LIVESTAR ENTERTAINMENT GROUP INC
Form 10QSB
November 22, 2004

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10QSB

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2004

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

For the transition period from _________ to ____________

Commission File No. 000-27233

LIVESTAR ENTERTAINMENT GROUP, INC.
(Exact name of Registrant as specified in its charter)

NEVADA	**98-0204736**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

62 W. 8th Avenue, 4th Floor
Vancouver, British Columbia, Canada V5Y 1M7
(Address of principal executive offices) (Zip Code)

Issuer's telephone number, including area code: (604) 682-6541

Check whether the issuer

(1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 ( )

State the number of shares outstanding of each of the issuer s classes of common equity, as of the last practicable date.

Class	**Outstanding as of September 30, 2004**
$0.0001 par value Common Stock	185,864,682

Transitional Small Business Disclosure Format (check one): Yes [ ] No [X]

PART 1 FINANCIAL INFORMATION

Item 1. Financial Statements

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-QSB and Item 310 (b) of Regulation S-B, and, therefore, do not include all information and footnotes necessary for a complete presentation of financial position, results of operations, cash flows, and stockholders equity in conformity with generally accepted accounting principles. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature. Operating results for the three months ended September 2004 are not necessarily indicative of the results that can be expected for the year ending December 31, 2004.

Item 2. Management s Discussion and Analysis or Plan of Operations

Forward Looking Statements

Except for the historical information and discussions contained herein, statements contained in this Form 10-QSB may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially, including any projections of earnings, revenues, or other financial items; any statements of the plans, strategies, and objectives of management for future operation; any statements concerning proposed new products, services, or developments, any statements regarding future economic conditions or performance, statements of belief, statements of assumptions underlying any of the foregoing and other risks, uncertainties and factors discussed elsewhere in this Form 10-QSB or in the Company s other filings with the Securities and Exchange Commission.

RESULTS OF OPERATIONS

FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2004

For the three-month period ended September 30, 2004, the Company earned revenues of $100,187. The revenues were related to ticket sales from concert productions through the Company s live events business, from beverage sales and entry fees from the Company s venues business.

During the three month period ended September 30, 2004, the Company incurred operational expenses of $728,463. These operating expenses included: consulting fees of $246,062, $68,282 in wages and benefits, and professional fees of $65,412 for the three month period ending September 30, 2004. The company continues to incur significant consulting costs, which includes business development, in its effort to realize its business strategy and its business plan.

During the three month period ended September 30, 2004, the Company incurred a net loss from operations of $676,030.

FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2004, COMPARED TO THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2003.

For the three month period ended September 30, 2004, the Company earned revenues of $100,187, as compared to revenues of $0 for the same period ended September 30, 2003. The revenues in 2004 are realized from continued efforts in our Live Events business and our Venues business that began in 2003.

For the three month period ended September 30, 2004, the Company incurred operational expenses of $728,463, as compared to $395,833 during the same period in 2003. These operating expenses included: consulting fees and business development expenses $220,679 and $ 258,008; wages & benefits of $68,282 and $1,755, and professional fees of $65,412 and $119,391 for the three month period ended September 30, 2004, and 2003, respectively. The variation in expenses from September 30, 2004 as compared to the same period in 2003 is due to the increased level of business and operating activities in the Company.

The Company incurred a net loss from operations of $676,030 for the fiscal quarter ended September 30, 2004, as compared to $395,833 for the same period in 2003.

Liquidity and Financial Condition As Of September 30, 2004

We had cash-on hand of totaling $0 as of September 30, 2004.

In order to finance our acquisitions and developments, and our phases of implementation we plan to raise investment capital through the execution of a number of development finance strategies.

Current Development Finance Strategy:

In order to finance the first and second acquisition or development establishments the Company may use its preferred or common stock to finance the acquisition or development or to raise the necessary capital for acquisition or development.

Future Development Financing Strategy:

In the future, we hope to fund the majority of our new establishment locations through the selling of a minority interest in the new establishments through the sale of up to 49% of the equity or through limited partnerships. This minority interest is hoped to be sold to either individual investors who wish to invest directly into an establishment or into a fund or partnership that will be funded by investors wishing to diversify their investment over a number of establishments that the fund or partnership may invest in. This proposed fund is planned to be formed by LIVESTAR exclusively for LIVESTAR establishments. The Company has begun the establishment of an internal corporate finance department and external network or syndicate of investment advisors, investment bankers and broker dealers that will raise capital via the direct investments strategy and/or form the fund or partnership that will raise capital through the fund or partnership strategy. This planned internal corporate finance department has commenced development through the recent formation of LIVESTAR Entertainment Capital Corporation. It is planned that investors under this strategy are planned to receive cash dividends and some capital stock or warrants in the Company.

