

Sovereign Exploration Associates International, Inc.  
Form 10KSB/A  
November 14, 2008

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-KSB/A  
Amendment no. 1

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

For the fiscal year ended June 30, 2007

☐ 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 333-29903

SOVEREIGN EXPLORATION ASSOCIATES INTERNATIONAL, INC.  
(Name of small business issuer in its charter)

Utah	30-0123229
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

503 East Washington Avenue, Suite 2D, Newtown, Pennsylvania	18940
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (215) 968-0200

Securities registered pursuant to Section 12(b) of the Act: N/A

Securities registered pursuant to section 12(g) of the Act: N/A

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. ☒

Note - Checking this box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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

Indicate by check mark if no disclosure of delinquent filers pursuant to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or

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information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. ☒ x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ o Yes ☒ x No

The issuer's revenues for the year ended June 30, 2007 were \$1,860,442.

The number of shares outstanding of the issuer's Common Stock as of September 17, 2007 was 33,682,017 shares. The aggregate market value of the Common Stock totaling 13,682,789 shares held by non-affiliates, based on the approximate average of the bid and asked prices of \$0.18 per share as of September 17, 2007, was \$2,495,302.

Transitional Small Business Disclosure Format (Check One): ☐ o Yes ☒ x No

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SIGNATURES

## PART I

### Item 1. Description of Business

Sovereign Exploration Associates International, Inc. (the "Company") was incorporated in Utah in 1980. The Company on January 13, 2004, elected to be treated as a business development company under the Investment Company Act of 1940 (the "1940 Act"). A business development company is an investment company that invests primarily in, and makes available significant managerial assistance to, eligible portfolio companies that may not have ready access to capital through conventional financial channels.

There was a change in control of the Company on October 17, 2005. The Company, then known as CALI Holdings, Inc., on that date entered into an Exchange Agreement (the "Exchange Agreement") with Sovereign Exploration Associates International, Inc., a Pennsylvania Company now known as Historic Discoveries, Inc. ("Historic Discoveries"). As a result of the Exchange Agreement, Historic Discoveries became a wholly-owned subsidiary of the Company and the former shareholders of Historic Discoveries received 90% of the capital stock of the Company. All of the Directors and officers of the Company resigned, and new Directors and officers took office. Immediately prior to and in connection with the entry into the Exchange Agreement, the Company disposed of substantially all of its assets.

#### The Business of Historical Shipwreck Recovery

Searching for and salvaging historical shipwrecks is a multistage process. The Company generally seeks to identify and recover artifacts from historical shipwrecks dating from 1500 to 1900. The wrecked ships themselves generally were made of wood and have completely disintegrated. The Company therefore seeks to recover valuable and historically interesting artifacts from the shipwreck sites.

An initial step is locating promising sites for exploration. The Company has conducted extensive research into historical shipwrecks. It currently focuses on inshore, shallow-water sites that tend to be less costly and to provide the Company with a higher likelihood of greater recovery-per-dive than achieved by deep-water recovery operations. The Company also takes into account the effect of local laws, which vary in the degree to which a salver must share recovered items with governmental authorities.

For any licenses that are owned by the Company, it must obtain an exploratory or disturbance permit before commencing exploratory operations. The permit gives the holder the exclusive right to conduct exploratory operations in the area covered by the permit. The Company holds or has rights to a number of these permits and considers that they make up a significant portion of its net worth; in many cases, the permits are owned by a third party who contracts with a subsidiary of the Company. During the exploratory operations, the Company seeks to locate shipwrecks and to confirm their identification through examination of a limited number of salvaged items. Both exploratory and salvage operations are dependent upon favorable weather conditions. For operations off the coast of Nova Scotia, where several of the Company's sites are located, these are restricted to the warmer months of the year.

