

Camelot Entertainment Group, Inc.
Form 10QSB
August 21, 2006

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-QSB
(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For six months ended June 30, 2006
OR

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

For the transition period from _____ to _____

Commission file number 000-3078

CAMELOT ENTERTAINMENT GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware

52-2195605

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

2020 Main Street #990
Irvine, CA 92614

(Address of principal executive offices (zip code))

(949) 777-1090

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the last 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

As of June 30, 2006, the Registrant had outstanding 93,649,589 shares of Common Stock, \$0.001 par value.

**CAMELOT ENTERTAINMENT GROUP, INC.
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THIS REPORT ON FORM 10-QSB CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, WHICH ARE SUBJECT TO THE "SAFE HARBOR" CREATED BY THOSE SECTIONS. THESE FORWARD-LOOKING STATEMENTS INCLUDE BUT ARE NOT LIMITED TO STATEMENTS CONCERNING OUR BUSINESS OUTLOOK OR FUTURE ECONOMIC PERFORMANCE; ANTICIPATED PROFITABILITY, REVENUES, EXPENSES OR OTHER FINANCIAL ITEMS; AND STATEMENTS CONCERNING ASSUMPTIONS MADE OR EXCEPTIONS AS TO ANY FUTURE EVENTS, CONDITIONS, PERFORMANCE OR OTHER MATTERS WHICH ARE "FORWARD-LOOKING STATEMENTS" AS THAT TERM IS DEFINED UNDER THE FEDERAL SECURITIES LAWS. ALL STATEMENTS, OTHER THAN HISTORICAL FINANCIAL INFORMATION, MAY BE MARKET TO BE FORWARD-LOOKING STATEMENTS. THE WORDS "BELIEVES", "PLANS", "ANTICIPATES", "EXPECTS", AND SIMILAR EXPRESSIONS HEREIN ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. FORWARD-LOOKING STATEMENTS ARE SUBJECT TO RISKS, UNCERTAINTIES, AND OTHER FACTORS, WHICH WOULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE STATED IN SUCH STATEMENTS. FORWARD-LOOKING STATEMENTS INCLUDE, BUT ARE NOT LIMITED TO, THOSE DISCUSSED IN "FACTORS THAT MAY AFFECT FUTURE RESULTS," AND ELSEWHERE IN THIS REPORT, AND THE RISKS DISCUSSED IN THE COMPANY'S OTHER SEC FILINGS.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Camelot Entertainment Group, Inc.
Balance Sheet

June 30,
2006
Unaudited

ASSETS

Current Assets	
Cash	\$ 3,779
Prepaid Expenses	27,049
Total Current Assets	30,828
Investments	
Scripts Costs	78,800
Subtotal	78,800
Total Assets	\$ 109,628

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

Current Liabilities	
Accounts Payable and accrued liabilities	\$ 264,549
Stockholder advances	294,292
Total Current Liabilities	558,841
Total Liabilities	558,841
Stockholders' Equity	
Common Stock; Par Value \$.001 Per Share; Authorized 150,000,000 Shares; 93,649,589 Shares Issued and Outstanding.	93,649
Class A Convertible Preferred Stock; Par Value \$.001 per share Authorized, issued and outstanding 5,100,000 shares	5,100
Class B Convertible Preferred Stock; Par Value \$.001 per share Authorized, issued and outstanding 5,100,000 shares	5,100

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Subscription Receivable	(258,072)
Capital in Excess of Par Value	11,923,586
Deficit Accumulated During the Development Stage	(12,218,576)
Total Stockholders' Equity (Deficit)	(449,213)
Total Liabilities and Stockholders' Equity	\$ 109,628

The accompanying notes are an integral part of these financial statements.

Camelot Entertainment Group, Inc.
Statements of Operations
(Unaudited)

	For the Three Months Ended,		For Six Months Ended,		From
	June 30,	June 30,	June 30,	June 30,	Inception
	2006	2005	2006	2005	on
					April 21,
					1999
					through
					June 30,
					2006
REVENUE	\$ -	\$ -	\$ -	\$ -	\$ 58,568
Total Revenue	\$ -	\$ -	\$ -	\$ -	\$ 58,568
EXPENSES					
Costs of services					95,700
Sales and Marketing					53,959
Research & Development					252,550
General & Administrative	202,956	486,174	393,716	603,270	8,986,284
Impairment of assets					2,402,338
Impairment of investments in other companies					710,868
Total Expenses	202,956	486,174	393,716	603,270	12,501,699
NET OPERATING LOSS	(202,956)	(486,174)	(393,716)	(603,270)	(12,443,131)
OTHER INCOME (EXPENSES)					
Interest (Expense)	-	-	-	-	(9,294)
Other income (expense)	-	-	-	-	(21,652)
Gain on extinguishment of debt	-	-	-	-	255,500
Total Other Income (Expenses)	-	-	-	-	224,554
NET LOSS	\$ (202,956)	\$ (486,174)	\$ (393,716)	\$ (603,270)	\$ (12,218,576)
BASIC LOSS PER COMMON SHARE	(0.0022)	(0.0062)	(0.0042)	(0.0081)	\$ (0.29)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING					
	93,649,589	79,013,587	93,649,589	74,582,002	42,178,165

The accompanying notes are an integral part of these financial statements.

