

LIVESTAR ENTERTAINMENT GROUP INC
Form 10QSB/A
December 12, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10QSB/A

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

For the quarterly period ended September 30, 2003

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
(State or other jurisdiction of
incorporation or organization)

98-0204736
(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 () No ().

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

| <u>Class</u> | <u>Outstanding as of September 30, 2003</u> |
|---------------------------------|---------------------------------------------|
| \$0.0001 par value Common Stock | 193,769,867 |

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

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 nine months ended September 30, 2003 are not necessarily indicative of the results that can be expected for the year ending December 31, 2003.

LIVESTAR ENTERTAINMENT GROUP INC.

(Formerly RRUN Ventures Network Inc.)

(A Development Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2003

(Unaudited)

(Stated in U.S. Dollars)

LIVESTAR ENTERTAINMENT GROUP INC.**(Formerly RRUN Ventures Network Inc.)****(A Development Stage Company)****CONSOLIDATED BALANCE SHEET****(Unaudited)****(Stated in U.S. Dollars)**

| | SEPTEMBER 30 2003 | DECEMBER 31 2002 |
|------------------------------------------------------------|------------------------------|-----------------------------|
| | <hr/> | <hr/> |
| ASSETS | | |
| Current | | |
| Cash | \$ 95,598 | \$ 32 |
| Goods and Services Tax recoverable | 893 | 5,786 |
| Prepaid expense | 2,062 | 345 |
| Notes receivable | -- | 13,125 |
| | <hr/> | <hr/> |
| | 98,553 | 19,288 |
| Capital Assets | 6,579 | 8,230 |
| | <hr/> | <hr/> |
| | \$ 105,132 | \$ 27,518 |
| | <hr/> | <hr/> |
| LIABILITIES | | |
| Current | | |
| Accounts payable | \$ 1,518,183 | \$ 1,374,920 |
| Loans and advances payable | 543,752 | 528,581 |
| | <hr/> | <hr/> |
| | 2,061,935 | 1,903,501 |
| | <hr/> | <hr/> |
| STOCKHOLDERS' DEFICIENCY | | |
| Share Capital | | |
| Authorized: | | |
| 250,000,000 common shares, par value \$0.0001 per share | | |
| 200,000,000 preferred shares, par value \$0.0001 per share | | |
| Issued and outstanding: | | |
| 188,519,867 common shares at September 30, 2003 and | | |
| 45,654,790 common shares at December 31, 2002 | 18,852 | 4,566 |
| Add: Share subscriptions received: | | |

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| | SEPTEMBER 30 2003 | DECEMBER 31 2002 |
|--------------------------------------------------------------|----------------------|---------------------|
| 36,250 common shares at December 31, 2002 | 7,000 | 1,450 |
| Additional paid-in capital | 1,701,497 | 1,087,084 |
| 1,910,687 common shares at September 30, 2003 and Deficit | (3,684,152) | (2,969,083) |
| | (1,956,803) | (1,875,983) |
| | \$ 105,132 | \$ 27,518 |

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LIVESTAR ENTERTAINMENT GROUP INC.

**(Formerly RRUN Ventures Network Inc.)
(A Development Stage Company)**

CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT

(Unaudited)

(Stated in U.S. Dollars)

| | THREE MONTHS ENDED SEPTEMBER 30 2003 | NINE MONTHS ENDED SEPTEMBER 30 2003 | THREE MONTHS ENDED SEPTEMBER 30 2002 | NINE MONTHS ENDED SEPTEMBER 30 2002 | INCEPTION OCTOBER 12 2000 TO SEPTEMBER 30 2003 |
|-------------------------|--------------------------------------------------|-------------------------------------------------|--------------------------------------------------|-------------------------------------------------|------------------------------------------------------------|
| Revenue | \$ -- | \$ 502 | \$ -- | \$ 5,000 | \$ 9,502 |
| Expenses | | | | | |
| Administrative services | 1,139 | 5,733 | 61,563 | 67,702 | 160,303 |
| Amortization | 578 | 1,692 | 2,689 | 8,061 | 16,937 |
| Business development | 208,000 | 357,645 | 81,975 | 441,927 | 1,075,751 |
| Consulting | 50,008 | 150,547 | 108,000 | 436,402 | 621,510 |
| Equipment leases | -- | -- | 4,535 | 19,453 | 35,796 |
| Investor relations | 2,815 | 4,656 | 6,981 | 282,933 | 396,055 |
| Marketing | -- | -- | -- | 538 | 36,389 |
| Media design | 1,153 | 1,347 | 5,022 | 27,079 | 85,222 |
| Office, rent and sundry | 9,419 | 70,420 | 5,738 | 130,296 | 335,614 |
| Professional fees | 119,391 | 151,417 | 30,494 | 88,379 | 417,010 |
| Software development | -- | -- | 31,606 | 103,716 | 855,135 |
| Travel | 1,575 | 2,759 | 21,682 | 46,921 | 114,466 |
| Wages and benefits | 1,755 | 1,755 | 2,906 | 20,763 | 30,036 |
| | 395,833 | 747,971 | 363,191 | 1,674,170 | 4,180,224 |