A separate recovery permit is required before the Company can make any substantial recoveries from a site. Recoveries under a recovery permit require the involvement of a science team, which examines recovered items and turns its findings over to the applicable governmental authority. The artifacts must be thoroughly documented in accordance with commonly accepted historical and archaeological standards. These records will be retained by the Company and made available to researchers by request. After items have been recovered and examined, it generally is necessary to negotiate an in-kind sharing of recovered items with the governmental authority. In the Company's experience, this negotiation can take a year or more. The Company then can begin realizing on the recovered items through a deaccession process. An effort will be made to keep a deaccessioned artifact in the public domain by offering museums and similar institutions the opportunity to purchase the artifact at fair market value as determined

by the average of no less than two independent appraisers adhering to the standards of the Appraisers Association of America standards. Consideration will be given to institutions in the region of origin.

The eventual deaccession will follow one of three options:

- Sale - In order of preference, artifacts may be sold for fair market value to a museum, university or public institution collection; by publicly advertised auction to the highest bidder; or by private sale based upon fair market value.
- Exchange - With approval of the Board of Directors, artifacts can be exchanged for another artifact from a qualified museum, university or public institution collection to further complete the present collection of that institution, when the exchanging institution has a policy allowing for final deaccession to a private entity.
- Gift - With approval from the Board of Directors, artifacts may be deaccessioned to a qualified museum, university or public institution collection to further complete a given collection.

Typically it will take a period of two to three years from the Company's location of a shipwreck to when it begins to realize on its recoveries. The Company may also realize returns from its intellectual property rights with respect to historically significant or interesting shipwrecks, such as the development and sale of documentaries and television specials, but these are expected to be no more than a secondary revenue source. They may, however, increase interest in sales of recovered artifacts. In an initial use of the Company's intellectual property, the Company has entered into a media partnership with Principle Pictures, Inc., planning the creation of at least five television documentaries and a series of companion books, educational tools, and interactive websites.

#### The Company's Subsidiaries

The Company conducts its operations through its subsidiaries and controlled companies. These entities generally lease all major equipment, including dive ships, for only the period of time it is actually used in operation. However, equipment may be owned if it appears to be advantageous to do so, particularly with less costly technological materials, such as compressors, small zodiac boats, and dive equipment for recovery teams, that require minimal maintenance and have relatively long life-cycles. Operations are conducted primarily by part-time and contracted explorers, divers, historians, marine archaeologists, and other personnel.

As of June 30, 2007, the Company, including its subsidiaries, has five (5) full-time employees.

The Company generally intends to finance specific recovery efforts through a system of project finance. The Company will form a special-purpose entity, typically a limited liability company, to conduct a specific recovery effort. The special-purpose entity will be managed by a subsidiary of the Company and will seek investment from affluent individuals to fund its operations. Such investors may be collectors who seek an in-kind share of recovered items, individuals who are attracted by the opportunity to participate in a historically significant recovery effort, or investors attracted by the entity's potentially large gains. The Company's share of proceeds will be reduced by the share distributable to the entity's investors, which will vary with the amount of investment received.

#### Historic Discoveries, Inc.

Historic Discoveries is the Company's primary subsidiary and is wholly-owned by the Company. The Company acquired Historic Discoveries in connection with the change in control on October 17, 2005, and it has since made additional investments in Historic Discoveries. Historic Discoveries has two wholly-owned subsidiaries, Artifact Recovery & Conservation Inc. ("ARC") and Sea Research, Inc. ("SRI").

The Company and Historic Discoveries had agreed to distribute 20% of the net profits arising out of the exploitation of permits, licenses, finder fees rights, contracts and other rights (collectively, "permits") held by ARC to its former corporate parent, Sovereign Marine Explorations, Inc. ("SME"), and to distribute 20% of the net profits arising out of the exploitation of permits held by SRI to its former corporate parent, Sea Hunt, Inc. ("Sea Hunt"). On May 19, 2007,

the Company issued 10,000,000 shares of Convertible Preferred Stock in exchange for this 20% net profits participation agreement. The stock carries a 4 to 1 conversion feature into 40,000,000 common shares of the Company.

Artifact Recovery & Conservation, Inc.