Camelot Entertainment Group, Inc.
Statements of Cash Flows
(Unaudited)

	For Six Months Ended,		From Inception on April 21, 1999 through 30-Jun 2006
	June 30, 2006	June 30, 2005	
OPERATING ACTIVITIES			
Net (loss) income for the period	\$ (393,716)	\$ (603,270)	\$ (12,218,576)
Adjustments to reconcile net (loss) to cash provided (used) by operating activities:			
Value of options expensed	-		351,000
Gain on extinguishment of debt	-		(255,500)
Depreciation			3,997
Amortization of deferred compensation	-		1,538,927
Common Stock issued for debt			194,171
Common Stock issued for services	-	384,843	1,939,732
Common Stock issued for expense reimbursement	-	55,462	354,788
Common Stock issued for technology			19,167
Impairment of investments in other companies	-		710,868
Impairment of assets			2,628,360
Prepaid services expensed	2,392		531,429
Expenses paid through notes payable proceeds			66,489
Loss on disposal of property and equipment			5,854
Preferred Stock issued to shareholder			3,366,000
Change in assets and liabilities:			
(increase) decrease in other current assets	(20,626)	(9,615)	(22,622)
Increase (decrease) in accounts payable & other a/p	182,891	(27,825)	301,358
Increase (decrease) in due to officers	-	-	-
Net Cash provided (used) by operating activities	(229,059)	(200,405)	(484,558)
Cash flows from investing activities:			
Purchase of fixed assets			\$ (6,689)
Purchase of assets-Script Costs	(60,000)		(78,800)
Cash provided (used) from investing activities	(60,000)		\$ (85,489)
Cash flows from financing activities:			
Contributed capital			25,500
Advanced from affiliate/shareholder loans for cash flow	294,292	200,013	521,968
Proceeds from issuance of common stock			30,835

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Increase (decrease) in notes payable	(4,477)		(4,477)
Cash provided (used) in financing activities	289,815	200,013	573,826
Increase (decrease) in cash	756	(392)	3,779
Cash at beginning of period	3,023	1,140	0
Cash at the end of the period	\$ 3,779	\$ 748	\$ 3,779

The accompanying notes are an integral part of these financial statements.

Camelot Entertainment Group, Inc.

Statements of Cash Flows

(Unaudited)

(continued)

	For the Year Ended		From
	June 30,	June 30,	Inception on
	2005	2004	April 21,
			1999
			through
			30-Jun
			2006
Supplemental Cash Flow Information			
Interest Paid	0	0	\$ 31,000
Supplemental Disclosure of Non Cash Investing and Financing Activities:			
Issuance of common stock for property and equipment	0	0	\$ 1,153,162
Issuance of common stock for licensed technology	0	0	938,000
Purchase of Treasury Stock	0	0	2,400
Issuance of common stock for debt	0	0	40,000
Purchase of licensed technology for debt to seller	0	0	250,000
Issuance of common stock for prepaid and other assets	0	0	1,726
Prepayment of services for common stock	0	0	2,046,000
Investments in other companies	0	0	710,000
Conversion of debt to common stock	0	0	225,500
Forgiveness of debt by stockholder	0	0	31,489

The accompanying notes are an integral part of these financial statements

Camelot Entertainment Group, Inc.
Statements of Stockholders' Equity (Deficit)
(Unaudited)

	Common Stock		Preferred Stock		Additional Paid-In Capital	(Deficit) Accumulated		Subscription Receivable	Deferred Compensation	Total
	Shares	Amount	Shares	Amount		During Development Stage				
	Balance at January 1, 2004	33,856,433	33,857	0		0	5,464,539			
Shares issued for services	100,000	100			2,900				3,000	
Shares issued for financing	6,791,287	6,791			196,948				203,739	
Subscriptions receivable for financing agreement	0	0					-116,069		-116,069	
Net (loss) for the three months ended March 31, 2004	0	0				-131,681			-131,681	
Balance at March 31, 2004	40,747,720	\$ 40,748	\$ 0	\$ 0	5,664,387	(6,191,123.00)	(\$116,069)	0	(\$602,057)	
Share issued for services	24,009,000	24,009			1,085,500				1,109,509	
Share issued for financing Advances	7,604,562	7,605	0	0	221,460		(316,003)		(86,938)	
Offset sub a/r							174,000		174,000	
Shares issued for debt	1,000,000	1,000	0	0	39,000				40,000	
Shares issued for amt due	1,589,927	1,590	0	0	47,000				48,590	
Value of option exercised					351,000				351,000	
Net (loss)	74,951,209	74,952	0	0	7,408,347	(7,324,719)			158,580	

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Balance as of December 31, 2004									
Net (loss) 1st quarter						(117,096)			(117,096)
Balance at March 31, 2005	74,951,209	74,952 \$	0 \$	0	7,408,347	(7,441,815)	(258,072)\$	0	(216,588)
Shares issued for consulting services	4,000,000	4,000	0	0	216,000	0			220,000
Shares issued for officers salaries	2,276,033	2,276	0	0	187,568	0			189,844
Shares issued to Eagle for expenses paid	1,848,723	1,849	0	0	79,078	0			80,927
Net Loss						(486,174)			(486,174)
Subtotals for end quarter	8,124,756	8,125	0	0	482,646	0			4,597
Balance at June 30, 2005	83,075,965	83,076	0	0	7,890,993	(7,927,989)	(258,072)		(211,991)
Net Loss						\$ (127,024)			\$ (127,024)
Balance at Sept 30, 2005	83,075,965	83,076	0	0	7,890,993 \$	(8,055,013)	(\$258,072)		