Loss Before The Following

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| | THREE MONTHS ENDED SEPTEMBER 30 2003 | NINE MONTHS ENDED SEPTEMBER 30 2003 | THREE MONTHS ENDED SEPTEMBER 30 2002 | NINE MONTHS ENDED SEPTEMBER 30 2002 | INCEPTION OCTOBER 12 2000 TO SEPTEMBER 30 2003 |
|---------------------------------------------------------|-------------------------------------------------------------|------------------------------------------------------------|-------------------------------------------------------------|------------------------------------------------------------|-----------------------------------------------------------------------|
| Write Down Of Investment | 395,833 | 747,469 | 363,191 | 1,669,170 | 4,170,722 |
| Forgiveness Of Debt | -- | -- | -- | -- | 6,750 |
| Minority Interest In Loss Of Subsidiary | (32,400) | (32,400) | -- | -- | (32,400) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Loss From Continuing Operations | 363,433 | 715,069 | 363,191 | 1,669,170 | 4,144,853 |
| Gain On Disposal Of Subsidiary | -- | -- | -- | -- | (419,427) |
| Discontinued Operations | -- | -- | (6,662) | (56,187) | (53,629) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Net Loss For The Period | \$ 363,433 | \$ 715,069 | \$ 356,529 | \$ 1,612,983 | \$ 3,671,797 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Net Loss Per Share | \$ 0.01 | \$ 0.01 | \$ 0.02 | \$ 0.10 | |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Weighted Average Number Of Common Shares Outstanding | 137,445,446 | 89,316,605 | 20,385,339 | 15,467,532 | |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

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LIVESTAR ENTERTAINMENT GROUP INC.

(Formerly RRUN Ventures Network Inc.)

(A Development Stage Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

(Stated in U.S. Dollars)

| | THREE MONTHS ENDED SEPTEMBER 30 2003 | NINE MONTHS ENDED SEPTEMBER 30 2003 | THREE MONTHS ENDED SEPTEMBER 30 2002 | NINE MONTHS ENDED SEPTEMBER 30 2002 | INCEPTION OCTOBER 17 2000 TO SEPTEMBER 30 2003 |
|----------------------------------------------------------------------------------|-------------------------------------------------------------|------------------------------------------------------------|-------------------------------------------------------------|------------------------------------------------------------|-----------------------------------------------------------------------|
| Cash Flows From Operating Activities | | | | | |
| Loss from continuing operations | \$ (363,433) | \$ (715,069) | \$ (363,191) | \$ (1,669,170) | \$ (4,144,853) |
| Adjustments To Reconcile Net Loss To Net Cash Used By Operating Activities | | | | | |

