

VOYAGER ENTERTAINMENT INTERNATIONAL INC  
Form 10QSB  
May 20, 2003

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM 10-QSB**

(Mark One)

[ X ]

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

**For Quarterly Period Ended: March 31, 2003**

*Commission file number 000-33151*

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**VOYAGER ENTERTAINMENT INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

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**North Dakota**  
(State or other jurisdiction of  
incorporation or organization)

**45-0420093**  
(I.R.S. Employer  
Identification No.)

**4483 West Reno Avenue, Las Vegas, Nevada**  
(Address of principal executive offices)

**89118**  
Zip Code

Registrant's telephone number, including area code: **(702) 221-8070**

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (a) 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   
[ ]

There are 38,652,500 shares of common stock issued and outstanding as of May 15, 2003

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**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**VOYAGER ENTERTAINMENT INTERNATIONAL, INC.  
AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)  
CONSOLIDATED FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2003 AND 2002  
AND FOR THE PERIOD FROM INCEPTION  
ON MARCH 1, 1997 TO MARCH 31, 2003**

**VOYAGER ENTERTAINMENT INTERNATIONAL, INC. AND SUBSIDIARY**  
**(A DEVELOPMENT STAGE COMPANY)**

**CONSOLIDATED BALANCE SHEET - MARCH 31, 2003**

**ASSETS**

**Current assets:**

Cash	\$	12,222	
Other current assets		4,268	
Total current assets			\$ 16,490

**Property and equipment**, net of  
accumulated depreciation

		5,525	
Total assets			\$ 22,015

**LIABILITIES AND STOCKHOLDERS' DEFICIT**

**Current liabilities:**

Accounts payable and accrued expenses	\$	182,311	
Loans payable		228,239	
Note payable, net of unamortized discount of \$15,150		484,850	
Total current liabilities			\$ 895,400

**Stockholders' deficit:**

Preferred stock; \$.001 par value; 25,000,000 shares authorized, 1,500,000 shares of Series A		1,500	
Common stock; \$.001 par value; 100,000,000 shares authorized, 38,652,500 shares issued and outstanding		38,653	
Issued and outstanding			
Additional paid-in capital		19,515,207	
Deferred construction cost		(18,304,135)	
Deficit accumulated during development stage		(2,124,610)	
Total stockholders' deficit			(873,385)
Total liabilities and stockholders' deficit			\$ 22,015

The accompanying notes from an integral part of these consolidated financial statements.

**VOYAGER ENTERTAINMENT INTERNATIONAL, INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
CONSOLIDATED STATEMENTS OF OPERATIONS**

	Three Months Ended March 31, 2003	Three Months Ended March 31, 2002	For the period since inception on March 1, 1997 to March 31, 2003
<b>Net revenue</b>	\$ -	\$ -	\$ -
<b>Operating expenses:</b>			
Professional and consulting fees	51,583	251,245	1,484,127
Stock discount expense	-	-	200,000
Interest	119,014	-	178,799
Project costs	628	5,154	77,752
Rent expense	6,975	-	39,740
Other operating expenses	3,458	27,276	144,192
	<u>181,658</u>	<u>283,675</u>	<u>2,124,610</u>
<b>Loss from operations</b>	(181,658)	(283,675)	(2,124,610)
<b>Income taxes</b>	-	-	-
<b>Net loss</b>	<u>\$ (181,658)</u>	<u>\$ (283,675)</u>	<u>\$ (2,124,610)</u>
<b>Net loss per share - basic and diluted</b>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.06)</u>
<b>Weighted average common stock shares outstanding - basic and diluted</b>	<u>38,652,500</u>	<u>25,924,222</u>	<u>34,973,308</u>

The accompanying notes from an integral part of these consolidated financial statements.