In addition to the direct investment and fund or partnership strategy the Company hopes to raise capital for its new establishments through the forming of a real estate financing plan that is hoped to utilize real estate financing to fund the purchase of properties and subsequently secure construction financing to fund the renovations of the establishment.

We believe that this Future Development Financing Strategy will enable us to achieve our development goals with a hope over the long-term of reducing the potential dilution to our existing shareholders. By raising capital directly in each establishment through our planned Future Development Financing Strategy we may not have to dilute the existing shareholders to any great extent to grow the business. As our cash producing businesses grow due to the planned implementation and hopeful success of the Future Development Financing Strategy we plan to utilize the available cash to pay for operations without having to use stock to pay for large and important operational items item such as staff and consultants.

The result of this is that as our cash flow may grow as our dilution may slow. More specifically, we have developed comprehensive business and financial plans that result in our development of a network of entertainment establishments that should operate on a cash positive basis and without incurring substantial dilution to stockholders such that the Company can possibly increase its overall valuation substantially. This possible increase in the Company s overall valuation may be accomplished by using the positive cash flow to buy back the Company s common stock from the public float. There is no current plans to implement a stock buy back program, although one is intended over the long-term and will only be implemented based on the success of the foregoing and solely of the discretion of the Company s management and board of directors.

In addition to the above we plan we plan to invite direct investments into the Company to provide funds for general corporate purposes.

CAPITAL REQUIREMENTS

We believe that the first acquisition or development of an entertainment establishment will require approximately a minimum of $500,000 for the transaction, plus approximately $100,000 in legal, accounting and administrative expenses. In addition our first acquisition or development will require a minimum of another $400,000 for working capital and general corporate purposes. This is a minimum total of approximately $1,000,000 that will be required in the next quarter during which we are hoping to make the first acquisition or development. In the following 3 months, we plan to execute one or two additional acquisitions or developments. We believe that the cost of a second and third acquisition or development project will be approximately a minimum of $1,000,000 each and that approximately another $500,000 minimum each will be required for the same purposes as listed above for the first acquisition or development and for working capital and general corporate purposes. Thus, we anticipate needing a minimum of $4,000,000 of investment capital during the next six months.

After the first two acquisitions or development projects, we intend to develop other entertainment establishments from initial build-out rather than from acquisitions. Our plan is to open the minimum of two additional entertainment establishments by the end of 2005 and we anticipate that additional funding (approximately $1,000,000) will be required to accomplish this. Management anticipates that funding requirements for this plan will be less than the overall cost of opening these nightclubs, since the revenues from the first two or three nightclubs is expected to generate enough positive cash flow to reduce the level of external capital required. We have developed comprehensive business and financial plans that result in our development of a network of entertainment establishments that should operate on a cash positive basis and hopefully without incurring substantial dilution to stockholders such that the Company can possibly increase its overall valuation substantially. The Company believes it will require approximately $1,000,000 to grow its live events business unit, including the cost of acquisitions or development and their subsequent integration and for the venture development of other potential lines of business for 2004 or 2005. The total additional working capital financing described in this section is planned to also include the development of other synergistic business units such as, including but not limited to, membership services, brand licensing and merchandising.

CAPITAL ACQUIRING PLANS

Management plans on initiating a series of securities offerings to raise the investment capital needed to meet our acquisition and development plans. Although we will make efforts to minimize dilution to current shareholders, we may not be able to avoid significant dilution due to many factors, including but not limited to, the closing of financing at lower than the desired market price of the Company s common stock. LIVESTAR hopes to secure the financing to satisfy the capital needs for each phase of its implementation plan through the execution of various funding methods, primarily financing through its Future Development Financing Strategy, private placement investments or debt financing. LIVESTAR hopes to achieve this by securing relationships with accredited individual investors, investment bankers, venture capitalists, and/or finance investment advisors that have the experience and relationships to aid LIVESTAR with its capital raising efforts. The source of the capital may be comprised of a mix of principal shareholders, private investors and venture capital companies.

