<u>Loan</u>

## 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: Jason Black

Title: CEO

Relationship to Issuer: President

<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.

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.

- 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 issuers financial statements are attached herein**

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")

Film and music production

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

The issuer has two subsidiaries, Seven Arts Music Inc. and Muse Media LLC.

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

The issuer produces film and music for domestic and international release.

**6) Issuer's Facilities**

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

The issuer leases approximately 3000 sq. ft. of mixed use space, consisting of offices and production facilities, located at 3440 Oakcliff Road, Suite 104, Atlanta, GA 30340, at \$3500 a month plus utilities.

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

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>Jason Black</u>	<u>CEO/Director Owner of more than 5%</u>	<u>Marietta Georgia</u>	<u>6,000,000</u>	<u>Preferred A</u>	<u>60%</u>	<u>CEO as of 06/04/2021</u>

**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.

In 2016 Arrowhead Capital Finance Ltd sued the Company in the US District Court of New York for loans due in 2009 from Seven Arts Pictures Ltd, the Company's predecessor. On June 5, 2018 the court found the Company liable and awarded Arrowhead \$2,496,160, plus 9% per annum, until paid.

In July of 2021, following a series of online slanders made against the Company, George Sharp, an OTC CEO, described in social media as a "failed stock promoter" and a "litigious penny stock gadfly", with an extensive history of filing civil claims against public companies, initiated a lawsuit against the Company in San Diego Superior Court. Most of Mr. Sharp's claims have since been dismissed and the Company was awarded reasonable fees to be owed by Mr. Sharp. The matter remains pending in part and the Company will continue to vigorously defend against Mr. Sharp's actions.

## 9) Third Party Providers

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

### Securities Counsel

Name: Anthony Newton  
Firm: The Law Offices of Anthony F. Newton  
Address 1: PO Box 16877  
Address 2: Sugar Land TX, 77496  
Phone: 832-452-0269  
Email: tony.newton@yahoo.com

## 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, Jason Black certify that:

1. I have reviewed this Annual disclosure statement of Seven Arts Entertainment 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.

08/20/2022

/s/ Jason Black

*Principal Financial Officer:*

I, Jason Black certify that:

1. I have reviewed this Annual disclosure statement of Seven Arts Entertainment 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.

08/20/2022

/s/ Jason Black





**SEVEN ARTS ENTERTAINMENT, INC.**  
**(SAPX)**

**ANNUAL REPORT**  
**FOR THE YEAR ENDING JUNE 30, 2022**

August 20, 2022

3440 Oakcliff Road, Suite 104  
Atlanta  
GA 30340

**SEVEN ARTS ENTERTAINMENT, INC.**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDING JUNE 30, 2022**  
**(Unaudited)**

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**SEVEN ARTS ENTERTAINMENT, INC.**  
**Condensed Consolidated Unaudited Financial Statements**  
**Balance Sheet**

	Notes	As at June 30, 2022	As at June 30, 2021
<b>ASSETS</b>			
<u>Current assets</u>			
Cash and cash equivalents	2	\$ 20,583	\$ -
Inventory		-	-
Other current assets	5	8,000	-
Total current assets		28,583	-
<u>Fixed assets</u>			
Property, plant & equipment	6	1,400	-
Accumulated depreciation	6	(140)	-
Goodwill	7	60,000	-
Accumulated amortization	7	-	-
<b>TOTAL ASSETS</b>		<b>\$ 89,843</b>	<b>\$ -</b>
<b>LIABILITIES &amp; STOCKHOLDERS' DEFICIT</b>			
<u>Current liabilities</u>			
Accrued expenses		\$ 2,250	\$ 54,985
Loans & notes payable, short-term or current, net of unamortized debt discount of \$56,841	8	162,747	-
Derivative liability	10	2,691,436	-
Other liabilities	9	3,241,507	3,185,343
Related party loans & notes payable, short-term or current	12	22,971	-
<b>TOTAL LIABILITIES</b>		<b>\$ 6,120,911</b>	<b>\$ 3,240,328</b>
<b>STOCKHOLDERS' DEFICIT</b>			
<u>Preferred stock:</u>			
Preferred stock Series A: par value \$0.01, 10,000,000 and nil authorized and 6,000,000 and nil issued and outstanding at June 30, 2022 and June 30, 2021 respectively	9	60,000	-
Preferred stock Series D: par value \$100.00, 30,000 authorized and 30,000 issued and outstanding at June 30, 2022 and June 30, 2021	9	3,000,000	3,000,000
Common stock: par value \$0.0001, 1,800,000,000 and 4,500,000,000 authorized and 1,503,444,252 and 4,003,444,252 issued and outstanding at June 30, 2022 and June 30, 2021	9	721,518	721,518
Additional paid-in capital		36,571,515	36,571,515
Accumulated deficit		(46,384,101)	(43,533,361)
<b>TOTAL STOCKHOLDERS' DEFICIT</b>		<b>(6,031,068)</b>	<b>(3,240,328)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		<b>\$ 89,843</b>	<b>\$ -</b>

See accompanying notes to these condensed consolidated unaudited financial statements.