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| | THREE MONTHS ENDED SEPTEMBER 30 2003 | NINE MONTHS ENDED SEPTEMBER 30 2003 | THREE MONTHS ENDED SEPTEMBER 30 2002 | NINE MONTHS ENDED SEPTEMBER 30 2002 | INCEPTION OCTOBER 17 2000 TO SEPTEMBER 30 2003 |
|-------------------------------------------------------------------------------|-------------------------------------------------------------|------------------------------------------------------------|-------------------------------------------------------------|------------------------------------------------------------|-----------------------------------------------------------------------|
| Amortization | 578 | 1,692 | 2,689 | 8,061 | 16,937 |
| Issue of common stock for expenses | 302,000 | 416,900 | 107,520 | 167,520 | 710,090 |
| Write down of investment | -- | -- | -- | -- | 6,750 |
| Minority interest in loss of subsidiary | -- | -- | -- | -- | (219) |
| Goods and Services Tax recoverable | 1,922 | 4,893 | 804 | 3,205 | (893) |
| Accounts receivable | -- | -- | 25,000 | -- | -- |
| Prepaid expense | 34,077 | (1,717) | (24,623) | (36,236) | (2,062) |
| Notes receivable | -- | 13,125 | 19,600 | (48,650) | -- |
| Accounts payable | 649 | 226,925 | 175,590 | 1,030,926 | 2,174,975 |
| Loans and advances payable | 7,681 | 28,712 | 5,242 | 76,714 | 684,733 |
| | <u>(16,526)</u> | <u>(24,539)</u> | <u>(51,369)</u> | <u>(467,630)</u> | <u>(554,542)</u> |
| Cash Flows From Investing Activities | | | | | |
| Net asset deficiency of legal parent at date of reverse take-over transaction | -- | -- | -- | -- | (12,355) |
| Purchase of capital assets | -- | -- | (130) | (130) | (43,493) |
| | <u>--</u> | <u>--</u> | <u>(130)</u> | <u>(130)</u> | <u>(55,848)</u> |
| Cash Flows From Financing Activities | | | | | |
| Shares issued for cash | 92,310 | 100,355 | 78,798 | 420,798 | 515,067 |
| Share subscriptions received | 7,000 | 7,000 | (31,950) | (8,550) | 7,000 |
| | <u>99,310</u> | <u>107,355</u> | <u>46,848</u> | <u>412,248</u> | <u>522,067</u> |

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LIVESTAR ENTERTAINMENT GROUP INC.

**(Formerly RRUN Ventures Network Inc.)
(A Development Stage Company)**

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

**(Unaudited)
(Stated in U.S. Dollars)**

| THREE MONTHS ENDED | NINE MONTHS ENDED | THREE MONTHS ENDED | NINE MONTHS ENDED | INCEPTION OCTOBER 17 2000 TO |
|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|---------------------------------------------|
|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|---------------------------------------------|

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| | SEPTEMBER 30 2003 | SEPTEMBER 30 2003 | SEPTEMBER 30 2002 | SEPTEMBER 30 2002 | SEPTEMBER 30 2003 |
|-----------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Increase In Cash | \$ 82,784 | \$ 82,816 | \$ (4,651) | \$ (55,512) | \$ (88,323) |
| Net Cash From Discontinued Operations | -- | -- | 6,418 | 55,943 | 53,630 |
| Cash Acquired On Acquisition Of Subsidiary | -- | -- | -- | -- | 117,541 |
| Cash, Beginning Of Period | 64 | 32 | 85 | 1,421 | -- |
| Cash, End Of Period | \$ 82,848 | \$ 82,848 | \$ 1,852 | \$ 1,852 | \$ 82,848 |

Supplemental Disclosure Of Cash Flow Information

During the nine months ended September 30, 2003, the Company issued 3,672,560 common shares on conversion of \$13,541 of loans payable, and 26,887,517 common shares to settle \$85,153 in accounts payable.

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LIVESTAR ENTERTAINMENT GROUP INC.

**(Formerly RRUN Ventures Network Inc.)
(A Development Stage Company)**

CONSOLIDATED STATEMENT OF STOCKHOLDERS DEFICIENCY

SEPTEMBER 30, 2003

(Unaudited)

(Stated in U.S. Dollars)

| | SHARES | AMOUNT | ADDITIONAL PAID-IN CAPITAL | DEFICIT | TOTAL |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-------------|----------|----------------------------------|----------|----------|
| Shares issued for cash and services | 4,200,000 | \$ 4,200 | \$ -- | \$ -- | \$ 4,200 |
| Adjustment to number of shares issued and outstanding as a result of the acquisition of RAHX, Inc. | | | | | |
| RAHX, Inc. | (4,200,000) | (4,200) | -- | -- | (4,200) |
| RRUN Ventures Inc. | 5,708,780 | 5,709 | (1,509) | -- | 4,200 |
| Adjustment to stated value of stockholders' equity to reflect minority interest in the net assets of RAHX, Inc. at the acquisition date | | | | | |
| | -- | -- | (219) | -- | (219) |
| Net asset deficiency of legal parent at date of reverse take-over transaction | | | | (12,355) | (12,355) |
| Shares issued to acquire investment in Kaph Data Engineering Inc. | 400,000 | 400 | 6,350 | -- | 6,750 |
| Loss for the period | -- | -- | -- | (79,249) | (79,249) |