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	Preferred Stock		Common Stock		Additional
	Shares	Amount	Shares	Amount	paid-in capital
For the period since inception on March 1, 1997 to December 31, 2000 (as restated for reorganization)	-	\$ -	15,000,000	\$ 15,000	\$ 20,000
Net loss for the year ended December 31, 2001	-	-	-	-	-
Balance at December 31, 2001	-	-	15,000,000	15,000	20,000
Issuance of stock for cash and services (pre-merger)	2,160,000	2,160	-	-	25,800
Conversion of preferred stock to common stock	(660,000)	(660)	6,600,000	6,600	(5,940)
Acquisition of net assets of Dakota	-	-	11,615,000	11,615	(11,615)
Issuance of common stock for cash - February 15, 2002	-	-	800,000	800	399,200
Issuance of common stock for services - April 2002	-	-	200,000	200	399,800
Issuance of common stock for Architectural agreement - May 2002	-	-	2,812,500	2,813	18,138,700
Issuance of common stock for cash - June 2002	-	-	50,000	50	149,900
Issuance of common stock for Architectural agreement - October 2002	-	-	600,000	600	162,000
Issuance of common stock for financing costs - November 2002	-	-	650,000	650	162,500
Issuance of stock for services - October 2002	-	-	325,000	325	74,700
Net loss for the year ended December 31, 2002	-	-	-	-	-
Balance at December 31, 2002	1,500,000	1,500	38,652,500	38,653	19,515,200
Net loss for the three months ended March 31, 2003	-	-	-	-	-
Balance at March 31, 2003	1,500,000	1,500	38,652,500	\$ 38,653	\$ 19,515,200

ON MARCH 1, 1997 TO MARCH 31, 2003

The accompanying notes from an integral part of these consolidated financial statements.

**VOYAGER ENTERTAINMENT INTERNATIONAL, INC. AND SUBSIDIARY  
(A DEVELOPMENT STAGE COMPANY)  
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Three Months Ended March 31, 2003	Three Months Ended March 31, 2002	For the period since inception on March 1, 1997 to March 31, 2003
<b>Cash flows provided by (used for) operating activities:</b>			
Net loss	\$ (181,658)	\$ (283,675)	\$ (2,124,61)
<b>Adjustments to reconcile net loss to net cash provided by operating activities:</b>			
Depreciation	426	-	1,10
Issuance of common stock	-	18,000	293,07
Stock discount expense	-	-	200,00
Merger expense	-	-	-
Interest expense from the issuance of common stock	98,000	-	148,00
<b>Changes in assets and liabilities:</b>			
<b>(Increase) decrease in assets:</b>			
Prepaid expenses	-	(5,600)	-
Other current assets	-	-	(4,26
<b>Increase (decrease) in liabilities -</b>			
accounts payable and accrued expenses	(15,820)	(85,000)	182,31
Net cash used for operating activities	(99,052)	(356,275)	(1,304,38
<b>Cash flows used for investing activities -</b>			
payments to acquire property and equipment	(912)	-	(6,63
<b>Cash flows provided by (used for) financing activities:</b>			
Due to related party	-	(44,148)	-
Proceeds from notes payable	-	-	728,23
Issuance of common stock	-	410,000	595,00
Net cash provided by financing activities	-	365,852	1,323,23
<b>Net increase in cash</b>	(99,964)	9,577	12,22
<b>Cash, beginning of period</b>	112,186	12,222	-

<b>Cash, end of period</b>	\$	12,222	\$	21,799	\$	12,222
<b>Cash paid during the period for:</b>						
Interest expense	\$	-	\$	-	\$	-
Income taxes	\$	-	\$	-	\$	-
<b>Non cash financing activity:</b>						
Common stock issued for services	\$	-	\$	18,000	\$	493,075
Common stock issued for financing costs	\$	-	\$	-	\$	163,150
Common stock issued for Architectural Agreement	\$	-	\$	-	\$	18,304,130
Conversion of preferred stock to common stock	\$	-	\$	-	\$	6,600,000

The accompanying notes from an integral part of these consolidated financial statements.

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**VOYAGER ENTERTAINMENT INTERNATIONAL, INC.**

**AND SUBSIDIARIES**

**(A DEVELOPMENT STAGE COMPANY)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**THREE MONTHS ENDED MARCH 31, 2003 AND 2002**

**(1) Summary of Significant Accounting Policies:**

**Business Activity:**

The Company is in the entertainment development business and is planning the development of the world's tallest Ferris Wheels on the Las Vegas Strip.

