Camelot Entertainment Group, Inc.
Form 10QSB
August 20, 2007

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-QSB

(Mark One)

x QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2007

OR

o 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 000-30785

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 x No o

As of August 17, 2007, the Registrant had outstanding 122,558,450 shares of Common Stock, $0.001 par value.

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CAMELOT ENTERTAINMENT GROUP, INC.
INDEX TO FORM 10-QSB

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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.

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Camelot Entertainment Group, Inc.
Balance Sheets
Unaudited

ASSETS

		June 30, 2007		December 31, 2006
Current Assets				
Cash	$	23,478	$	435,533
Prepaid Expenses		6,424		6,424
Total Current Assets		29,902		441,957
Deferred Financing Costs		69,732		74,744
Loan Receivable		17,500		17,500
Scripts Costs		79,700		75,800
Deposit for potential business acquistion and studio project		85,000		10,000
Total long term assets		251,174		178,044
Total Assets	$	281,834		620,001

LIABILITIES AND STOCKHOLDERS' EQUITY(DEFICT)

Current Liabilities				
Accounts Payable and accured liabilities	$	624,048	$	140,625
Note Payable - Scorpion Bay, LLC (net of unamortized discount of $34,948)		65,052		250,000
Stockholder advances		30,720		186,000
Total Current Liabilities		719,820		576,625
Long Term Liabilities				
Secured Note Payable - NIR Fairhill, net of unamortized discount of $781,463		189,954		1,521
Derivative Liability - Compound		976,533		538,890
Derivative Liability - Warrant		150,744		698,390
Total Long Term Liabilities		1,317,231		1,238,801
Total Liabilities		2,037,051		1,815,426
Stockholders' Equity (Deficit)				
Common Stock; Par Value $.001 Per Share; Authorized 300,000,000 Shares; 122,058,450 and 106,655,743 shares issued and outstanding, respectively		122,058		106,656
		5,100		5,100

Class A Convertible Preferred Stock; Par Value $.01 per share 15,000,000Authorized, 5,100,000 issued and outstanding shares				
Class B Convertible Preferred Stock; Par Value $.01 per share 15,000,000 Authorized, 5,100,000 issued and outstanding shares		5,100		5,100
Subscription Receivable		(758,072)		(258,072)
Capital in Excess of Par Value		14,044,274		13,119,002
Deficit Accumulated During the Development Stage		(15,173,677)		(14,173,211)
Total Stockholders' Equity (Deficit)		(1,755,217)		(1,195,425)
Total Liabilities and Stockholders' Equity (Deficit)	$	281,834	$	620,001

The accompanying notes are an integal part of theses financial statements.

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Camelot Entertainment Group, Inc.
Statements of Operations
Unaudited

	For Three Months ended, June 30, 2007	June 30, 2006	For the Six months ended June 30, 2007	June 30, 2006	From Inception on April 21, 1999 through June 30, 2007
REVENUE	$ -	$ -	$ -	$ -	$ 58,568
Total Revenue	$ -	$ -	$ -	$ -	$ 58,568
EXPENSES					
Costs of services	-	-	-	-	95,700
Sales and Marketing	-	-	-	-	53,959
Research & Development	-	-	-	-	252,550
General & Administrative	552,359	202,956	938,780	393,716	11,086,253
Impairment of assets	-	-	-	-	2,402,338
Impairment of investments in other companies	-	-	-	-	710,868
Total Expenses	552,359	202,956	938,780	393,716	14,601,668
NET OPERATING LOSS	(552,359)	(202,956)	(938,780)	(393,716)	(14,543,100)
OTHER INCOME (EXPENSES)					
Interest (Expense)	(410,806)	-	(463,956)	-	(651,066)
Gain on derivative liability	821,318	-	838,915	-	868,395
Loss on derivative liability	(203,794)		(436,645)		(1,103,406)
Gain on extinguishment of debt	-	-	-	-	255,500
Total Other Income (Expenses)	206,719	-	(61,686)	-	(630,577)
NET LOSS	(345,641)	(202,956)	(1,000,466)	(393,716)	$ (15,173,677)
	(0.0030)	(0.0022)	(0.0090)	(0.0042)	$ (0.29)

BASIC LOSS PER COMMON SHARE					
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	114,097,641	93,649,589	110,793,359	93,649,589	52,395,377

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

Camelot Entertainment Group, Inc.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