**SEVEN ARTS ENTERTAINMENT, INC.**  
**Condensed Consolidated Unaudited Financial Statements**  
**Statement of Operations**

	For the Year Ending June 30,	
	2022	2021
Revenues	\$ 20,000	\$ -
Cost of goods sold	-	-
Gross profit	20,000	-
Operating expenses		
Selling, general & administrative expenses	171,811	52,735
Bad debt provision	-	-
Depreciation & amortization	140	-
Total operating expenses	171,951	52,735
Net operating income (loss)	(151,951)	(52,735)
Other income (expenses)		
Bank/loan interest accrued	(67,939)	(224,654)
Bank charges	(205)	-
Non-cash interest, convertible loan	(6,351,609)	-
Amortization of debt discount	(150,972)	-
Gain (loss) on revaluation of derivative liability	3,867,986	-
Other income (expenditure) net	3,950	-
Net income (loss) before income taxes	\$ (2,850,740)	\$ (277,389)
Provision for income taxes	-	-
Net income (loss)	(2,850,740)	(277,389)
Net income (loss) per share	\$ (0.00)	\$ (0.00)
Weighted average shares outstanding	2,128,444,252	4,003,444,252

See accompanying notes to these condensed consolidated unaudited financial statements.

**SEVEN ARTS ENTERTAINMENT, INC.**  
**Condensed Consolidated Unaudited Financial Statements**  
**Statement of Cash Flow**

	For the Year Ending June 30,	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (2,850,740)	\$ (277,389)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	140	-
Amortization of debt discount	150,972	-
(Gain) loss on revaluation of derivative liability	(3,867,986)	-
Non-cash interest, convertible loan	6,351,609	-
Financing costs	68,144	224,654
Changes in operating assets and liabilities:		
Accounts payable and other current liabilities	3,429	277,389
Other current assets	(8,000)	-
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(152,432)</b>	<b>224,654</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale (purchase) of tangible assets	(1,400)	-
Sale (purchase) of intangible assets	(60,000)	-
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>(61,400)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of equity	60,000	-
Proceeds from (repayment of) debt instruments	219,588	-
Related party loans	22,971	-
Financing costs	(68,144)	(224,654)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>234,415</b>	<b>(224,654)</b>
<b>NET INCREASE IN CASH</b>	<b>20,583</b>	<b>-</b>
Cash, beginning of year	-	-
Cash, end of year	<u>\$ 20,583</u>	<u>\$ -</u>

See accompanying notes to these condensed consolidated unaudited financial statements.

**SEVEN ARTS ENTERTAINMENT, INC.**  
**Condensed Consolidated Unaudited Financial Statements**  
**Statement of Changes in Stockholders' Equity**

	Preferred Stock		Common Stock		Additional	Accumulated	
	Number	Value	Number	Value	Paid-in Capital	Surplus (Deficit)	Total
Balance b/f as at July 1, 2020	30,000	\$ 3,000,000	4,003,444,252	\$ 721,518	\$ 36,571,515	\$ (43,255,972)	\$ (2,962,939)
Net loss, year ending June 30, 2021	-	-	-	-	-	(277,389)	(277,389)
Balance b/f July 1, 2021	30,000	\$ 3,000,000	4,003,444,252	\$ 721,518	\$ 36,571,515	\$ (43,533,361)	\$ (3,240,328)
Preferred stock issued for acquisition	6,000,000	60,000	-	-	-	-	60,000
Common stock cancelled	-	-	(2,500,000,000)	-	-	-	-
Net loss, year ending June 30, 2022	-	-	-	-	-	(2,850,740)	(2,850,740)
Balance c/f as at June 30, 2022	<u>6,030,000</u>	<u>\$ 3,060,000</u>	<u>1,503,444,252</u>	<u>\$ 721,518</u>	<u>\$ 36,571,515</u>	<u>\$ (46,384,101)</u>	<u>\$ (6,031,068)</u>

See accompanying notes to these condensed consolidated unaudited financial statements.

**SEVEN ARTS ENTERTAINMENT, INC.**  
**Condensed Consolidated Unaudited Financial Statements**  
**Notes For the Year Ending June 30, 2022**

**NOTE 1. NATURE AND BACKGROUND OF BUSINESS**

The accompanying consolidated financial statements include Seven Arts Entertainment, Inc. (the 'Company', 'we' or 'us'), a Wyoming corporation, its wholly-owned subsidiaries and any majority controlled interests.

The Company is the continuation of certain business of Seven Arts Pictures PLC ('PLC'), which was founded in 2002 by Peter Hoffman as an independent motion picture production and distribution business, engaged in the development, acquisition, production, and licensing of theatrical motion pictures for exhibition in domestic (ie. the US and Canada) and foreign theatrical markets, and for subsequent worldwide release in other forms of media, including home video/dvd and pay and free television.

Following approval by shareholders at a meeting held on June 10, 2010, the Company was formed on June 11, 2010 and became a wholly-owned subsidiary of PLC. On this date, the Company entered into an Asset Transfer Agreement, as amended on January 27, 2011 and again on August 31, 2011, transferring all assets from 'PLC' to the Company in exchange for assumption by the Company of all liabilities, as well as one share of Common Stock in the Company for every Ordinary Share of PLC previously distributed to shareholders. This share exchange was approved by NASDAQ Capital Markets on August 31, 2011 for the Company's NASDAQ listing to be effective as of September 1, 2011. On November 8, 2011, PLC was placed into voluntary creditors' liquidation under English law. Certain indebtedness of PLC remained with PLC and will be subject to administration or payment in those administration proceedings.