SEPTEMBER 30, 2003 (Unaudited)(Stated in U.S. Dollars)

| | SHARES | AMOUNT | ADDITIONAL PAID-IN CAPITAL | DEFICIT | TOTAL |
|-------------------------------------------------------------------------------------------------------------------|-------------|---------|----------------------------------|-------------|-------------|
| Balance, December 31, 2000 | 6,108,780 | 6,109 | 4,622 | (91,604) | (80,873) |
| Adjustment to number of shares issued and outstanding as a result of the acquisition of RRUN Ventures, Inc. | | | | | |
| RRUN Ventures, Inc. | (6,108,780) | (6,109) | (4,622) | -- | (10,731) |
| RRUN Ventures Network Inc. | 288,420 | 288 | 10,443 | -- | 10,731 |
| Fair value of shares issued in connection with the acquisition of RRUN Ventures, Inc | 305,439 | 306 | 28,325 | -- | 28,631 |
| | 593,859 | 594 | 38,768 | (91,604) | (52,242) |
| Increase in issued shares due to 20 for 1 stock split | 11,283,321 | 594 | (594) | -- | -- |
| Shares issued for debt | 1,867,544 | 187 | 54,257 | -- | 54,444 |
| Shares issued for cash | 670,000 | 67 | 13,333 | -- | 13,400 |
| Shares issued for services | 200,000 | 20 | 3,980 | -- | 4,000 |
| Loss for the year | -- | -- | -- | (1,611,999) | (1,611,999) |
| Balance, December 31, 2001 | 14,614,724 | 1,462 | 109,744 | (1,703,603) | (1,592,397) |

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LIVESTAR ENTERTAINMENT GROUP INC.**(Formerly RRUN Ventures Network Inc.)****(A Development Stage Company)****CONSOLIDATED STATEMENT OF STOCKHOLDERS DEFICIENCY (Continued)****SEPTEMBER 30, 2003****(Unaudited)****(Stated in U.S. Dollars)**

| | SHARES | AMOUNT | ADDITIONAL PAID-IN CAPITAL | DEFICIT | TOTAL |
|---------------------------------------------|-------------|----------|----------------------------------|----------------|----------------|
| Balance, December 31, 2001 | 14,614,724 | \$ 1,462 | \$ 109,744 | \$ (1,703,603) | \$ (1,592,397) |
| Shares issued for debt | 11,163,816 | 1,116 | 268,026 | -- | 278,142 |
| Shares issued for services | 13,845,000 | 1,384 | 283,606 | -- | 275,990 |
| Shares issued for cash and notes receivable | 7,861,250 | 787 | 461,912 | -- | 462,699 |
| Shares cancelled | (1,830,000) | (183) | (61,204) | -- | (61,387) |
| Forgiveness of shareholder debt | -- | -- | 25,000 | -- | 25,000 |
| Loss for the year | -- | -- | -- | (1,265,480) | (1,265,480) |
| Balance, December 31, 2002 | 45,654,790 | 4,566 | 1,087,084 | (2,969,083) | (1,877,433) |
| Shares issued for debt | 30,560,077 | 3,056 | 95,638 | -- | 98,694 |

SEPTEMBER 30, 2003 (Unaudited)(Stated in U.S. Dollars)

| | SHARES | AMOUNT | ADDITIONAL PAID-IN CAPITAL | DEFICIT | TOTAL |
|-----------------------------|-------------|-----------|----------------------------------|----------------|----------------|
| Shares issued for services | 92,620,000 | 9,262 | 407,638 | -- | 416,900 |
| Shares issued for cash | 16,685,000 | 1,968 | 111,137 | -- | 113,105 |
| Loss for the period | -- | -- | -- | (715,069) | (715,069) |
| Balance, September 30, 2003 | 185,519,867 | \$ 18,852 | \$ 1,701,497 | \$ (3,684,152) | \$ (1,963,803) |

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LIVESTAR ENTERTAINMENT GROUP INC.

(Formerly RRUN Ventures Network Inc.)
(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2003

(Unaudited)

(Stated in U.S. Dollars)

1. BASIS OF PRESENTATION

The unaudited consolidated financial statements as of September 30, 2003 included herein have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with United States of America generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. It is suggested that these consolidated financial statements be read in conjunction with the December 31, 2002 audited consolidated financial statements and notes thereto.