ARC holds licenses for some of the Company's most promising sites. ARC has already recovered substantial artifacts from Le Chameau, a French ship lost off Cape Lorembec, Cape Breton Island, Nova Scotia, on August 27, 1725. The Chameau carried extensive loadings of specie, military supplies, trade goods, and commercially-consigned freight, as well as the personal effects of wealthy passengers. ARC submitted artifacts from the Chameau and other ships to the Nova Scotia government for artifact selection in 2005, and the selection process was completed in March 2006.

ARC has also conducted extensive exploratory efforts in Fantome Cove, near Prospect, Nova Scotia. The H.M.S. Fantome and accompanying ships are believed to have been lost in Fantome Cove on November 24, 1814. The Fantome is particularly historically significant, as it played a role in the War of 1812 and potentially could have been carrying plunder from the sacking of Washington, DC in August 1814. ARC's exploratory efforts have confirmed that it has located at least two historical shipwrecks, although it has not specifically confirmed that either wreck is that of the Fantome. During its most recent reconnaissance efforts in late summer, 2006, ARC identified two very large concretion fields, and its divers observed flatware, artifacts, ship fittings, and thousands of coins in the concretions. Because Fantome Cove is in Canadian waters but may involve British ships and American plunder, any shipwrecks located in Fantome Cove may be subject to competing claims. The United Kingdom has filed a formal notice on the H.M.S. Fantome that has caused a delay in the Company's plans for a recovery in Fantome Cove.

ARC was notified on August 31, 2006, its application for a Class B recovery permit for the Fantome Cove treasure trove site has not been approved. A Class B permit is required before ARC can make any substantial recoveries from the site. The Nova Scotia Department of Tourism, Culture & Heritage has recommended that ARC and Le Chameau Explorations Limited (a wholly-owned subsidiary of the Company), secure permission from the United Kingdom. The Company's management and counsel believe that the admiralty and treaty laws governing the site will substantiate ARC's and Le Chameau Explorations Limited's Interest as license holder. As of June 30, 2007, the Company is arranging meetings with representatives from the United Kingdom and is waiting for Class B permit approval.

Sea Research, Inc.

SRI holds the rights to seven sites, several of which have multiple ships. The wrecked ships are believed to have contained diverse cargoes, including money, bullion, religious artifacts, jewelry, and other personal items. SRI also owns an exploratory vessel, the Sea Quest, through its wholly-owned subsidiary, Sea Quest, Inc

Sovereign Exploration Associates International of Spain, Inc.

Sovereign Exploration Associates International of Spain, Inc. ("SEAI - Spain"), a wholly-owned subsidiary of the Company, was acquired in November 2005 from unrelated parties in exchange for \$800,000 of convertible debentures. The debentures were due on November 15, 2006, with accrued interest at a rate of 6% per annum. The Company may, at any time prior to November 15, 2006, convert the principal amount of the debentures into common stock of the Company at the average closing price of the Company's common stock for the ten business days prior to the conversion date. The debenture holders may, at any time after November 15, 2006, convert the principal amount of the debenture into common stock of the Company at the average closing price of the Company's common stock for the ten business days prior to the conversion date. SEAI - Spain has secured the finder's rights to four shipwrecks in Spain with potential historic and intrinsic value. Effective November 15, 2006, the Company converted the debentures into 848,000 (including accrued interest of \$48,000) common shares of the Company at a price of \$1.00 per share.

Lavelle Holdings, Inc.



On June 11, 2007, the Company acquired 100% of the common stock of the Lavelle Holdings, Inc., a company based in Texas, for consideration of \$300,000 cash at closing plus a cash amount equal to five (5) times the net profit of Lavelle Holdings, Inc. for a one (1) year period beginning on or the date that is six (6) months after the closing date. This amount will be paid in cash and/or stock on or before nineteen (19) months following the closing date. Management is unable to determine this amount of this contingent liability as of the balance sheet date of June 30, 2007. If the Company becomes insolvent during the nineteen (19) months following the closing date, the selling shareholders have the right of refusal to repurchase the purchased stock from the Company.