On January 1, 2012, Seven Arts Film Entertainment Limited sold all of its film assets to the Company in return for assumption of indebtedness. Seven Arts Film Entertainment Ltd ceased operations on May 31, 2013, on the closing of its office in London, England, and placed into voluntary liquidation on October 9, 2013.

On June 30, 2012, Seven Arts Film Entertainment Louisiana LLC ('SAFELA') was transferred to the Company. SAFELA had a 30-year lease to operate a film production and post-production facility at 807 Esplanade, New Orleans, Louisiana. The post-production facility commenced operations on July 1, 2012.

Seven Arts Pictures Louisiana LLC ('SAPLA') had entered into a credit agreement with Advantage Capital Community Development Fund LLC, dated October 11, 2007, for the acquisition and improvement of the production and post-production facility located at 807 Esplanade, New Orleans, Louisiana for aggregate principal advances of up to \$3,700,000. This agreement was guaranteed by the Company's predecessor. Approximately \$3,700,000 plus interest had been drawn down under the terms of this credit agreement by June 30, 2012. The Company assumed the liability in return for \$1,000,000, plus a contingent sum of \$750,000 (contingent on receipt of at least \$5,000,000 in cash proceeds from the tax credits to be earned by SAPLA) due to an agreement with the now mortgagor Palm Finance Corp. ('Palm'). A construction loan of \$1,950,000 previously guaranteed by the Company has now also been assumed by the Company, SAFELA. On August 28, 2014, the Company satisfied the obligations to Palm as discussed below.

Seven Arts Music, Inc. ('SAM') became a wholly-owned subsidiary of the Company on February 23, 2012, although transaction costs had been incurred as early as September 2011. The first of the DMX albums acquired from David Michery was released on September 11, 2012. The first of the Bones Thugs-N-Harmony albums was fully delivered to the Company as of June 30, 2013 and scheduled for release in November 2013. The agreements under which SAM acquired its music assets were effective as of September 29, 2011 (Big Jake Music or 'BJM') and December 19, 2011 (Michery Assets, 'Michery'), publicly announced and commenced business activities on those dates, though definitive agreements were not executed, nor control gained, until February 23, 2012.

On February 13, 2014, May 2, 2013 and August 31, 2012, the Company effected one-for-one hundred, one-for-fifty and one-for-seventy reverse stock splits, respectively, collectively referred to as the Stock Splits. Unless otherwise noted, all impacted amounts included in the consolidated financial statements and notes thereto have been retroactively adjusted for the Stock Splits. Unless otherwise noted, impacted amounts include shares of common stock authorized and outstanding, share issuances and cancellations, shares underlying preferred stock, convertible notes, warrants and stock options, shares reserved conversion prices of convertible securities, exercise prices of warrants and options, and loss per share.

On September 14, 2012, trading of the Company's common stock on NASDAQ was suspended due to the stock price not meeting or exceeding the minimum \$1.00 bid price per share for a minimum of ten trading days prior to September 20, 2012, the extended deadline given to the Company to meet this performance requirement. The Company's common stock commenced trading on OTC Market Group's OTCQB tier under the symbol 'SAPX'. On February 25, 2014, the Company's common stock was transferred by the OTC Markets Group, Inc. to the OTCPink tier under the same symbol.

On February 7, 2014, Peter Hoffman resigned as CEO, with Katrina Hoffman, his wife, appointed as replacement CEO.

On August 22, 2014, the Company closed the acquisition of 100% of the capital stock of iTerra Technologies, Inc. and 100% of the membership interests in Aeronetworks LLC from Sanwire Corporation by issuance of 30,000 shares of Preferred Stock Series D (\$100 par value, \$3,000,000 total price) convertible into shares of Common Stock at 100% of the volume-weighted average price of the Company's Common Stock for the ten (10) trading days prior to conversion. The closing was subject to a condition subsequent requiring the execution of a Loan Workout Agreement inter alia Palm Finance Corp ('Palm') and the Company, which was not executed until August 29, 2014. On Closing, the entire board, except Antony Hickox, resigned and Mr Richard Bjorklund ('Chairman and CEO', replacing Katrina Hoffman) and Robert Riggs were appointed to the board. Ms. Candace Wernick resigned as CFO and was replaced by Mr. Robert Lasalle.

On October 15, 2014, the Company changed its name to 'Wireless Connect, Inc.' and redomiciled to Wyoming. The Company changed its name back to Seven Arts Entertainment, Inc. on October 15, 2015, but this was not filed with the February 15, 2018.

Mr. Robert Lasalle resigned as CFO on October 21, 2014, with the Company appointing Rachel Boulds as CFO on December 1, 2014. Mr. Robert Riggs resigned from the board on November 7, 2014, and was replaced by Mr. Bradley Holmes.

On October 15, 2015, Richard Bjorkland and Rachel Boulds resigned as CEO and CFO respectively, with Peter Hoffman re-appointed as CEO.

On June 4, 2021, by shareholder action, Peter Hoffman was terminated as CEO and Jason Black appointed as a director and CEO of the Company.