If needed capital investment for our acquisitions or developments is not available, in whole or in part, we intend to delay the implementation plan regarding our acquisitions or development plans until sufficient investment capital becomes available. We cannot give any assurances that we will raise sufficient investment capital to meet the business plan. In addition to delays to the implementation plan regarding our acquisition or development plans due to insufficiency of investment capital, we may suffer other consequences, including but not limited to the following: We may have to significantly alter the scope and/or direction of our business plan and subsequent capital requirements; we may have to suspend or discontinue operations of one or more of our business units; or we may have to suspend or discontinue operations of the Company if we become insolvent as a result.

Until planned acquisitions (current and future) and new development establishments begin to produce significant revenues and subsequent positive cash flow, we will be reliant on capital received from private placements, loans, and the exercise of options and warrants. Due to the depressed market for our securities, we may not be able avoid significant dilution to current shareholders. In addition, we expect to continue to retain certain management, staff and consultants, such as legal counsel, and may need to compensate these individuals through the issuance of our common stock as compensation. These stock based compensations may result in significant dilution to current shareholders due to the depressed market for our securities. We also continue to reduce or prevent collection of outstanding vendor debts and accounts with creditors, such as suppliers and consultants, which could result in litigation against the Company. There can be no guarantee that all of these negotiations will be successful and the outcome of these negotiations may include settlements in cash and/or issuance of common stock. These stock based settlements may result in significant dilution to current shareholders due to the depressed market for our securities. We plan on continuing to meet certain of our expenses through the issuance of our shares of common stock, which may cause additional and significant dilution to existing shareholders due to the depressed market for our securities.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

In October 2004, Traci Niederriter filed a lawsuit in the Lynchburg General District Court for the Commonwealth of Virginia. The action concerned an alleged claim for unpaid wages of an employee of RRUN Labs, Inc., a subsidiary of LIVESTAR Entertainment Group, Inc. The amount of the lawsuit is $6,862.03, not including interest accruing from October 30, 2001 plus court costs and attorney fees of $679.50.

The Company believes that, as it grows revenue-producing operations and as it raises capital, we will have the resources to settle the abovementioned case and we have every intention of doing so. We are working to reduce or prevent collection litigation by creditors or others. Settlements in stock may result in unforeseen dilution to current shareholders.

Item 2. Changes in Securities

Recent Sales of Unregistered Securities

None.

Item 3. Defaults upon Senior Securities

None

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

In August 2004, our majority shareholder voted their holding of approximately 58% (3,002,592,324) of the voting power of the outstanding shares of the Company s Common and Preferred Stock (par value $0.0001) to approve the following:

The reverse split of the Company s Common and Preferred Stock (par value $0.0001) so that upon effectuation of the split, one (1) New Share of the Company s Common and Preferred Stock will be issued for up to each thousand (1,000) shares of the Company s Common and Preferred Stock currently issued and outstanding with each fractional share rounded up to the next whole share (the Reverse Split).

Item 5. Other Information

None.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

31.1 Certification by CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification by CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification by CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification by CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

None.

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorised.

LIVESTAR Entertainment Group, Inc.

Date: November 22, 2004

By: /s/ Ray Hawkins
Ray Hawkins, President and Chief Executive Officer

By: /s/ Edwin Kwong
Edwin Kwong, Principal Accounting Officer and Chief Financial Officer

LIVESTAR ENTERTAINMENT GROUP INC.
(A Development Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2004
(Unaudited)

(Stated in U.S. Dollars)

LIVESTAR ENTERTAINMENT GROUP INC.
(A Development Stage Company)
CONSOLIDATED BALANCE SHEET
(Unaudited)
(Stated in U.S. Dollars)