2. NATURE OF OPERATIONS

a) Organization

The Company was incorporated in the State of Nevada, U.S.A., on October 12, 2000. On June 23, 2003, the Company changed its name from RRUN Ventures Network Inc. to Livestar Entertainment Group Inc.

b) Development Stage Activities

The Company was organized as a holding company to develop or acquire innovative ventures with an emphasis on serving the lifestyle needs of the 18 - 34 year Digital Generation through the production and marketing of lifestyle products and services. The Company's initial venture is RAHX, a business concept previously focused on

delivering, for its customers, a consolidated Entertainment Experience Network comprised of many services ranging from digital media peer to peer file exchange to live entertainment and online video games. At this time, the Company's focus is the developing of a live entertainment business, specifically nightclubs and live events.

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LIVESTAR ENTERTAINMENT GROUP INC.

(Formerly RRUN Ventures Network Inc.)

(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2003

(Unaudited)

(Stated in U.S. Dollars)

2. NATURE OF OPERATIONS (Continued)

c) **Going Concern**

Since inception, the Company has suffered recurring losses, net cash outflows from operations and, at September 30, 2003, has a working capital deficiency of \$1,963,382. The Company expects to continue to incur substantial losses to complete the development and testing of its technology. Since its inception, the Company has funded operations through common stock issuances and related party loans in order to meet its strategic objectives. Management believes that sufficient funding will be available to meet its business objectives, including anticipated cash needs for working capital, and is currently evaluating several financing options. However, there can be no assurance that the Company will be able to obtain sufficient funds to continue the development of and, if successful, to commence the sale of its products under development. As a result of the foregoing, there exists substantial doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of consolidated financial statements for a period necessarily involves the use of estimates which have been made using careful judgement.

The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) **Consolidation**

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements include the accounts of the Company, its 100% owned subsidiaries, RRUN Labs Inc. and RVNI Management Ltd., and its 67% owned subsidiary, RAHX, Inc.

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LIVESTAR ENTERTAINMENT GROUP INC.

(Formerly RRUN Ventures Network Inc.)

(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2003

(Unaudited)

(Stated in U.S. Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Development Stage Company

The Company is a development stage company as defined in the Statements of Financial Accounting Standards No. 7. The Company is devoting substantially all of its present efforts to establish a new business and none of its planned principal operations have commenced. All losses accumulated since inception have been considered as part of the Company's development stage activities.

c) Investments

Investments in companies owned less than 20% are recorded at the lower of cost or fair market value.

d) Software Development Costs

The costs to develop new software products and enhancements to existing software products will be expensed as incurred until technological feasibility has been established. Once technological feasibility has been established, any additional costs will be capitalized.

e) Income Taxes

The Company has adopted Statement of Financial Accounting Standards No. 109 Accounting for Income Taxes (SFAS 109). This standard requires the use of an asset and liability approach for financial accounting and reporting on income taxes. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is recognized.

f) Amortization

Capital assets are being amortized on the declining balance basis at the following rates:

| | |
|--------------------------------|------|
| Computer equipment | 30% |
| Computer software | 100% |
| Office furniture and equipment | 20% |

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LIVESTAR ENTERTAINMENT GROUP INC.

(Formerly RRUN Ventures Network Inc.)

(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2003

(Unaudited)

(Stated in U.S. Dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Stock Based Compensation

The Company accounts for stock based employee compensation arrangements in accordance with the provisions of Accounting Principles Board Opinion No. 25 Accounting for Stock Issued to Employees (APB No. 25) and complies with the disclosure provisions of Statement of Financial Accounting Standards No. 123 Accounting for Stock Based Compensation (SFAS No. 123). Under APB No. 25, compensation expense is recognized based on the difference, if any, on the date of grant between the estimated fair value of the Company's stock and the amount an employee must pay to acquire the stock. Compensation expense is recognized immediately for past services and rateably for future services over the option vesting period.

h) Financial Instruments

The Company's financial instruments consist of cash, GST recoverable and accounts payable.

Unless otherwise noted, it is management's opinion that this Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

i) Net Loss Per Share

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, Earnings Per Share (SFAS 128). Under SFAS 128, basic and diluted earnings per share are to be presented. Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding in the period. Diluted earnings per share takes into consideration common shares outstanding (computed under basic earnings per share) and potentially dilutive common shares.

4. SUBSEQUENT EVENTS

- a) Subsequent to September 30, 2003, the Company granted 21,000,000 stock options to employees pursuant to the provisions of various employee incentive stock award agreements.