On July 21, 2021, the Company acquired a fully-owned subsidiary, Muse Media LLC ('Muse'), an Atlanta-based multimedia and entertainment company offering label services and producing compelling original content for streaming distribution. The business has an innovative approach to producing music, videos, and movies, as well as redefining distribution, promotion and access to content. Muse will operate in several capacities, including (i) as the Atlanta satellite of the Seven Arts, (ii) as a lower tier development arm for 'indie' style production concepts, music 'A&R' and test marketing, with film and music productions that show most promise advanced for further investment under Seven Arts; and (iii) spearheading all social media initiatives, hosting music videos, film promotions, and podcasts through platforms such as YouTube, TikTok, Twitter, Instagram, Facebook and others.

On August 16, 2021, the Company re-established its profile with OTC Markets to start reporting again to its shareholders, subsequently achieving Pink Current reporting status with OTC Markets on September 3, 2021.

On September 23, 2021, the Company secured a \$1.5 million credit line to be made available in tranches on request over a six month period. The funding is non-dilutive and designed to be repaid through partial revenues and royalties from upcoming projects funded with the proceeds.

On January 31, 2022, the Company announced a new film project under development, a biopic revolving around a Grammy nominated Los Angeles music icon who rose to prominence in the 1990s, which will start production in May 2022.

Throughout the period since the formation of the Company, it has had continued operations in the areas of film and music production. Between June 11, 2010, when the Company was formed through a merger with Seven Arts Pictures PLC and August 10, 2016, the business operated in film production. Through the acquisition of different music businesses in late 2011, the Company operated its Seven Arts Music subsidiary, producing and distributing recorded music productions, an activity which continues today.

## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Presentation**

The accompanying financial statements have been prepared for Seven Arts Entertainment, Inc. in accordance with accounting principles generally accepted in the United States of America (US GAAP), with all numbers shown in US Dollars.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation of the financial statements have been included. The financial statements include acquired subsidiaries, as discussed below, and include all consolidation entries required to include those subsidiaries.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results could differ from those estimates.

### **Cash and Cash Equivalents**

For the Balance Sheet and Statement of Cash Flows, all highly liquid investments with maturity of three months or less are considered to be cash equivalents. The Company had no cash equivalents as at June 30, 2022 or 2021.

### **Income Taxes**

Income taxes are provided in accordance with the FASB Accounting Standards (ASC 740), Accounting for Income Tax. A deferred tax asset or liability is recorded for all temporary differences between financial and tax reporting and net operating loss carry forwards. Any deferred tax expense (benefit) resulting from the net change during the year is shown as deferred tax assets and liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it was more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

### **Basic and Diluted Net Income (Loss) Per Share**

Net income (loss) per unit is calculated in accordance with Codification topic 260, "Earnings per Share" for the periods presented. Basic net loss per share is computed using the weighted average number of common shares outstanding. Diluted loss per share has not been presented because the shares of common stock equivalents have not been included in the per share calculations as such inclusion would be anti-dilutive. Diluted earnings per share is based on the assumption that all dilutive stock options, warrants and convertible debt are converted or exercised applying the treasury stock method. Under this method, options, warrants and convertible debt are assumed exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase shares of common stock at the average market price during the period. Options, warrants and/or convertible debt will have a dilutive effect during periods of net profit only when the average market price of the units during the period exceeds the exercise or conversion price of the items.



## Stock Based Compensation

Codification topic 718 “Stock Compensation” requires that the cost resulting from all share-based transactions be recorded in the financial statements and establishes fair value as the measurement objective for share-based payment transactions with employees and acquired goods or services from non-employees. The codification also provides guidance on valuing and expensing these awards, as well as disclosure requirements of these equity arrangements. The Company adopted the codification upon creation of the Company and will expense share-based costs in the period incurred. The Company has not yet adopted a stock option plan and all share-based transactions and share based compensation has been expensed in accordance with the codification guidance.

## Convertible Instruments

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with professional standards for “Accounting for Derivative Instruments and Hedging Activities”. Professional standards generally provide three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instruments are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur, and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. Professional standards also provide an exception to this rule when the host instrument is deemed to be conventional as defined under professional standards as “The Meaning of Conventional Convertible Debt Instrument”.

The Company accounts for convertible instruments when it has determined that the embedded conversion options should not be bifurcated from their host instruments in accordance with professional standards when “Accounting for Convertible Securities with Beneficial Conversion Features,” as those professional standards pertain to “Certain Convertible Instruments.” Accordingly, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying shares of common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their earliest date of redemption. The Company also records when necessary deemed dividends for the intrinsic value of conversion options embedded in preferred shares of common stock based upon the differences between the fair value of the underlying shares at the commitment date of the note transaction and the effective conversion price embedded in the note.

ASC 815-40 provides that, among other things, generally, if an event not within the entity’s control could require net cash settlement, then the contract shall be classified as an asset or a liability.

## Fair Value of Financial Instruments

We adopted the guidance of ASC-820 for fair value instruments, which clarifies the definition of fair value, prescribes methods for determining fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value, as follows:

Level 1	Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.
Level 2	Inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.
Level 3	Inputs are unobservable inputs which reflect the reporting entity’s own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

The carrying amounts for cash, accounts receivable, accounts payable and accrued expenses, and loans payable approximate their fair value based on the short-term maturity of these instruments. We identified assets or liabilities that are required to be presented on the balance sheet at fair value in accordance with the accounting guidance as at June 30, 2022, as detailed in Note 11, Derivative Liabilities, and no such assets or liabilities as at June 30, 2021.