**Plan of Reorganization and Basis of Presentation:**

The accompanying consolidated financial statements include the accounts of Voyager Entertainment International, Inc. (the "Company"), formerly known as Dakota Imaging, Inc., ("Dakota"), incorporated under the laws of the state of North Dakota



on January 31, 1991 and its subsidiaries:

- a) Voyager Ventures, Inc. ("Ventures"), incorporated under the laws of the State of Nevada on January 15, 2002 (owned 100% by the Company);
- b) Outland Development, LLC ("Outland"), a limited liability company formed under the laws of the State of Nevada on March 1, 1997(owned 100% by Ventures); and
- c) Voyager Entertainment Holdings, Inc. ("Holdings"), incorporated under the laws of the State of Nevada on May 2, 2002 (owned 100% by the Company).

The Company is currently a development stage enterprise reporting under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 7.

Ventures entered into an agreement and Plan of Reorganization (the "Reorganization"), dated as of January 30, 2002 with Outland, whereby Ventures issued 15,000,000 shares of its common stock in exchange for 100% of Outland's membership interest.

This transaction has been accounted for in the consolidated financial statements as a reverse acquisition. As a result of this transaction, the former members of Outland acquired or exercised control over a majority of the shares of the Company before and after the reorganization. Accordingly, the transaction has been treated for accounting purposes as a recapitalization of Outland. Therefore, these consolidated financial statements represent a continuation of Outland, not Ventures.

The consolidated financial statements presented include the accounts of Outland from its inception (March 1, 1997) through the reorganization.

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**VOYAGER ENTERTAINMENT INTERNATIONAL, INC.**

**AND SUBSIDIARIES**

**(A DEVELOPMENT STAGE COMPANY)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**THREE MONTHS ENDED MARCH 31, 2003 AND 2002**

**(1) Summary of Significant Accounting Policies, Continued:**

**Plan of Reorganization and Basis of Presentation, Continued:**

Dakota entered into an agreement and Plan of Merger (the "Agreement"), dated as of February 1, 2002, with Ventures and Dakota Subsidiary Corp. ("DSC"), an inactive Nevada corporation. The agreement became effective February 8, 2002, when Ventures

(the accounting acquirer) completed a reverse triangular merger ("Merger") between DSC and Dakota (the legal acquirer), whereby Dakota issued 3,660,000 shares of its Series A convertible preferred stock in exchange for 100% of Venture's outstanding common stock, of which, 1,500,000 Series A preferred shares (converted to 15,000,000 common shares) have been presented as issued since inception. Pursuant to the terms of the merger, Ventures merged with DSC wherein DSC ceased to exist and Ventures became a wholly owned subsidiary of Dakota.

Concurrent with the closing of the Merger:

- a) Dakota cancelled 47,000,000 shares (9,400,000 shares prior to 5 for 1 forward split) held by certain shareholders of Dakota in exchange for certain assets and liabilities of Dakota; and
- b) The Company issued 21,600,000 shares of its common stock for the conversion of 2,160,000 shares of the Series A convertible preferred stock issued (1,500,000 preferred shares converted into 15,000,000 common shares were presented as issued since inception and the remaining 660,000 preferred shares were issued for stock and services which converted into 6,600,000 shares of common stock).

As a result of the Merger, Venture's former shareholders obtained control of Dakota through their ownership interest in the Series A preferred stock held and converted.

In accounting for this transaction:

- i) Ventures is deemed to be the purchaser and surviving company for accounting purposes and the transaction was treated as a recapitalization. Accordingly, its net assets are included in the balance sheet at their historical book values; its financial position and results of operations have been presented for the periods preceding the Merger.
- ii) Control of the net assets and business of Dakota was acquired effective February 8, 2002, the effective date. This transaction has been accounted for as a purchase of the assets and liabilities of Dakota by Ventures at its net book value of \$0.