	SEPTEMBER 30 2004	DECEMBER 31 2003
ASSETS		
Current		
Cash	$ --	$ 14,892
Accounts receivable	1,069	--
Goods and Services Tax recoverable	13,975	6,621
Prepaid expense	212,428	78,471
Inventory	9,365	--
	236,837	99,984
Capital Assets (Note 4)	24,681	6,729
Advances Receivable	--	281,219
	$ 261,518	$ 387,932
LIABILITIES		
Current		
Bank indebtedness	$ 117,020	$ --
Accounts payable	1,707,341	1,530,926
Loans and advances payable (Note 7)	384,623	397,913
	2,208,984	1,928,839
STOCKHOLDERS' DEFICIENCY		
Share Capital		
Authorized:		
10,000,000,000 common shares, par value $0.0001 per share		
2,000,000,000 preferred shares, par value $0.0001 per share		
Issued and outstanding:		
185,864,682 common shares at September 30, 2004 and 280,468 at December 31, 2003	18,586	28
60,875 preferred shares at September 30, 2004 and 875 at December 31, 2003	6	--
Additional paid-in capital	3,833,591	2,338,004
Deficit	(5,799,649)	(3,878,939)
	(1,947,466)	(1,540,907)
	$ 261,518	$ 387,932

	SEPTEMBER 30 2004	DECEMBER 31 2003

LIVESTAR ENTERTAINMENT GROUP INC.
(A Development Stage Company)

CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)
(Stated in U.S. Dollars)

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30		INCEPTION OCTOBER 12 2000 TO SEPTEMBER 30
	2004	2003	2004	2003	2004
Revenue					
Live events	$ 4,553	$ --	$ 72,608	$ 502	$ 82,108
Night clubs	95,634	--	198,898	--	198,898
	100,187	--	271,506	502	281,006
Cost Of Sales	(37,754)	--	(37,754)	--	(37,754)
	62,433	--	233,752	502	243,252
Expenses					
Administrative services	9,596	1,139	16,268	5,733	177,984
Amortization	940	578	2,380	1,692	20,798
Business development	(25,383)	208,000	397,120	357,645	1,463,339
Consulting	246,062	50,008	598,610	150,547	1,270,112
Equipment leases	(11,466)	--	--	--	35,796
Investor relations	6,702	2,815	18,395	4,656	465,419
Marketing	(13,978)	--	4,661	--	41,050
Media design	(2,164)	1,153	--	1,347	85,310
Night club operating costs	222,658	--	343,372	--	343,372
Office, rent and sundry	118,533	9,419	189,143	70,420	566,981
Professional fees	65,412	119,391	181,929	151,417	551,696
Software development	--	--	--	--	855,135
Travel	53,269	1,575	99,198	2,759	249,562
Wages and benefits	68,282	1,755	303,386	1,755	417,173
	738,463	395,833	2,154,462	747,971	6,543,727
Loss Before The Following	676,030	395,833	1,920,710	747,469	6,300,475
Forgiveness Of Debt	--	(32,400)	--	(32,400)	(46,655)
Write Down Of Investment	--	--	--	--	6,750
Minority Interest In Loss Of Subsidiary	--	--	--	--	(219)

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30		INCEPTION OCTOBER 12 2000 TO SEPTEMBER 30
Loss From Continuing Operations	676,030	363,433	1,920,710	715,069	6,260,351
Gain On Disposition Of Subsidiary	--	--	--	--	(419,427)
Gain From Discontinued Operations	--	--	--	--	(53,629)
Net Loss For The Period	$ 676,030	$ 363,433	$ 1,920,710	$ 715,069	$ 5,787,295

LIVESTAR ENTERTAINMENT GROUP INC.
(A Development Stage Company)

CONSOLIDATED STATEMENT OF OPERATIONS (Continued)
(Unaudited)
(Stated in U.S. Dollars)

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30		INCEPTION OCTOBER 12 2000 TO SEPTEMBER 30
	2004	**2003**	**2004**	**2003**	**2004**
Net Loss Per Share Before Discontinued Operations, Basic and diluted	$ 0.01	$ 0.01	$ 0.01	$ 0.01	
Net Loss Per Share, Basic and diluted	$ 0.01	$ 0.01	$ 0.01	$ 0.01	
Weighted Average Number Of Common Shares Outstanding	6,083,449	137,445	5,741,783	89,316	

LIVESTAR ENTERTAINMENT GROUP INC.
(A Development Stage Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)
(Stated in U.S. Dollars)

	NINE MONTHS ENDED SEPTEMBER 30		INCEPTION OCTOBER 17 2000 TO SEPTEMBER 30
	2004	2003	2004
Cash Flows From Operating Activities			
Loss for the period from continuing operations	$ (1,920,710)	$ (715,069)	$ (6,260,351)
Adjustments To Reconcile Net Loss To Net Cash Used By Operating Activities			
Amortization	2,380	1,692	20,798
Stock based compensation	164,006	--	