ASC 825-10 “Financial Instruments” allows entities to voluntarily choose to measure certain financial assets and liabilities at fair value (fair value option). The fair value option may be elected on an instrument-by-instrument basis and is irrevocable, unless a new election date occurs. If the fair value option is elected for an instrument, unrealized gains and losses for that instrument should be reported in earnings at each subsequent reporting date. We elected to apply the fair value option to outstanding instruments.

## Derivative Liabilities

Derivative financial instruments consist of convertible instruments and rights to shares of the Company's common stock. The Company assessed that it had derivative liabilities as at June 30, 2022, as detailed in Note 11, Derivative Liabilities, and no derivative liabilities as at June 30, 2021.

ASC 815 generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument subject to the requirement of ASC 815. ASC 815 also provides an exception to this rule when the host instrument is deemed to be conventional, as described.

### Impact of New Accounting Standards

The Company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on the Company's results of operations, financial position, or cash flow.

### NOTE 3. GOING CONCERN

The Company's financial statements are prepared in accordance with generally accepted accounting principles applicable to a going concern. This contemplates the realization of assets and the liquidation of liabilities in the normal course of business. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Currently, the Company does not have significant cash or other material assets, nor does it have operations or a source of revenue sufficient to cover its operation costs and allow it to continue as a going concern.

The Company has a limited operating history and had a cumulative net loss from inception to June 30, 2022 of \$46,384,101. The Company has a working capital deficit of \$6,092,328 as at June 30, 2022.

These financial statements for the year ending June 30, 2022 have been prepared assuming the Company will continue as a going concern, which is dependent upon the Company's ability to generate future profits and/or obtain necessary financing to meet its obligations as they come due.

The management has committed to an aggressive growth plan for the Company. The Company's future operations are dependent upon external funding and its ability to execute its business plan, realize sales and control expenses. Management believes that sufficient funding will be available from additional borrowings and private placements to meet its business objectives including anticipated cash needs for working capital, for a reasonable period of time. However, there can be no assurance that the Company will be able to obtain sufficient funds to continue the development of its business operation, or if obtained, upon terms favorable to the Company.

### NOTE 4. ACQUISITIONS AND DISPOSALS

The Company has made the following acquisitions:

#### Muse Media LLC

On July 21, 2021, the Company acquired Muse Media LLC ('Muse'), an Atlanta based production company, with the consideration for this acquisition being the issuance of 6,000,000 shares of Preferred Stock Series A. The purchase price was allocated as follows:

	<b>Allocation</b>
Cash on hand	\$ -
Current assets	-
Fixed assets	-
Current liabilities	-
Goodwill	60,000
<b>Total</b>	<b>\$ 60,000</b>

The assets and liabilities acquired totaled nil, with the balance of the purchase price of \$60,000 allocated to Goodwill.

#### Picture Pro LLC

On June 16, 2022, the Company announced it had purchased a 7.5% interest in Picture Pro LLC, a Los Angeles based production company, who raise capital for film productions. There was no cash outlay associated with this transaction at this stage, as it is based on an ongoing partnership between the the Company and Picture Pro.

### NOTE 5. OTHER CURRENT ASSETS

The Company had the following current assets as at June 30, 2022 and 2021.

	<b>June 30, 2022</b>	<b>June 30, 2021</b>
Deposit on lease and utilities	\$ 8,000	\$ -
Other debtors	-	-
<b>Totals</b>	<b>\$ 8,000</b>	<b>\$ -</b>

Effective from January 1, 2022, the Company leased an office and production facility at 3440 Oakcliff Road, Suite 104, Atlanta, GA 30340, for \$3,500 per month plus utilities, necessitating the deposit shown above.

### NOTE 6. FIXED ASSETS

The Company holds fixed assets with values at June 30, 2022 and 2021 as follows:

Asset	Useful Life (years)	June 30, 2022	June 30, 2021
Plant and equipment	5	\$ 1,400	\$ -
Accumulated depreciation		(140)	-
<b>Total</b>		<b>\$ 1,260</b>	<b>\$ -</b>

During the year ending June 30, 2022, a total of \$140 was charged to the Statement of Operations for depreciation.

#### NOTE 7. INTANGIBLE ASSETS

Based on the acquisition and disposal activity detailed in Note 4, the Company retained the following intangible assets as at June 30, 2022 and 2021:

Asset	Description	June 30, 2022	June 30, 2021
Intangible assets	Various music properties acquired by the Company from Big Jake Music and David Michery, now owned by Seven Arts Music ('SAM'), plus any music properties released since the formation of SAM	\$ -	\$ -
Goodwill	Muse Media LLC	60,000	-
<b>Total</b>		<b>\$ 60,000</b>	<b>\$ -</b>

The Company, through its Seven Arts Music subsidiary, made the following music releases:

- the DMX and Machine Gun Kelly single release on August 7, 2012, titled 'I Don't Dance';
- the DMX album release on September 12, 2012, titled 'Undisputed';
- the Bone Thugs-N-Harmony album release on December 13, 2013, titled 'Art of War';
- the DMX compilation album release on January 13, 2015, titled 'Redemption of the Beast';
- the soundtrack album release on October 19, 2018 for the film 'London Fields'.