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LIVESTAR ENTERTAINMENT GROUP INC.

(Formerly RRUN Ventures Network Inc.)

(A Development Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2003

(Unaudited)

(Stated in U.S. Dollars)

4. SUBSEQUENT EVENTS (Continued)

- b) Subsequent to September 30, 2003, the Company issued 21,000,000 common shares with a fair value of \$162,232 on the exercise of shares issued pursuant to the provisions of various employee incentive stock award agreements, 1,000,000 common shares with a fair value of \$10,000 on the settlement of debt, 1,177,846 common shares with fair value of \$3,892 on conversion of loans, and 1,916,667 common shares with a fair value of \$7,000 for cash, of which proceeds of \$7,000 had been received at September 30, 2003.
- c) Subsequent to September 30, 2003, the Company entered into an Amended and Restated Agreement and Plan of Acquisition to acquire all the issued and outstanding shares, and the minimum of US\$200,000 of certain shareholder loans, of The Sequel Nightclub (Sequel) in Toronto, Canada. Consideration for the acquisition will consist of nominal consideration of \$10, an advance to Sequel of US\$35,609, and the issuance of 1,000,000 shares of preferred stock to the sole shareholder of Sequel.

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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 Nine Month Period Ended September 30, 2003

For the nine-month period ended September 30, 2003, the Company earned revenues of \$502. The revenues were related to the production of a live event for one client.

During the nine month period ended September 30, 2003, the Company incurred operational expenses of \$747,971. These operating expenses included: consulting fees of \$150,547, business development expenses \$357,645, and professional fees of \$151,417 for the nine month period ending September 30, 2003. The company continues to incur significant consulting and business development costs in its effort to realize its business strategy and its business plan.

During the nine month period ended September 30, 2003, the Company incurred a net loss from operations of \$715,069.

For The Three Month Period Ended September 30, 2003 Compared to the Three Month Period Ended September 30, 2002

For the three month period ended September 30, 2003, the Company earned revenues of \$0, as compared to revenues of \$0 for the same period ended September 30, 2002.

For the three month period ended September 30, 2003, the Company incurred operational expenses of \$395,833, as compared to \$363,191 during the same period in 2002. These operating expenses included: consulting fees of \$50,008 and \$108,000, business development expenses \$208,000, and \$ 81,975; and professional fees of \$119,391, and \$30,494 , for the three month period ending September 30, 2003, and 2002, respectively.

The Company incurred a net loss from operations of \$363,433 for the fiscal quarter ended September 30, 2003, as compared to \$356,529 for the same period in 2002.

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Liquidity and Financial Condition As Of September 30, 2003

We had cash-on hand of totaling \$95,598 as of September 30, 2003.

As reported in the Company's Annual Report for the period ended December 31, 2002 the Company has shifted its strategy from being focused solely on technology oriented to one of focused on live entertainment, particularly entertainment establishments (i.e. nightclubs and lounges) and live events (i.e. concerts and special events).

Our business strategy is currently aimed at focusing our immediate efforts on building a network of licensed entertainment establishments, as the base for our urban lifestyle businesses. These establishments will still utilize a branding approach so that we can sell other urban lifestyle products and services and eventually employ a comprehensive internet strategy.

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Subsequent to the three month period ending September 30, 2003 the Company has acquired its first establishment. Our immediate aim is to use this first establishment as a flagship for the network and demonstrate our unique and proprietary entertainment concepts for use in our other establishments. We intend that the later establishments will be developed in new and existing locations in major cities throughout the United States and Canada.

In order to finance working capital for the first acquisition, capital for future acquisitions, and our phases of implementation we plan to raise investment capital through different types of securities offerings. We plan to fund new establishment locations, and possibly future acquisitions, through direct investments into the individual establishments and providing the investors with cash dividends from their direct investments and possibly some capital stock in the Company to the investors. This is hoped to reduce the potential dilution to our existing shareholders. We possibly plan to raise investment capital by sale of stock in our subsidiaries, or other planned subsidiaries, which again is hoped to reduce dilution to our existing shareholders. We plan to invite direct investments into the Company to provide funds for general corporate purposes. We believe that this plan will enable us to achieve our development goals with acceptable dilution to our existing shareholders.