In consideration for certain rights to purchase common stock of Lavelle Holdings, Inc. the Company paid \$225,000, in cash, to the rights holders, at closing. The total cash paid for this acquisition at closing on June 11, 2007 was \$525,000. Lavelle Holdings, Inc. is a wholly-owned subsidiary of the Company.

Pursuant to SFAS no. 141; the Company accounted for Lavelle Holdings, Inc. operations and cash flows for the year ended June 30, 2007 in its consolidated financial statements contained within this 10-KSB/A. In addition, the Company considered the recognition of an increase or decrease in the provisional amount recognized for any identifiable asset or liability by means of a decrease or increase in goodwill. As of the date of this transaction, there were no identifiable assets or liabilities that required recognition through a corresponding change in goodwill.

#### LeChateau Explorations Limited

On June 13, 2007, the Company acquired 100% of the issued and outstanding capital stock of LeChateau Explorations Limited, a company based in Nova Scotia, for total consideration of USD \$274,009. The payment for the stock is in the form of a note agreement, which is collateralized by the common stock of the Company. The note is due June 13, 2008. If the Company defaults, the note is convertible to the Company's common stock at a rate of 1.25 times the outstanding liability as of its due date valued at the ten day average of the stock price prior to the conversion date. Under this acquisition, the Company now owns twenty-five licenses under the Nova Scotia Treasure Trove Act. LeChateau Explorations Limited is a wholly-owned subsidiary of the Company.

The sole asset of this company were licenses held under the Nova Scotia Treasure Trove Act and did not maintain any operations, therefore, there were no operations and cash flows for the year ended June 30, 2007. In addition, the Company considered the recognition of an increase or decrease in the provisional amount recognized for any identifiable asset or liability by means of a decrease or increase in goodwill. As of the date of this transaction, there were no identifiable assets or liabilities that required recognition through a corresponding change in goodwill.

#### Cautionary Statement Regarding Forward-Looking Statements

This Annual Report on Form 10-KSB may contain forward-looking statements which include assumptions about future market conditions, operations and financial results. These statements are based on current expectations and are subject to risks and uncertainties. They are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The Company's actual results, performance or achievements in the future could differ significantly from the results, performance or achievements discussed or implied in such forward-looking statements herein and in prior Securities and Exchange Commission ("SEC") filings by the Company. The Company assumes no obligation to update these forward-looking statements or to advise of changes in the assumptions on which they were based. Factors that could cause or contribute to such differences include, but are not limited to, changes in the competitive environment of the Company, general economic and business conditions, industry trends, and changes in government rules and regulations and environmental rules and regulations.

#### SEC Filings

The Company's Quarterly Reports on Form 10-QSB for the periods ended March 31, 2007, December 31, 2006 and September 30, 2006 were based on preliminary information that has in some cases been corrected in this Annual Report on Form 10-KSB/A.

The Company is an SEC reporting company and, pursuant to Section 15(d) of the Securities Exchange Act of 1934, it is required to file Annual Reports on Form 10-KSB, Quarterly Reports on Form 10-QSB, and Current Reports on Form 8-K with the SEC. However, the Company is not registered under Section 12 of the Securities Exchange Act of 1934. Accordingly, the Company is not required to provide proxy statements, information statements, or annual reports to its shareholders, although it may optionally do so, and its investors are not required to file Forms 3,

4, or 5 or Schedules 13D or 13G with the SEC.

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Further information about the Company is available at its website, [www.sea-int.com](http://www.sea-int.com). Although the Company does not currently post its SEC filings on its website because of its limited number of full-time personnel, those filings are available online via the SEC's EDGAR program at the SEC's website, [www.sec.gov](http://www.sec.gov).

#### Item 1A. Risk Factors.

THE COMPANY'S BUSINESS INVOLVES A HIGH DEGREE OF RISK. SHAREHOLDERS AND INVESTORS SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS AND THE OTHER INFORMATION INCLUDED IN THIS REPORT.

##### The Company's Business Is Inherently Risky and Speculative

The Company's business of historic shipwreck exploration and recovery is inherently risky, and the risks predominate at each step of the Company's business model.