Due to the uncertainty of collecting royalties due on the various film and music properties included in the Company's assets, including lack of information on where, if at all, any royalties have been paid, the assets have been written down on the Company's balance sheet to zero.

Goodwill is not amortized but is reviewed on an annual basis for impairment to the carrying value. As at June 30, 2022, the Company has determined that there is no impairment to the carrying value of its current goodwill balance.

#### NOTE 8. LOANS AND NOTES PAYABLE

The Company had loans and notes payable as at June 30, 2022 and 2021 totaling \$219,588 and nil respectively, as follows:

Description	Principal Amount	Date of Loan Note	Maturity Date	June 30, 2022	June 30, 2021
Convertible loan from Capitol Capital Corp , 12 months at interest rate of 9%, convertible at \$0.001	\$ 51,135	8/1/2021	8/1/2022	\$ 55,334	\$ -
First tranche from line of credit from Capitol Capital Corp, 6 months at interest rate of 9%, repayable from operational cash flows - see Note 1 below	22,612	9/14/2021	9/14/2022	24,223	-
Second tranche from line of credit from Capitol Capital Corp, 6 months at interest rate of 9%, repayable from operational cash flows - see Note 1 below	21,845	9/24/2021	9/24/2022	23,348	-
Third tranche from line of credit from Capitol Capital Corp, 6 months at interest rate of 9%, repayable from operational cash flows - see Note 1 below	18,750	10/12/2021	10/12/2022	19,957	-
Fourth tranche from line of credit from Capitol Capital Corp, 6 months at interest rate of 9%, repayable from operational cash flows - see Note 1 below	23,325	10/25/2021	10/25/2022	24,751	-

Fifth tranche from line of credit from Capitol Capital Corp, 6 months at interest rate of 9%, repayable from operational cash flows - see Note 1 below	9,995	11/18/2021	11/18/2022	10,547	-
Sixth tranche from line of credit from Capitol Capital Corp, 6 months at interest rate of 9%, repayable from operational cash flows - see Note 1 below	15,000	12/17/2021	12/17/2022	15,722	-
Sixth tranche from line of credit from Capitol Capital Corp, 6 months at interest rate of 9%, repayable from operational cash flows - see Note 1 below	25,000	4/1/2022	4/1/2023	25,555	-
Sixth tranche from line of credit from Capitol Capital Corp, 6 months at interest rate of 9%, repayable from operational cash flows - see Note 1 below	20,151	6/30/2022	6/30/2023	20,151	-
Total				<u>\$ 219,588</u>	<u>\$ -</u>
Long-term total				<u>\$ -</u>	<u>\$ -</u>
Short-term total				<u>\$ 219,588</u>	<u>\$ -</u>

Loans and Notes Amortization	Amount Due
Due within 12 months	\$ 219,588
Due within 24 months	-
Due within 36 months	-
Due within 48 months	-
Due after 48 months	-
Total	<u>\$ 219,588</u>

#### Notes

1. On September 1, 2021, the Company entered into a line of credit arrangement with Capitol Capital Corp, to provide up to \$1,500,000 on a revolving line of credit over six months with an interest rate of 9% per annum. The Agreement was Amended on April 1, 2022 to a one year term, Advances are convertible into shares of common stock at par value of \$0.0001.

#### NOTE 9. CAPITAL STOCK

As at June 30, 2022 and 2021, the Company was authorized to issue Preferred Stock and Common Stock as detailed below.

##### Preferred Stock

At June 30, 2022 the Company had authorized Preferred Stock in two designations totaling 10,030,000 shares:

Preferred Stock Series A The Company is authorized to issue 10,000,000 shares of Series A, with a par value of \$0.01 per share. As at July 1, 2019, the Company had no shares of Series A preferred stock issued and outstanding.

On July 21, 2021, 6,000,000 shared of Preferred Stock Series A were issued as part of the acquisition of a new subsidiary, Muse Media LLC.

At June 30, 2022 the Company had 6,000,000 shares of Preferred Stock Series A issued and outstanding.

Preferred Stock Series D The Company is authorized to issue 30,000 shares of Series D, with a par value of \$100.00 per share. As at July 1, 2019, the Company had 30,000 shares of Series D Preferred Stock issued and outstanding.

No shares of Series D Preferred Stock have been issued or canceled since.

As at June 30, 2022, the Company had a total of 6,030,000 shares of Preferred Stock issued and outstanding.

##### Common Stock

On February 13, 2014, May 2, 2013 and August 31, 2012, the Company affected one-for-one hundred, one-for-fifty and one-for-seventy reverse stock splits, respectively, collectively referred to as the Stock Splits. Unless otherwise noted, all impacted amounts included in the consolidated financial statements and notes thereto have been retroactively adjusted for the Stock Splits. Unless otherwise noted, impacted amounts include shares of common stock authorized and outstanding, share issuances and cancellations, shares underlying preferred stock, convertible notes, warrants and stock options, shares reserved conversion prices of convertible securities, exercise prices of warrants and options, and loss per share.

As at July 1, 2021, the Company was authorized to issue up to 4,500,000,000 shares of Common Stock with a par value of \$0.0001 per share. On March 14, 2022, the Company reduced the authorized common stock share capital by 2,700,000,000 to 1,800,000,000.