During April 2002, the Company changed its name from Dakota Imaging, Inc. to Voyager Entertainment International, Inc. and adopted a new fiscal year-end of December 31.

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**VOYAGER ENTERTAINMENT INTERNATIONAL, INC.**

**AND SUBSIDIARIES**

**(A DEVELOPMENT STAGE COMPANY)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**THREE MONTHS ENDED MARCH 31, 2003 AND 2002**

**(1) Summary of Significant Accounting Policies, Continued:**

**Plan of Reorganization and Basis of Presentation, Continued:**

Going Concern

The Company's financial statements have been presented on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has no established source of revenue, has a working capital deficit of \$878,910, has an accumulated deficit of \$2,124,610, incurred significant net loss and has used cash for operating activities of \$99,052, all of which raise substantial doubt about its ability to continue as a going concern.

The Company has limited operations and is still in the development stage. The Company will need to raise a substantial amount of capital in order to continue its business plan. This situation raises substantial doubt about its ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments relative to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result from the outcome of this uncertainty. Management is currently initiating their business plan and in the process raising additional capital.

**Other Comprehensive Loss:**

Other comprehensive loss consisted of net loss only and accordingly, a statement of comprehensive loss has not been presented.

**Net Loss Per Share:**

Net income (loss) per share has been computed using the weighted average number of common shares outstanding during the three months ended March 31, 2003 and 2002. There were no common stock equivalent shares outstanding.

**(2) Loans Payable:**

Loans payable have no stated interest rate, are due on demand and unsecured. Interest of \$11,000 has been accrued at an estimated market interest rate of 12% and is included in accounts payable and accrued expenses. The balance is \$228,239 as of March 31, 2003 and the proceeds were used for operating capital during the year ended December 31, 2002.

**VOYAGER ENTERTAINMENT INTERNATIONAL, INC.  
AND SUBSIDIARIES**

**(A DEVELOPMENT STAGE COMPANY)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**THREE MONTHS ENDED MARCH 31, 2003 AND 2002**

**(3) Note Payable:**

On November 19, 2002, the Company entered into a line of credit financing agreement in the amount of \$2,500,000. Advances, under this line of credit, are based on achievement of certain milestones pursuant to the agreement. Upon the receipt of funds, the Company is required to issue up to 1,500,000 shares of its common stock on a pro rata basis. The Company has borrowed \$500,000 against this line of credit and issued 300,000 shares of its common shares. The note payable was due on April 15, 2003, secured by all assets and bears interest 12% per annum (effective rate of 80%). Interest of \$20,000 has been accrued and is included in accounts payable and accrued expenses in the accompanying financial statements. In addition, the Company also issued 350,000 shares of common shares as finder's fees. Upon the receipt of funds, the Company is required to issue up to 1,400,000 shares of its common stock on a pro rata basis as finders fee. The fair market value of the common stock shares on the date of issuance totaled \$163,150, all of which has been accounted for as debt issuance cost. During the year ended December 31, 2002, \$50,000 was expensed as interest expense and the unamortized balance of \$113,150 has been netted against the face amount of the debt. During the quarter ended March 31, 2003, \$98,000 was expensed as interest expense and the unamortized balance of \$15,150 has been netted against the face amount of the debt.

**(4) Stock Option Plan:**

The Company's shareholders approved the 2002 Stock Option Plan on April 2, 2002 at the Company's annual meeting. The plan authorizes the Company to issue 5,000,000 shares of common stock for issuance upon exercise of options.

The plan is intended to encourage directors, officers, employees and consultants of the Company to acquire ownership of Common Stock. Officers (including officers who are members of the Board of Directors), directors (other than members of the Stock Option Committee (the "Committee")) to be established to administer the Stock Option Plan) and other employees and consultants of the Company and its subsidiaries (if established) will be eligible to receive options under the planned

Stock Option Plan. The Committee will administer the Stock Option Plan and will determine those persons to whom options will be granted, the number of options to be granted, the provisions applicable to each grant and the time periods during which the options may be exercised. No options may be granted more than ten years after the date of the adoption of the Stock Option Plan.