	Common Stock		Preferred Stock		Additional Paid-In Capital	(Deficit) Accumulated During Development Stage	Subscription Receivable	Deferred Compensation	Total
	Shares	**Amount**	**Shares**	**Amount**					
Balance at January 1, 2004	33,856,433	33,857	0	0	5,464,539	(6,059,442)	0	0	(561,046)
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				(103,522)			(103,522)
Balance at March 31, 2004	40,747,720	$ 40,748	$ 0	$ 0	$ 5,664,387	(6,162,964)	$ (116,069)	$ 0	$ (573,898)
Share issued for services	24,009,000	24,009			1,085,500				1,109,509

Share issued for financing	7,604,562	7,605	0	0	221,460		(316,003)		(86,938)
Advances 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)						(1,161,756)			(1,161,756)
Balance as of December 31, 2004	74,951,209	74952	0	0	7,408,347	(7,324,720)	(258,072)		(99,493)
Net (loss) 1st quarter						(117,096)			(117,096)
Balance at March 31, 2005	**74,951,209**	**74,952**	**$ 0**	**$ 0**	**7,408,347**	**(7,441,816)**	**(258,072)**	**$ 0**	**(216,589)**
Shares issued for consulting services	4,000,000	4,000	0	0	216,000	0			220,000
Shares issued	2,276,033	2,276	0	0	187,568	0			189,844

for officers salaries								
Shares issued to Eagle for expenses paid	1,848,723	1,848	0	0	79,078	0		80,926
Net Loss						(486,174)		(486,174)
Subtotals for 2nd quarter	8,124,756	8,125	0	0	482,646	(486,174)		4,597
Balance at June 30, 2005	**83,075,965**	**83,076**	**0**	**0**	**7,890,993**	**(7,927,990)**	**(258,072)**	**(211,993)**
Net Loss						$ (127,024)		$ (127,024)
Balance at Sept 30, 2005	83,075,965	83,076	0	0	7,890,993	$ (8,055,014)	$ (258,072)	(339,017)
Shares issued for consulting services	233,547	233	0	0	9,767			10,000
Shares issued for officers salaries	3,538,263	3,538	0	0	171,462			175,000
Shares issued to Eagle for expenses paid	1,452,662	1,453	0	0	118,219			119,672

Shares issued to Eagle	1,762,271	1,762			120,991			122,753
20% of shares issued								
Shares issued for	3,586,881	3,587			256,354			259,941
Shareholder loans 2005								
Net Loss 4th Quarter						$ (3,769,845)		(3,769,845)
Class A Preferred Stock issued			5,100,000	5,100	555,900			561,000
Class B Preferred Stock issued			5,100,000	5,100	2,799,900			2,805,000
Balance at Dec 31, 2005	**93,649,589**	**93,649**	**10,200,000**	**10,200**	**11,923,586**	**(11,824,859)**	**(258,072)**	**(55,496)**

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STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT) -*continued*

Shares issued for officers salaries	5,191,538	5,192	0	0	464,808			470,000
Shares issued to Consultants	2,009,787	2,010			179,078			181,088
Shares issued to Eagle for expenses paid	1,201,329	1,201	0	0	113,120			114,321
Shares issued to Eagle Shareholder loans	1,270,772	1,271	0	0	116,911			118,182
Shares issued to Eagle per agreement 20%	1,832,728	1,833	0	0	168,611			170,444
Shares issued to Scorpion Bay LLC	1,500,000	1,500	0	0	133,650			135,150
Imputed interest on shareholders loan					19,238			19,238
Net Loss						(2,348,352)		(2,348,352)
Balance at Dec 31, 2006	**106,655,743**	**106,656**	**10,200,000**	**10,200**	**13,119,002**	**(14,173,211)**	**(258,072)**	**(1,195,425)**
Shares issued to Nucore	5,000,000	5,000			495,000		(500,000)	-
Shares issued for								
	7,000,000	7,000			332,000			339,000

interest on note payable									
Shares issued for expenses paid	401,957	401	-	-	15,676				16,077
Shares issued for services	1,250,000	1,250	-	-	48,750				50,000
Shares issued for conversions of notes payable:	1,750,750	1,751			27,012				28,763
Accelerated amortization of discount on notes payable					(23,460)				(23,460)
Derivative liability relieved by conversions of notes payable					28,048				28,048
Imputed interest on shareholder loan					2,246				2,246
Net Loss						(1,000,466)			(1,000,466)
Balance at June 30, 2007	**122,058,450**	**122,058**	**10,200,000**	**10,200**	**14,044,274**	**(15,173,677)**	**(758,072)**	**-**	**(1,755,217)**