As at June 30, 2022, the Company is authorized to issue up to 1,800,000,000 shares of Common Stock with par value of \$0.0001 per share.

As at July 1, 2020, the Company had 4,003,444,252 shares of Common Stock issued and outstanding.

On January 11, 2022 the Company bought back and canceled 2,500,000,000 shares of Common Stock from a shareholder.

As at June 30, 2022, there were 1,503,444,252 shares of Common Stock issued and outstanding.

#### NOTE 10. DERIVATIVE LIABILITIES

The Company applies the provisions of ASC Topic 815-40, Contracts in Entity's Own Equity ("ASC Topic 815-40"), under which convertible instruments, which contain terms that protect holders from declines in the stock price (reset provisions), may not be exempt from derivative accounting treatment. As a result, embedded conversion options in convertible debt are recorded as a liability and are revalued at fair value at each reporting date. If the fair value of the note exceeds the face value of the related debt, the excess is recorded as change in fair value in operations on the issuance date.

The Company identified embedded derivatives related to the Convertible Loan Notes issued on August 1, 2021, September 14, 2021 and September 24, 2021 totaling \$95,592. These embedded derivatives included certain conversion features. The accounting treatment of derivative financial instruments requires that the Company record the fair value of the derivatives as of the inception date of the Convertible Promissory Notes and to adjust the fair value as of each subsequent balance sheet date. At the inception of the Convertible Promissory Notes, the Company determined a fair value for the embedded derivative using the Black Scholes Model based on the following assumptions, and applied during the period ended September 30, 2021:

Dividend yield	0.00%
Volatility	122.66-196.14%
Risk-free rate	0.65-0.93%

The initial fair value of the embedded debt derivative was \$3,840,375. The proceeds of the note of \$95,592 were allocated as a debt discount. The amount in excess of the proceeds of the loan notes of \$3,744,783 was charged as interest to the Statement of Operations for the period.

The fair value of the embedded debt derivatives was reviewed at September 30, 2021, using the following inputs:

Dividend yield	0.00%
Volatility	185.60%
Risk-free rate	0.81%

The fair value of the embedded debt derivatives at September 30, 2021 was \$2,889,791, a decrease in the valuation of the embedded debt derivatives of \$950,584 for the period. This decrease was charged as a gain on revaluation of the derivative liabilities to the statement of operations.

The Company identified embedded derivatives related to the Convertible Loan Notes issued on October 12, 2021, October 26, 2021, November 18, 2021 and December 17, 2021, totaling \$67,070. These embedded derivatives included certain conversion features. The accounting treatment of derivative financial instruments requires that the Company record the fair value of the derivatives as of the inception date of the Convertible Promissory Notes and to adjust the fair value as of each subsequent balance sheet date. At the inception of the Convertible Promissory Notes, the Company determined a fair value for the embedded derivative using the Black Scholes Model based on the following assumptions, and applied during the period ended December 31, 2021:

Dividend yield	0.00%
Volatility	165.23-349.53%
Risk-free rate	1.06-1.24%

The initial fair value of the embedded debt derivatives was \$1,917,872. The proceeds of the notes of \$67,070 were allocated as a debt discount. The amount in excess of the proceeds of the loan notes of \$1,850,802 was charged as interest to the Statement of Operations for the period.

The fair value of the embedded debt derivatives was reviewed at December 31, 2021, using the following inputs:

Dividend yield	0.00%
Volatility	129.46%
Risk-free rate	1.27%

The fair value of the embedded debt derivative at December 31, 2021 was \$7,788,391, an increase in the valuation of the embedded debt derivative of \$2,980,728 for the period. This increase was charged as a loss on revaluation of the derivative liability to the statement of operations.

The fair value of the embedded debt derivative was reviewed at March 31, 2022, using the following inputs:

Dividend yield	0.00%
Volatility	104.91%
Risk-free rate	2.45%

The fair value of the embedded debt derivative at March 31, 2022 was \$3,649,023, an decrease in the valuation of the embedded debt derivative of \$4,139,368 for the period. This decrease was charged as a gain on revaluation of the derivative liability to the statement of operations.

The Company identified embedded derivatives related to the Convertible Loan Notes issued on April 1, 2022 and June 30, 2022, totaling \$45,151. These embedded derivatives included certain conversion features. The accounting treatment of derivative financial instruments requires that the Company record the fair value of the derivatives as of the inception date of the Convertible Promissory Notes and to adjust the fair value as of each subsequent balance sheet date. At the inception of the Convertible Promissory Notes, the Company determined a fair value for the embedded derivative using the Black Scholes Model based on the following assumptions, and applied during the period ended June 30, 2022:

Dividend yield	0.00%
Volatility	88.15-104.91%
Risk-free rate	2.42-3.15%

The initial fair value of the embedded debt derivatives was \$801,175. The proceeds of the notes of \$45,151 were allocated as a debt discount. The amount in excess of the proceeds of the loan notes of \$756,024 was charged as interest to the Statement of Operations for the period.

The fair value of the embedded debt derivative was reviewed at June 30, 2022, using the following inputs:

Dividend yield	0.00%
Volatility	88.15%
Risk-free rate	3.15%

The fair value of the embedded debt derivative at June 30, 2022 was \$2,691,436, a decrease in the valuation of the embedded debt derivative of \$1,758,762 for the period.