The value of the Company is largely dependent on permits giving the Company (through its subsidiaries and controlled companies) the exclusive right to exploration and recovery for historical shipwrecks in specified areas. The value of these permits is dependent, to a substantial degree, upon the research and data assembled by the Company indicating that a historical shipwreck is likely to be in the area. Although the Company has access to a substantial amount of research and data, which has been compiled during various projects, all such research and data regarding shipwrecks is imprecise, incomplete and unreliable, as it is often composed of, or affected by, numerous assumptions, rumors, "legends," historical and scientific inaccuracies, and inaccurate interpretations that have become a part of such research and data over time. The shipwrecks sought by the Company generally have long disintegrated, and confirming their locations is difficult. Even if the shipwrecks are accurately located in waters covered by the Company's permits, the shipwrecks may have been salvaged or may not have had anything of value on board at the time of the sinking.

Underwater recovery operations are inherently difficult and dangerous and may be delayed or suspended by weather, sea conditions or other natural hazards. Further, such operations may be undertaken more safely during certain months of the year than during others. These risks are particularly great in the waters off Nova Scotia, where many of the shipwrecks sought by the Company are believed to be located. There can be no assurances that the Company will be able to conduct search and/or recovery operations only during such favorable periods. In addition, even though sea conditions in a particular search location may be somewhat predictable, the possibility exists that unexpected conditions in a search area may occur and that such unexpected conditions might adversely affect operations. Further, it is possible that natural hazards may prevent or significantly delay search and recovery operations.

From time to time, it will be necessary to contract with third parties for additional equipment and/or labor necessary for the location and recovery of wreck sites. There can be no assurance that third party contracts will be available to the Company. The availability of specialized recovery equipment may present a problem, and the cost of obtaining the use of such equipment to conduct recovery operations is uncertain and will depend on, in part, the location and condition of the wreckage to be recovered. Persons and entities other than the Company and its affiliates may claim title to the shipwrecks. Even if the Company is successful in locating and recovering shipwrecks, there is no assurance of establishing the rights to property recovered as against governmental entities, prior owners, or other attempted salvors claiming an interest therein. There is also a risk of theft of valuable items at sea, both before and after their recovery, by pirates or poachers and while in transit to a safe destination.

Even after the location of a historical shipwreck has been confirmed, it may require a period of years before the Company can realize revenue from salvage operations. The Company generally must obtain a recovery permit before the Company can make any substantial recoveries from the site. Salvage operations generally require a substantial period of time to complete. Recovered items must be carefully examined by the Company's science team. The

Company then must negotiate with applicable government authorities, which generally are entitled to retain a portion of the recovered items. The issuance of recovery permits and negotiations with governmental authorities may result in delays particularly if there is public sentiment against salvage, there are multiple governmental claims to the shipwreck, or the recovered items are especially valuable or historically significant.

Even if valuable items can be located and recovered, it is difficult to predict the price that may be realized for these items. The items may have been damaged by salt water or by natural sea conditions. The value of the recovered items will fluctuate with a precious metals market that has been highly volatile in recent years. Moreover, the entrance into the market of a large supply of similar items from shipwrecks, including those located and recovered by the Company, could itself depress the market for these items. The methods and channels that may be used in the disposition of the recovered items are uncertain at present and may include one or a combination of several alternatives. Ready access to buyers for disposition of any artifacts or other valuable items recovered cannot be assured and delays in the disposition of such items are very possible.

#### Need for Additional Capital

Although the Company has recovered a number of valuable items in its salvage operations to date, it has not yet realized any revenues from these salvage operations, and any revenues it realizes in the near future are unlikely to be sufficient to fund the Company's operations. In addition, the Company has minimal financial resources. Accordingly, the Company can continue its operations only if it or its subsidiaries or controlled companies can raise additional working capital.