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

Camelot Entertainment Group, Inc.
Statement of Cash Flows

	For six months ended June 30, 2007	For six months ended June 30, 2006	From Inception on April 21, 1999 through June 30, 2007
OPERATING ACTIVITIES			
Net loss	$ (1,000,466)	$ (393,716)	$ (15,173,677)
Adjustments to reconcile net (loss) to cash provided (used) by operating activities:			
Amortization of deferred financing cost	18,012	-	18,268
Amortization of discount associated with notes payable	117,922	-	119,443
Imputed interest on shareholder loan	2,246	-	21,484
Loss on derivative liability	436,645	-	1,103,406
Gain on derivative liability	(838,915)	-	(868,395)
Common Stock issued for interest expenses	300,000	-	435,150
Common stock issued per dilution agreement	-	-	368,508
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 services	50,000	-	2,583,935
Common Stock issued for expense reimbursement	-	-	22,000
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	530,000
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)	(24,358)

Increase (decrease) in accounts payable & other a/p	483,603	182,891	831,369
Increase (decrease) in due to officers			
Net Cash used in operating activities	**(430,953)**	**(229,059)**	**(1,597,705)**
Cash flows from investing activities:			
Purchase of fixed assets	-	-	(6,689)
Purchase of assets-Script Costs/business deposits	(78,900)	(60,000)	(164,700)
Net Cash used ininvesting activities	**(78,900)**	**(60,000)**	**(171,389)**
Cash flows from financing activities:			
Contributed capital	-	-	25,500
Borrowings on related party debt	132,686	294,292	1,149,299
Payments on related party debt	(271,888)	-	(396,888)
Borrowings on debt	500,000	-	1,355,998
Deferred financing costs	(13,000)	-	(88,000)
Principal payments on long term debt	(250,000)	(4,477)	(254,477)
Cash provided by financing activities	**97,798**	**229,815**	**1,791,432**

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Statement of Cash Flows-*continued*

Increase (decrease) in cash	(412,055)	756	22,338
Cash at beginning of period	435,533	3,023	1,140
Cash at the end of the period	23,478	3,779	23,478
Supplemental Schedule of Non-cash Information:			
Noncash investing and financing activities:			
Creation of debt discount	359,315	-	959,315
Stock issued for related party debt	16,078	-	248,581
Stock issued in advance of financing arrangement	500,000	-	500,000
Stock issued for conversion of debt to equity	28,763	-	28,763
Accelerated amortization of discount on notes payable	23,460	-	23,460
Derivative liability relieved by conversions of notes payable	28,048	-	28,048

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

CAMELOT ENTERTAINMENT GROUP, INC.
NOTES TO FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED, JUNE 30, 2007

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization:
Camelot Entertainment Group, Inc, a Delaware Corporation, which develops, produces, markets and distributes motion pictures, was originally incorporated with the intention of providing services and resources to entrepreneurs looking to launch novel products and ventures worldwide in exchange for an interest in the startup ventures. Camelot's activities since inception have consisted of raising capital, recruiting a management team and entering into ventures and alliances with affiliates. Camelot has substantially relied on issuing stock to officers, directors, professional service providers and other parties in exchange for services and technology.

Basis of Presentation:
Management has determined that Camelot is considered to be a development stage enterprise as defined in Statement of Financial Accounting Standards No. 7, "Accounting and Reporting by Development Stage Enterprises." Consequently, Camelot has presented these financial statements in accordance with that Statement, including losses incurred from April 21, 1999 (Inception) to June 30, 2007.

The accompanying unaudited financial statements as of June 30, 2007 and for the six months ended June 30, 2007 and 2006, respectively, have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for audited financial statements. In the opinion of Camelot's management, the interim information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods. The footnote disclosures related to the interim financial information included herein are also unaudited. Such financial information should be read in conjunction with the consolidated financial statements and related notes thereto as of December 31, 2006 and for the year then ended included in Camelot's annual report on Form 10-KSB/A for the fiscal year ended December 31, 2006, amended as of May 11,2007.

Certain amounts originally presented at December 31, 2006 have been reclassified to conform with the presentation at june 30, 2007.