The following table provides a summary of changes in fair value of the Company's Level 3 derivative liabilities as at June 30, 2022:

	June 30, 2022,	June 30, 2021,
Balance, beginning of period	\$ -	\$ -
Additions	6,559,422	-
Mark-to-market at modification date	(3,867,986)	-
Reclassified to additional paid-in capital upon modification of term	-	-
Balance, June 30, 2022	\$ 2,691,436	\$ -
Net gain due to change in fair value for the year included in statement of operations	\$ 3,867,986	\$ -

This mark-to-market decrease of \$3,867,986 for the year ending June 30, 2022 was charged to the statement of operations as a gain on change in value of derivative liabilities.

#### NOTE 11. INCOME TAXES

The Company uses the assets and liability method of accounting for income taxes pursuant to SFAS No. 109 "Accounting for Income Taxes". Under the assets and liability method of SFAS No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. 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.

In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes." Specifically, the pronouncement prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken from year ended December 31, 2015 tax return onwards. The interpretation also provides guidance on the related derecognition, classification, interest and penalties, accounting for interim periods, disclosure and transition of uncertain tax positions. The Company adopted this interpretation effective on inception.

For the year ended June 30, 2022, the Company had available for US federal income tax purposes net operating loss carryovers of \$43,692,665, all of which will expire by 2042.

The Company has provided a full valuation allowance against the full amount of the net operating loss benefit, since, in the opinion of management, based upon the earnings history of the Company, it is more likely than not that the benefits will not be realized.

	June 30, 2022	June 30, 2021
Statutory federal income tax rate	21.00%	21.00%
Statutory state income tax rate	0.00%	0.00%
Valuation allowance	(21.00%)	(21.00%)
Effective tax rate	0.00%	0.00%

Deferred income taxes result from temporary differences in the recognition of income and expenses for financial reporting purposes and for tax purposes. The tax effect of these temporary differences representing deferred tax assets result principally from the following:

Deferred Tax Assets (Gross Values)	June 30, 2022	June 30, 2021
Net operating loss carry forward	\$ (43,692,665)	\$ (43,533,361)
Less valuation allowance	43,692,665	43,533,361
Net deferred tax asset	\$ -	\$ -

#### NOTE 12. RELATED PARTY TRANSACTIONS

There were related party transactions during the year ending June 30, 2022 and 2021.

During both years, the Company's CEO paid various expenses and the balance is noted in related party loans.

#### NOTE 13. COMMITMENTS AND CONTINGENCIES

Owing to the various activities and multiple changes to the Company over the past several years, there are significant contingent assets and liabilities as at June 30, 2022 or 2021.

##### Contingent Assets

Numerous music releases have been made by the Company's subsidiary, Seven Arts Music ('SAM'), from which royalties due to the Company have been generated. However, these royalties have not been received by the Company and the Company's management has instigated an investigation to determine where these royalties have been directed. In consequence, the Company has not been able to recognize these royalties as revenues and the royalties, as yet unquantified, remain a contingent asset until their whereabouts can be determined. The following releases are such assets of the Company:

- the DMX and Machine Gun Kelly single release on August 7, 2012, titled 'I Don't Dance';
- the DMX album release on September 12, 2012, titled 'Undisputed';
- the Bone Thugs-N-Harmony album release on December 13, 2013, titled 'Art of War';
- the DMX compilation album release on January 13, 2015, titled 'Redemption of the Beast';
- the DMX compilation album release on January 13, 2015, titled 'Redemption of the Beast';
- the soundtrack album release on October 19, 2018 for the film 'London Fields'.

##### Legal Action

From time to time, the Company is subject to legal action that may be taken by third parties against the Company, or that may involve the Company in some way. Many such actions are insignificant and considered to be a part of the Company's daily activities; however, there are two actions that are of a significance to be disclosed:

##### *US -v- Peter Hoffman*

In February 2014, the Company's former CEO, Peter Hoffman, was indicted by Federal prosecutors on charges of mail and wire fraud for a tax scheme regarding the Louisiana Motion Picture Incentive Act. Following his conviction in April 2015, and a subsequent series of appeals, Mr. Hoffman ultimately had his sentence reduced to 20 months, which also continues to be subject to appeal. It is believed that there is no related liability to be borne by the Company in connection with this matter.

##### *Arrowhead Capital Finance Ltd -v- the Company*

In 2016, Arrowhead Capital Finance Ltd ('Arrowhead') sued the Company in the US District Court of New York (the 'Court') for loans due in 2009 from Seven Arts Pictures Ltd, the Company's predecessor. On January 3, 2020, the Court found the Company liable and awarded Arrowhead a judgement of \$2,496,160, plus interest at a rate of 9% per annum on the outstanding principal balance, until paid and accruing since June 5, 2018. The Company recognized a liability of \$2,496,160 on its balance sheet as of June 5, 2018, with interest applied on the principal at 9% since that date, and recognized as a cost in the Company's Statement of Operations.

**NOTE 14. SUBSEQUENT EVENTS**

Subsequent to June 30, 2022, the Company reported the following events:

On July 20, 2022, the Company announced that it had established a new partnership with Ascended Entertainment. Operating in the Atlanta market, Ascended will oversee all post-production work for the Company's productions. In addition, the Company has hired an experienced Pro Tools engineer, who will oversee all audio mixing and production needs.