## Legal and Political Risks

Historical shipwreck recovery is highly regulated and can be a high-profile political issue, due to jurisdictional disputes, public concern over historically significant shipwrecks, and archaeological and environmental concerns. A localized group in Nova Scotia has forwarded the idea to repeal the Nova Scotia Treasure Trove Act. This action remains on the horizon. However, the Company's legal representation in Nova Scotia indicates the likelihood that it will not move forward and if it does that the Company may be grandfathered for a period of time.

## Legal Exposure

In the period leading up to the change in control of the Company on October 17, 2005, the Company, under its prior management, disposed of a number of its assets for aggregate consideration of \$20 and issued 800,000,000 shares (800,000 shares on a split-adjusted basis) for consideration the receipt of which the Company's present management has been unable to confirm.

In the period from October 17, 2005 to September 22, 2006, although the Company had elected treatment as a business development company under the 1940 Act, the Company may not have met all of the requirements for treatment as a business development company, and some of the activities of it or its affiliates raised questions under the 1940 Act. The Company accordingly could face legal exposure in the event of either private litigation or a SEC enforcement action with respect to events either before or after the change in control. Neither the SEC nor any private litigant has expressed a present intention of bringing such an action against the Company.

## Dependence on Key Personnel

The Company's success will depend largely on the skills of its key management personnel, who currently function without employment contracts. The loss of one or more of the Company's key management personnel may materially and adversely affect its business and results of operations. The Company cannot guarantee that it will be able to replace any key management personnel in the event that their services become unavailable.

There is a Limited Public Trading Market for the Company's Securities.

There is only a limited public trading market for the Company's securities and no assurances can be given that a liquid market, or active market, will develop or, if developed, that it will continue to be maintained.

## Limitation on the Use of Net Operating Loss Carryforwards

Effective October 17, 2005, there was a change in control as defined under Section 382 of the Internal Revenue Code. As of June 30, 2007, the Company had federal net operating loss carryforwards of approximately \$853,311; portions of which expire yearly through 2027 (subject to certain limitations). This balance gives effect to annual limitations on the utilization of the loss carryforwards caused by "ownership changes" as defined in Section 382 of the Internal Revenue Code. If there is any additional ownership change, there can be no assurance as to the specific amount of net operating loss carryforwards available in any post-change year since the calculation is based upon a fact-dependent formula.

## Item 1B. Unresolved Staff Comments.

N/A

## Item 2. Description of Property.

The Company's principal offices are located at 503 Washington Avenue, Suite 2D, Newtown, Pennsylvania and 120 Alpine Road, West Palm Beach, Florida. The offices in Pennsylvania and Florida are leased by affiliates of the Company and the Company utilizes some of the space. The offices are sufficiently equipped for the business of the Company as now conducted.



### Item 3. Legal Proceedings.

On June 30, 2006, the Company entered into a Settlement Agreement and General Release ("Settlement Agreement") among members of the Company's former management and their affiliates, James E. Jenkins, Charles Giannetto, KMA Capital Partners Ltd., KMA Capital Partners, Inc. and CF Holdings, LLC (collectively, the "Former Management Parties"). The purpose of the Settlement Agreement was to reach a comprehensive resolution to the disputes between the Company and the Former Management Parties, in particular an arbitration demand filed by KMA Capital Partners, Ltd. on or about December 29, 2005 (American Arbitration Association Case No.: 33-180-00463-05) relating to an Exchange Agreement dated October 17, 2005. The Settlement Agreement provides that the Former Management Parties release all claims that they may have against the Company, its parents, subsidiaries, affiliates, predecessors, successors, assigns, partners, agents, representatives and attorneys (collectively, "affiliated parties") and that the Company releases all claims it may have against the Former Management Parties.

In a matter related to KMA Capital Partners Ltd, James Jenkins and Charles Giannetto, filed as KMA Capital Partners Ltd., v. Sovereign Exploration Association, Inc., et al, in the Circuit Court of the Ninth Judicial Circuit, in and for Orange County, Florida, the Company claims that KMA Capital Partners Ltd, James Jenkins and Charles Giannetto are in breach of a "Leak Out Agreement", which restricts the number of shares of the Company's common stock, traded as SVXA.OB, they are allowed to sell or transfer. As of June 30, 2006, the court entered an Order which limits Mr. Jenkins and Mr. Giannetto to selling no more than 2,000 shares of the Company's common stock per trading day. As of June 30, 2007 and 2006, there is no liability under this matter that requires the establishment of a liability within the accompanying consolidated financial statements.