Recently Issued Accounting Standards
In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments - An Amendment of FASB Statements No. 133 and 140." SFAS No. 155 simplifies the accounting for certain hybrid financial instruments, eliminates the interim FASB guidance which provides that beneficial interests in securitized financial assets are not subject to the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," and eliminates the restriction on the passive derivative instruments that a qualifying special-purpose entity may hold. Effective January 1, 2007, we adopted the provisions of SFAS No. 155 prospectively for all financial instruments acquired or issued on or after January 1, 2007. Adoption of this statement will not have a significant effect on our results of operations, financial position or cash flows.

2. GOING CONCERN

The accompanying financial statements have been prepared assuming that Camelot will continue as a going concern. Camelot has had minimal revenues, has experienced losses since inception and has a stockholders' deficit. These conditions, the loss of financial support from affiliates, and the failure to secure a successful source of additional financial resources raise substantial doubt about Camelot's ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the classification of liabilities that may result from the outcome of this uncertainty.

Management's plans with respect to the current situation consist of restructuring its debt and seeking additional financial resources from its existing investors or others. However, instability in the stock price may make it difficult to find parties willing to accept restricted shares of common stock in exchange for services required to execute its business plan. There is no assurance that such resources would be made available to Camelot, or that they would be on financially viable terms

3. COMMITMENTS AND CONTINGENCIES

On April 24, 2007, Camelot entered into an agreement with a third party to exclusively negotiate the construction of an entertainment media arts center . During the negotiation period of nine months, Camelot will make a series of four $25,000 deposits upon completion of certain milestones. As of June 30, 2007, Camelot has made it's first "good faith" deposit in order to continue negotiations.

On July 19, 2007, Camelot made it's second "good faith" deposit in its exclusive contract to negotiate the construction of an entertainment media arts center.

4. NOTES PAYABLE

On December 27, 2006, Camelot issued a callable secured convertible note payable for $600,000 and $400,000 on June 6, 2007 to various holders The note payable provided for annual interest at 8%, was secured by all of the assets of Camelot, and matured on April 27, 2009. The principle and accrued interest of the note is convertible into Camelot's common stock at a variable conversion price, which is 50% of the average market price of the common stock of the lowest three trading days prior to the date of conversion. In addition, these notes have registration rights agreements, which call for liquidated damages in the event an effective registration statement is not filed within a timely basis. In addition, the holders of these notes were issued 7-year warrants to purchase 10,582,609 common shares at an exercise price of $0.15 per share.

Of the proceeds of $600,000 Camelot recognized $75,000 in deferred financing costs related to cost of securing the debt. Of the proceeds of $400,000 Camelot recognized $13,000 in deferred financing costs related to cost of securing the debt. The deferred financing cost will be amortized over the life of the notes payable. $18,012 and $0 of the deferred financing cost was amortized as of June 30, 2007 and June 30, 2006, respectively, and included in interest expense.

Camelot evaluated the convertible notes and warrants under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments" and Emerging Issues Task Force 00-19 and determined that the Convertible notes contained compound embedded derivative liabilities. The warrants were also determined to be liabilities under

SFAS 133 and EITF 00-19. Camelot determined that the compound embedded conversion features required bi furcating from the note instrument and required an estimate of its fair market value. Camelot hired an independent valuation expert to determine the fair market value of both the compound embedded derivative and the warrants. The fair market value of the compound embedded derivative was estimated using a lattice model incorporating weighted average probability cash flow. The fair market value of the warrants was estimated using Black Scholes with the major assumptions of (1) calculated volatility of 150%; (2) expected term of 7 years; (3) risk free rate of 4.64% and (4) expected dividends of zero.

CAMELOT ENTERTAINMENT GROUP, INC.
NOTES TO FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED, JUNE 30, 2007

4. NOTES PAYABLE -*continued*

At June 30, 2007, Camelot estimated the fair value of the derivative liabilities to be a total of $1,127,277 resulting in a net gain on derivative liability presented in the statement of operations of $402,270. In addition, Camelot amortized $113,870 of the discount on the note payable and this amount is included in interest expense. During the period ended, the holder converted $28,763 of the notes payable into 1,750,750 shares of common stock resulting in an acceleration of the original amortization of the notes in the amount of $23,460 and a reduction in the derivative liability of $ 28,048, both accounted for through additional paid in capital.