We believe that the acquisition we have recently completed will require a minimum of \$300,000 for working capital and general corporate purposes, depending on development planning that is being considered by management over the next two quarters. In the upcoming two quarters, we plan to make one or two additional acquisitions. 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 legal, accounting, administrative, working capital and general corporate purposes. Thus, we anticipate needing a minimum of \$3,000,000 of investment capital during the next six months.

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After the next one or two acquisitions, we intend to develop other entertainment establishments from initial buildout rather than from acquisitions. Our plan is to open no less than two or three additional entertainment establishments by the end of 2004 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 may generate enough 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 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 launch its live events business unit, including the cost of acquisitions and their subsequent integration and for the venture development of other potential lines of business for the balance of 2003 and 2004. The total additional working capital financing described in this section is in addition to the \$3,000,000 described in the preceding paragraph and 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.

Management plans on initiating a series of securities offerings to raise the investment capital needed to meet our acquisition plans. Although we will make efforts to minimize dilution to current shareholders, we may not be able to avoid 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 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 advisors that have the experience and relationships to aid LIVESTAR with its capital raising efforts. The source of the private placement or debt financing 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 acquisition 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 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.

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Until 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

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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.

In the case of the Sequel, our first acquisition, some day to day business operations of the corporation may be covered by the cash flow of the Sequel. The possibility of positive cash flow to the Company from current (the Sequel) and future acquisitions may contribute positively to LIVESTAR's liquidity position.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

On July 30, 2003, PR Newswire Association, Inc. (Plaintiff) filed suit, pursuant to Docket No. DC15242-03, in the Superior Court of New Jersey against the Company. The suit alleges non-payment of \$6,005 for News dissemination services sold to the Company by the Plaintiff. Damages sought include the above stated alleged non-payment plus interest, legal and court costs.

The Company believes that, as it commences revenue-producing operations and as it raises capital, we will have the resources to reduce or prevent collection litigation by creditors or others.

Item 2. Changes in Securities

Recent Sales of Unregistered Securities

During July 2003, the Company issued 2,000,000 shares of its previously authorized, but unissued common stock. The shares were issued in settlement of a loan as directed by a debtholder. The transaction was valued at \$0.0025 per share for a total consideration of \$5,000. The transaction was an isolated transaction with the debtholder who has a close affiliation with us and was exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) of the Act because of not being part of a public offering. The offering was for a limited purpose and did not use the machinery of public distribution

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During August 2003, the Company issued 1,524,944 shares of its previously authorized, but unissued common stock. The shares were issued in settlement of a loan as directed by a debtholder. The transaction was valued at \$0.0025 per share for a total consideration of \$3,812. The transaction was an isolated transaction with the debt holder who has a close affiliation with us and was exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) of the Act because of not being part of a public offering. The offering was for a limited purpose and did not use the machinery of public distribution

During August 2003, the Company issued 666,667 shares of its previously authorized, but unissued common stock. The shares were issued to one unrelated individual in exchange for cash. The transaction was valued at \$0.003 per share for a total consideration of \$2,000. The transaction was an isolated transaction with an individual having a close affiliation with us and was exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) of the Act because of not being part of a public offering. The offering was for a limited purpose and did not use the machinery of public distribution.

During August 2003, the Company issued 1,250,000 shares of its previously authorized, but unissued common stock. The shares were issued to one unrelated individual in exchange for cash. The transaction was valued at \$0.004 per share for a total consideration of \$5,000. The transaction was an isolated transaction with a individual having a close affiliation with us and was exempt from registration under the Securities Act of 1933 pursuant to Section 4(2) of the Act because of not being part of a public offering. The offering was for a limited purpose and did not use the machinery of public distribution.

Item 3. Defaults upon Senior Securities

None

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

None

Item 5. Other Information

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.

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(b) Reports on Form 8-K

On August 11, 2003, the Company filed a current report on Form 8-K discussing under Item 5, a definitive agreement pursuant to which the Company may acquire The Sequel Nightclub and on September 29, 2003 the Company amended this form 8-K giving effect to an addendum to the definitive agreement pursuant to which the Company is extending the Closing date of its plans to acquire The Sequel Nightclub

On August 26, 2003, the Company filed a current report on Form 8-K discussing under Item 5, a Memorandum of Understanding pursuant to which the Company has entered discussions and negotiations regarding a possible takeover of the Company.

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 19, 2003

By:

Ray Hawkins, President and Chief
Executive Officer

By:

Edwin Kwong, Principal Accounting
Officer
and Chief Financial Officer

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