The Company is one of several defendants in a law suit, Patricia A. Mullican v. Sovereign Exploration Associates International, Inc., et al in the Circuit Court of the Ninth Judicial Circuit, in and for Orange County, Florida. The plaintiff in this case is seeking damages for the alleged failure to pay two (2) debentures issued by TS&B Holdings to Mr. Mullican (one for \$150,000 and the other for \$250,000) as well as an unpaid promissory note for \$50,000 plus accrued interest on the debentures and the promissory note along with attorney fees. TS&B Holdings, Inc. subsequently became Cali Holdings, Inc., which was acquired by the Company in October 2005. It is the Company's position that these debts are not its responsibility, to the extent that neither the debentures nor promissory notes were disclosed at the time Cali Holdings, Inc. was acquired by the Company. There are numerous defenses which the Company will be relying upon to support its legal position that these obligations are not its responsibility. As of June 30, 2007 and 2006, the accompanying consolidated financial statements do not provide for any liability in the event that the Company is deemed responsible in this case.

### Item 4. Submission of Matters to a Vote of Security Holders.

Effective September 20, 2006, the shareholders of the Company voted, affirmative, to file the Company's election to withdrawal its Business Development Company status under the Investment Company Act of 1940.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Sovereign Exploration Associates International, Inc. Common Stock, par value \$.001 per share ("Common Stock"), is traded over the counter on the OTC Bulletin Board ("OTCBB") under the symbol "SVXA." The following table sets forth, for the period indicated, the range of high and low closing prices reported by the OTCBB. Such quotations represent prices between dealers and may not include markups, markdowns, or commissions and may not necessarily represent actual transactions.



Quarter Ended	High	Low
06/30/2006\$	0.88\$	0.45
09/30/2006\$	0.63\$	0.35
12/31/2006\$	0.62\$	0.26
03/31/2007\$	0.78\$	0.25
06/30/2007\$	0.89\$	0.30

#### Shareholders of Record

As of September 17, 2007, there were ninety-three (93) shareholders of record of the Company's common stock.

#### Dividends

The Company did not pay a cash dividend on its Common Stock during the years ended June 30, 2007 and 2006, respectively, and, by reason of its present financial status and its contemplated financial requirements, does not anticipate paying any cash dividends in the foreseeable future. It is anticipated that earnings, if any, which may be generated from operations will be used to finance the operations of the Company.

#### Unregistered/Registered Sales/Issuances of Equity Securities and Use of Proceeds

For the year ended June 30, 2006:

On October 5, 2005, the Company, under prior management, issued 800,000 (split-adjusted) shares of Common Stock to KMA Capital Partners Ltd. The Company does not possess any documentation or knowledge regarding the consideration for which these shares were issued to KMA Capital Partners Ltd., nor has it been able to confirm that any consideration was received. The shares were issued in a transaction exempt from registration under Section 4(2) of the 1933 Act, and the shares originally bore a restrictive legend. Subsequently, prior management caused the legend to be removed, and 400,000 shares were sold on the open market in December 2005. These shares were the subject of arbitration between current and prior management. see Item 13 - Certain Relationships and Related Transactions. The remaining 400,000 shares have again been legended.

On November 15, 2005, the Company issued \$800,000 of convertible debentures in exchange for finders' rights and other assets were being held by SEAI - Spain. The debentures were due on November 15, 2006 with accrued interest at a rate of 6% per annum. The Company may, at any time prior to November 15, 2006, convert the principal amount of the debentures into Common Stock of the Company at the average closing price of the Company's common stock for the ten business days prior to the conversion date. The debenture holders may, at any time after November 15, 2006, have converted the principal amount of the debentures into Common Stock of the Company at the average closing price of the Company's common stock for the ten business days prior to the conversion date. The Company relied upon the exemption from registration contained in Section 4(2) of the 1933 Act. As of November 15, 2006, these debentures along with accrued interest were converted into 848,000 common shares of the Company.