In November 2006, Camelot issued note payable to Scorpion Bay LLC for $250,000, which matured on March 22, 2007. This note was in default as of March 23, 2007 and was recorded at its full face value at December 31, 2006 Camelot issued 6,000,000 shares of common stock for default provisions of this note. As this note has matured, this total amount was considered to be interest expense. Camelot recorded issuance of these shares at fair market value as interest expense as of June 30, 2007. This note was paid on June 7, 2007.

In June 2007, Camelot issued note payable to Scorpion Bay LLC for $300,000, which matures on November 30, 2007. The proceeds from this note are to be received in three consecutive payments of $100,000 beginning on June 15, 2007 and ending August 15, 2007. With each receipt of $100,000, Camelot owes the lender 1,000,000 shares of common stock. Camelot issued 1,000,000 of common stock with for $100,000 received on June 15, 2007. Camelot discounted the note for the fair market value of the common stock for $39,000 and will amortize this amount into interest expense over the life of the note. $4,052 was considered to be interest expense for the period ended June 30,2007.

On July 18, 2007, Camelot received $100,000 in additional funding from Scorpion Bay and issued 1,000,000 additional shares for interest as described in Note 4.

5. DUE TO OFFICERS

In the six month period ended June 30, 2007 Camelot had accrued $235,000 in compensation to its officers. Total due to officers as of June 30, 2007 was $245,000.

6. RELATED PARTY TRANSACTIONS

During the six month periods ending June 30, 2007 and 2006, Camelot entered into related party transactions with Board members, officers and affiliated entities owned by the CEO of Camelot. Camelot plans to issue shares of common stock for services rendered, cash advances, and payment of expenses on Camelot's behalf. During the six month period ended June 30, 2007, Camelot recorded $132,686 in advances by an affiliate on behalf of Camelot, compared to $294,292 for six month period ended June 30, 2006. Camelot issued 410,957 shares to the affiliate for $16,077 in expense reimbursement.

As a result of our agreement with the affiliated company owned by the CEO of Camelot, the affiliate receives 20% of Camelot's common stock on an anti-dilutive basis in return for services and cash advances. The anti-dilutive provisions are in force through March 28, 2008. In addition, the affiliate has the option to receive 2,000,000 cashless options to purchase common shares at $0.03 per share. For each one dollar ($1) increase in the price of Camelot's stock, the affiliate shall be entitled to receive an additional two million options throughout the term of the agreement between the affiliate and Camelot, which expires on March 28, 2008. In addition, Camelot shall have the first right of refusal to purchase the options from the affiliate for the current market value once the affiliate notifies Camelot that it intends to exercise the options. In the event Camelot elects not to exercise this first right of refusal, and subject to applicable laws, the affiliate shall be entitled to exercise the sale of shares or options immediately thereafter. As of June 30, 2007, the affiliate has not exercised its right to receive the options and therefore no options have been granted. The affiliate’s right to receive the options and to exercise those options expires on March 28, 2008. No shares were issued during the quarter for this agreement.

7. COMMON STOCK

Camelot issued 5,000,000 to Nucore Industries, Inc. on March 16, 2007, as a good faith non-refundable deposit for a potential financing to be funded by Nucore, and it has been presented as a subscription receivable at June 30, 2007.

Camelot issued 1,250,000 with a fair market value of $50,000 to an outside consultant.

8. SUBSEQUENT EVENTS

On July 31, 2007, Camelot filed a registration statement on Form 8-K, accepting resignation from two members of board of directors.

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ITEM 2. - MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

The matters discussed in this report contain 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 deemed 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 Camelot's other SEC filings.

Critical Accounting Estimates

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America requires our management to make certain 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. As such, in accordance with the use of accounting principles generally accepted in the United States of America, our actual realized results may differ from management’s initial estimates as reported. A summary of our significant accounting policies is detailed in the notes to the financial statements, which are an integral component of this filing.

Critical Accounting Policies

We have defined a critical accounting policy as one that is both important to the portrayal of our financial condition and results of operations, and requires the management to make difficult, subjective or complex judgments. Estimates and assumptions about future events and their effects cannot be perceived with certainty. Camelot bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments. These estimates may change as new events occur, as more experience is acquired, as additional information is obtained and as Camelot's operating environment changes.