Unless the Committee, in its discretion, determines otherwise, non-qualified stock options will be granted with an option price equal to the fair market value of the shares of Common Stock to which the non-qualified stock option relates on the date of grant. In no event may the option price with respect to an incentive stock option granted under the Stock Option Plan be less than the fair market value of such Common Stock to which the incentive stock option relates on the date the incentive stock option is granted.

**VOYAGER ENTERTAINMENT INTERNATIONAL, INC.**

**AND SUBSIDIARIES**

**(A DEVELOPMENT STAGE COMPANY)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**THREE MONTHS ENDED MARCH 31, 2003 AND 2002**

**(4) Stock Option Plan, Continued:**

Each option granted under the Stock Option Plan will be exercisable for a term of not more than ten years after the date of grant. Certain other restrictions will apply in connection with this Plan when some awards may be exercised. In the event of a change of control (as defined in the Stock Option Plan), the date on which all options outstanding under the Stock Option Plan may first be exercised will be accelerated. Generally, all options terminate 90 days after a change of control. As of December 31, 2002, no options have been issued under this plan. As of March 31, 2003, no options have been issued under this plan.

**(5) Commitments and Contingencies:**

During January 2002, the Company entered into a month-to-month office lease totaling approximately \$2,500 per month.

On May 9, 2002, the Company entered into a Fee and Placement Agreement with

Security Funding Corporation ("Security Funding"), whereby Security Funding was engaged to obtain financing in the amount of \$180,000,000 for the development and construction of the "Voyager" project. Security Funding was paid a \$5,000 non-refundable processing fee and will be paid a broker fee of 2% of any funds raised by them. As of March 31, 2003, no funding has been provided by Security Funding.

**VOYAGER ENTERTAINMENT INTERNATIONAL, INC.**

**AND SUBSIDIARIES**

**(A DEVELOPMENT STAGE COMPANY)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**THREE MONTHS ENDED MARCH 31, 2003 AND 2002**

**(5) Commitments and Contingencies, Continued:**

On May 31, 2002, the Company entered into a binding Letter of Intent with Sahara Las Vegas Corp. ("SLVC") setting forth the basic terms and conditions for the negotiation of a long-term lease for the site located adjacent to the Sahara Hotel & Casino, whereby both companies are planning to jointly design and develop an entire master plan resort for the 26.87 acre parcel of land. Upon reaching a definitive agreement, the Company will become obligated to pay SLVC the sum of \$2,300,000 in consideration for the termination of the current lessee, Wet 'N Wild of Nevada, Inc. As of March 31, 2003, no definitive agreement has been consummated.

On July 9, 2002, the Company entered into an Agreement with Stone Harbor Financial Services LLC, whereby Stone Harbor was to provide financing to the company in an amount of up to \$172,000,000. The Company agreed to issue a number of shares of common stock equal to 25% of its total authorized shares (25,000,000 shares) on a non-dilutive basis to an investor, Stone Harbor. In addition, the investor and any other participants shall receive an origination fee of 10% of the gross proceeds. A substantial condition of the funding is based on the Company's ability to post title collateralized start-up costs of no less than \$17,200,000. As of the date of this filing the Company has not had the ability to raise such costs.

On August 15, 2002, the Company executed an agreement with MCI Financial Services Corporation ("MCI") whereby MCI will act as the exclusive agent for the Company in the structuring of financial placement for the Construction/Permanent Loan in an amount not to exceed USD \$100,000,000 for the Company's "Voyager" project. In addition to an application deposit of \$100,000, of which \$30,000 has been paid, MCI, upon closing of the financing, shall (i) be paid a fee of 2% of the

financing, (ii) be issued 4,000,000 shares of the Company's common stock, and (iii) be granted stock options to purchase 2,000,000 shares of the Company's common stock at \$2.50 per share exercisable on or before April 14, 2005.