For the year ended June 30, 2007:

The Company issued the following common shares:

- Issuance of common shares – settlement - prior management 910,000 (1)
- Conversion of convertible debt – acquisition of SEAI - Spain 848,000
- Conversion of convertible debt – private individual 95,851
- Issuance of common shares – Rule 506 – Regulation D 700,000 (2)

·	Issuance of common shares – Rule 144 – Regulation D	350,000
·	Issuance of common shares – Services – S-8	735,000

Total common shares issued were 3,638,851; the par value of the common shares and the additional paid-in capital increased by \$2,069,537.

- (1) Subject to a leak-out agreement
- (2) \$175,000 cash was received for the issuance of common stock

The balance of the increase in additional paid in capital of \$1,407,177 was non-cash issuances of common stock, additional capital contributions, and conversion of convertible debt.

In each case when securities were issued in reliance upon an exemption from registration pursuant to Section 4(2) of the 1933 Act, the recipients took the securities for investment purposes without a view to distribution and had access to information concerning the Company and its business prospects, as required by the Securities Act. In addition, there was no general solicitation or advertising for the purchase of the Company's securities. The securities were issued only to persons with whom the Company had a direct personal preexisting relationship, and after a thorough discussion. Finally, the Company's stock transfer agent has been instructed not to transfer any of such shares, unless such shares are registered for resale or there is an exemption with respect to their transfer. All certificates representing the remaining shares bear restrictive legends as required by the 1933 Act.

On March 7, 2007, the Board of Directors approved the Form S-8 registration for the 2006 Stock Incentive Plan for Employees and Consultants. 3,000,000 shares of the Company's common stock were registered with the SEC in order to provide employees and consultants of the Company and its subsidiaries with an increased incentive to make significant and extraordinary contributions to the long-term performance and growth of the Company and its subsidiaries, to join the interest of employees and consultants with the interest of the shareholders of the Company, and to facilitate attracting and retaining employees and consultants of exceptional ability.

#### Item 6. Restated Management's Discussion and Analysis or Plan of Operation

THIS REPORT, INCLUDING THE DISCLOSURES BELOW, CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS THAT INVOLVE SUBSTANTIAL RISKS AND UNCERTAINTIES. WHEN USED HEREIN, THE TERMS "ANTICIPATES," "EXPECTS," "ESTIMATES," "BELIEVES" AND SIMILAR EXPRESSIONS, AS THEY RELATE TO THE COMPANY OR ITS MANAGEMENT, ARE INTENDED TO IDENTIFY SUCH FORWARD-LOOKING STATEMENTS. THE COMPANY'S ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS MAY DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. FACTORS THAT COULD CAUSE OR CONTRIBUTE TO SUCH MATERIAL DIFFERENCES INCLUDE THE FACTORS DISCLOSED IN THE "RISK FACTORS" SECTION OF THIS ANNUAL REPORT ON FORM 10-KSB, WHICH READERS OF THIS REPORT SHOULD CONSIDER CAREFULLY.

The following information should be read in conjunction with the restated consolidated financial statements and notes thereto appearing elsewhere in this Form 10-KSB/A.

#### CORRECTION OF ERRORS IN PREVIOUSLY ISSUED STATEMENTS

The Company determined that as an operating company and reporting pursuant to the 1934 Act, certain errors were discovered and corrected retrospectively pursuant to SFAS no. 154. The following are the errors that were discovered and corrected:

- a) the classification and amortization of the licenses and permits,
- b) the depreciation of the research vessel and,

c)the accounting for the write-off of the accrued and unpaid salaries and expenses to certain officers and directors.

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The following table reflects the impact of the corrections on the restated consolidated balance sheet as of June 30, 2007:

	2007 As Corrected	2007 Change
Current assets		
Cash and cash equivalents	\$ 542,336	