We have identified the policies below as critical to our business operations and the understanding of our results of operations. The impact and any associated risks related to these policies on our business operations is discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations, where such policies affect our reported and expected financial results. In the ordinary course of business, we have made a number of estimates and assumptions relating to the reporting of results of operations and financial condition in the preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ significantly from those estimates under different assumptions and conditions. We believe that the following discussion addresses our most critical accounting policies, which are those that are most important to the portrayal of our financial condition and results of operations and require our most difficult, subjective, and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

ITEM 2. - MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION-*continued*

Accounting for Motion Picture Costs

In accordance with accounting principles generally accepted in the United States and industry practice, we amortize the costs of production, including capitalized interest and overhead, as well as participations and talent residuals, for feature films using the individual-film-forecast method under which such costs are amortized for each film in the ratio that revenue earned in the current period for such title bears to management's estimate of the total revenues to be realized from all media and markets for such title. All exploitation costs, including advertising and marketing costs, are expensed as incurred. Theatrical print costs are amortized over the periods of theatrical release of the respective territories.

Management plans to regularly review, and revise when necessary, our total revenue estimates on a title-by-title basis, which may result in a change in the rate of amortization and/or a write-down of the film asset to estimated fair value. These revisions can result in significant quarter-to-quarter and year-to-year fluctuations in film write-downs and amortization. A typical film recognizes a substantial portion of its ultimate revenues within the first two years of release. By then, a film has been exploited in the domestic and international theatrical markets and the domestic and international home video markets, as well as the domestic and international pay television and pay-per-view markets. A similar portion of the film's capitalized costs should be expected to be amortized accordingly, assuming the film or television program is profitable.

The commercial potential of individual motion pictures varies dramatically, and is not directly correlated with production or acquisition costs. Therefore, it is difficult to predict or project a trend of our income or loss. However, the likelihood that we would report losses, particularly in the year of a motion picture's release, is increased by the industry's method of accounting, which requires the immediate recognition of the entire loss (through increased amortization) in instances where it is estimated the ultimate revenues of a motion picture could not recover our capitalized costs. On the other hand, the profit of a profitable motion picture must be deferred and recognized over the entire revenue stream generated by that motion picture. This method of accounting may also result in significant fluctuations in reported income or loss, particularly on a quarterly basis, depending on our release schedule, the timing of advertising campaigns and the relative performance of individual motion pictures.

Accounting for Films

In June 2000, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position 00-2 "Accounting by Producers or Distributors of Films" ("S0P 00-2"). S0P 00-2 establishes new accounting standards for producers or distributors of films, including changes in revenue recognition, capitalization and amortization of costs of acquiring films and accounting for exploitation costs, including advertising and marketing expenses. We elected adoption of SoP 00-2 effective as of April 1, 2004.

The principal changes as a result of applying S0P 00-2 are as follows:

Advertising and marketing costs, which were previously capitalized to investment in films on the balance sheet and amortized using the individual film forecast method, are now expensed the first time the advertising takes place.

We capitalize costs of production, including financing costs, to investment in motion pictures. These costs are amortized to direct operating expenses in accordance with SoP 00-2. These costs are stated at the lower of unamortized motion picture costs or fair value (net present value). These costs for an individual motion picture or television program are amortized in the proportion that current period actual revenues bear to management's estimates of the total revenue expected to be received from such motion picture over a period not to exceed ten years from the date of delivery.

Management plans to regularly review, and revise when necessary, its total revenue estimates, which may result in a change in the rate of amortization and/or write-down of all or a portion of the unamortized costs of the motion picture to its fair value. No assurance can be given that unfavorable changes to revenue estimates will not occur, which may result in significant write-downs affecting our results of operations and financial condition.

Derivative Instruments

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, *"Accounting for Derivative Instruments and Hedging Activities,"* as amended by Statement of Financial Accounting Standards No. 137, *"Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of Financial Accounting Standards Board No. 133,"* and by Statement of Financial Accounting Standards No. 138, *"Accounting for Certain Derivative Instruments and Certain Hedging Activities - an Amendment of Financial Accounting Standards Board Statement No. 133,"* which is effective for all quarters of fiscal years beginning after June 15, 2000. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. We adopted Statement of Financial Accounting Standards No. 133 beginning January 1, 2004. The adoption of Statement of Financial Accounting Standards No. 133 did materially impact our results of operations with our convertible notes payable entered into in December 2006.

ITEM 2. - MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION-*continued*

Going Concern Uncertainties

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of Camelot as a going concern. However, Camelot has experienced recurring operating losses and negative cash flows from operations.