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**VOYAGER ENTERTAINMENT INTERNATIONAL, INC.**

**AND SUBSIDIARIES**

**(A DEVELOPMENT STAGE COMPANY)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**THREE MONTHS ENDED MARCH 31, 2003 AND 2002**

**(5) Commitments and Contingencies, Continued:**

On August 16, 2002, the Company entered into an agreement with Residential Resources, Inc. ("RRI") via MCI acting as an agent, whereby RRI will sell/hypothecate the assets of Voyager to act as collateral for a bond issuance, which will raise up to \$100 million. Voyager paid an initial due diligence fee of \$30,000 (paid to RRI) and upon completion of the due diligence, RRI issued a securitization commitment on September 10, 2002. Pursuant to the agreement, Voyager paid an additional fee of \$70,000 to RRI upon receipt of the securitization commitment. Total fees incurred for this transaction amounted to \$424,000, of which, \$29,000 remains unpaid and is included in accounts payable and accrued expenses as of March 31, 2003. All amounts incurred in relation to RRI have been expensed in accompanying statement of operations.

Contingent Liability

During the year ended December 31, 2002, an officer of the Company who lacked appropriate authority, offered approximately 16.4 million options to investors at an exercise price of \$0.001. There were no written agreements and Board approval was required for such transactions, and hence, the officer did not have the authority to grant the options. These options were contingently issuable upon the successful completion of debt financing of amounts ranging from \$100 million to \$300 million, unrelated to the above. The Company and its Board of Directors have denied any liability for the issuance of these options, plans to vigorously defend its position and accordingly, no amount has been accrued for this contingency in the accompanying consolidated financial statements.

Since the options granted above relate directly to the cost of raising debt capital, the fair value of the options using Black Scholes model (limited to the face amount of the debt) will be recognized by the Company as a debt issue cost and amortized over the estimated life of the loan using the interest method, if the transaction is deemed to be valid.

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**ITEM 2. MANAGEMENT'S DISCUSSION AND PLAN OF OPERATION**

The following discussion should be read in conjunction with the Company's financial statements and the notes thereto contained elsewhere in this filing.

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

With the exception of historical matters, the matters discussed herein are forward-looking statements that involve risks and uncertainties. Forward-looking statements include, but are not limited to, statements concerning anticipated trends in revenues and net income, projections concerning operations and available cash flow. The Company's actual results could differ materially from the results discussed in such forward-looking statements. The following discussion of the Company's financial condition and results of operations should be read in conjunction with the Company's financial statements and the related notes thereto appearing elsewhere herein.

The Company wishes to caution investors that any forward-looking statements made by or on behalf of the Company are subject to uncertainties and other factors that could cause actual results to differ materially from such statements. These uncertainties and other factors include, but are not limited to the Risk Factors listed below (many of which have been discussed in prior SEC filings by the Company). Though the Company has attempted to list comprehensively these important factors, the Company wishes to caution investors that other factors could in the future prove to be important in affecting the Company's results of operations. New factors emerge from time to time and it is not possible for management to predict all of such factors, nor can it assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Readers are further cautioned not to place undue reliance on such forward-looking statements as they speak only of the Company's views as of the date the statement was made. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**Overview**

Voyager Entertainment International, Inc., formerly named Dakota Imaging, Inc., was incorporated in North Dakota on January 31, 1991. Effective February 8, 2002 the Company completed a reverse triangular merger between Dakota Subsidiary Corp. ("DSC"), a wholly owned subsidiary of the Company, and Voyager Ventures, Inc., a Nevada corporation ("Ventures"), whereby the Company issued 3,660,000 shares of its Series A preferred stock in exchange for 100% of Ventures outstanding common stock. Pursuant to the terms of the merger, Ventures merged with DSC wherein DSC ceased to exist and Ventures became a wholly owned subsidiary of the Company.

On April 2, 2002, the Company held its annual stockholders meeting and the stockholders voted on and approved changing the Company's name from Dakota Imaging, Inc. to Voyager Entertainment International, Inc.



Voyager has yet to generate revenues from any source and there is a substantial going concern issue as to whether Voyager will ever be able to commercialize its technology and generate sufficient, if any, revenues to satisfy its working capital requirements. Since inception, Voyager has been dependent on the sale of its equity securities and loans from affiliates to satisfy its working capital requirements. Voyager continues to have a working capital deficiency that raises substantial concern regarding its ability to continue as a going concern.

### **Business of the Company**

The Company's current business plan is to build two of the world's largest Ferris wheels, one on the Las Vegas Strip and the other in Shanghai, China.

#### Las Vegas "Voyager" Wheel

Outland Development, a wholly-owned subsidiary of the Company, for the past 5 years has extensively planned and/or evaluated the available locations at both the North and South ends of the Las Vegas Strip. The location selected for VOYAGER is the 26.87 acres owned by SLVC adjacent to the Sahara Hotel & Casino. It is anticipated that the project will benefit from the location on Las Vegas Blvd., both from the physical connection to be developed and future development properties on the north end of the strip.

"VOYAGER" is intended to be designed as a visual ICON and experience overlooking the "Las Vegas Strip". With 33 vehicles called Sky Cruiser's, the vertical revolving vehicle will overlook the Las Vegas Strip as it revolves higher than a 50-story building at 560 (+/-) feet. One slow rotation in a vehicle will last 27 minutes and each vehicle will travel at 0.652 MPH or .9567 feet per second. The vehicle will be controlled and enhanced by the on-board SS Navigator, part entertainer, and part steward, an individual also skilled in life-safety and security.

#### Land Acquisition

The Company is currently in the process of negotiating a long-term lease for a site located adjacent to the Sahara Hotel & Casino, owned by SLVC, whereby both companies are planning to jointly design and develop an entire master plan resort for the 26.87 acre parcel. The front portion of the site will be occupied by Voyager and will become the engine for the mixed-use complex. A hotel and casino are planned, as well as timeshare or other residential modules. The design of Voyager will be integrated throughout the entire resort. The site plan will detail Voyager's plans for the wheel, including a large lake with custom boats utilized for hotel rooms, a new hotel tower and a time share tower. As of March 31, 2003, no definitive agreement has been consummated.

On August 16, 2002, the Company entered into an agreement with Residential Resources, Inc. ("RRI"), whereby RRI will sell/hypothecate the assets of Voyager to act as collateral for a bond issuance, which will raise up to \$100 million. Voyager paid an initial due diligence fee of \$30,000 and upon completion of the due diligence, RRI issued a securitization commitment on September 10, 2002. Pursuant to the agreement, Voyager paid an additional fee of \$70,000 upon receipt of the securitization commitment.

#### Organization

The project will be owned by the parent company, however, will be designed, developed, built and operated by Outland Management, LLC, a wholly owned subsidiary of the Company. Outland will manage the project via a ten-year contract with performance-based extensions. All covenants, restrictions and protocol will be detailed in its

operating agreement.

As the management company Outland will be responsible for the design, development, construction, and operation of VOYAGER, and provide the following: concept development, project design, location assessment and acquisition, strategic alliances in both entertainment and gaming, business plans and budgets, financial oversight and management during both construction and operation, marketing plans, insurance procurement and risk management, senior operational management including development of policies and procedures, and overall strategic focus for VOYAGER.

VOYAGER is fundamentally an amusement ride attraction, and its operational and maintenance requirements are very similar to those found in the theme park industry. In addition, Las Vegas is a unique marketplace, and the visitor when placed in the environment is also unique. The ability to understand the visitor, and successfully attract customers to VOYAGER will come as a result of clearly understanding the marketing strategies of the gaming industry. Outland Management intends to employ highly skilled individuals from the theme park industry and combine their specialized skills with those from the gaming industry.

The initial management team at Outland is anticipated to consist of: Tracy Jones, as COO and a Director; Richard Hannigan, as President/CEO and a Director; Michael Schaunessy, as CFO; and Sig Rogich, as Director of Public Relations & Communications.

*Shanghai, China "Star of Shanghai"*

Anticipated to be located on the western bank (Puxi) of the Huangpu River, the Bund ("muddy embankment") is the chosen location for a master planned development with the Star of Shanghai as the dominant feature. Star of Shanghai is to be designed as a special tribute to the legendary figure Huang Daopo who invented the "spinning wheel" that reformed the technique of cotton weaving, and gained fame for its production of clothing.

China's bright future and growth in all dimensions is anticipated to impact and attract international attention.

Voyager will require substantial additional funds to fulfill its business plan and successfully develop its two projects. Voyager intends to raise these needed funds from private placements of its securities, debt financing or internally generated funds from the licensing of its intellectual property or service fees. As of the date of this filing the Company has not received a firm commitment for financing of any of the projects.

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**Plan of Operation**

During the next 12 months, the Company plans to focus its efforts on its development of the Ferris Wheels; however actual production will not commence until the Company has sufficient capital for production and marketing.

As of March 31, 2003, the Company had only unpaid Officers and Directors. The Company is dependent upon Richard Hannigan, CEO, President and Director, Myong Hannigan, Secretary/Treasurer and Director, and Tracy Jones, COO and Director. The Company does not have any employees at this time and does not anticipate the need to hire any employees until such time as the Company has been sufficiently capitalized.

Risks that could cause actual performance to differ from expected performance are detailed in the remainder of this section, and under the section titled "Factors That May Affect the Company's Future Operating Results."

## Liquidity and Capital Resources

A critical component of our operating plan impacting our continued existence is the ability to obtain additional capital through additional equity and/or debt financing. We do not anticipate enough positive internal operating cash flow until such time as we can generate substantial revenues, which may take the next few years to fully realize. In the event we cannot obtain the necessary capital to pursue our strategic plan, we may have to cease or significantly curtail our operations. This would materially impact our ability to continue operations.

Our near term cash requirements are anticipated to be offset through the receipt of funds from private placement offerings and loans obtained through private sources. Since inception, we have financed cash flow requirements through debt financing and issuance of common stock for cash and services. As we initiate operational activities, we may continue to experience net negative cash flows from operations, pending receipt of servicing or licensing fees, and will be required to obtain additional financing to fund operations through stock offerings and bank borrowings to the extent necessary to provide working capital.

Over the next twelve months, we believe that existing capital and anticipated funds from operations will not be sufficient to sustain operations and planned development. Consequently, we will be required to seek additional capital in the future to fund growth and expansion through additional equity or debt financing or credit facilities. No assurance can be made that such financing would be available, and if available it may take either the form of debt or equity. In either case, the financing could have a negative impact on our financial condition and our stockholders.

We anticipate incurring operating losses over the next twelve months. Our lack of operating history makes predictions of future operating results difficult to ascertain. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of development, particularly companies in new and rapidly evolving markets such as development related companies. Such risks include, but are not limited to, an evolving and unpredictable business model and the management of growth. To address these risks we must, among other things, implement and successfully execute our business and marketing strategy, continue to develop and upgrade technology and products, respond to competitive developments, and attract, retain and motivate qualified personnel. There can be no assurance that we will be successful in addressing such risks, and the failure to do so can have a material adverse effect on our business prospects, financial condition and results of operations. As of March 31, 2003, the Company had current assets of \$16,490, and current liabilities of \$895,400, resulting in working capital deficit of \$878,910.

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## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's Discussion and Plan of Operations discusses the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to financing operations, and contingencies and litigation.

Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The most significant accounting estimates inherent in the preparation of the Company's financial statements include estimates as to the appropriate carrying value of certain

assets and liabilities which are not readily apparent from other sources, primarily accruals for operating costs, and the classification of net operating loss and tax credit carryforwards.

These accounting policies are described at relevant sections in this discussion and in the notes to the consolidated financial statements included in our Form 8-K report filed on March 4, 2002.

#### FACTORS THAT MAY AFFECT THE COMPANY'S FUTURE OPERATING RESULTS

We are a development stage company, recently reorganized and have minimal operating history, which makes an evaluation of us extremely difficult. At this stage of our business operations, even with our good faith efforts, potential investors have a high probability of losing their investment.

As a result of our recent reorganization we have yet to generate revenues from operations and have been focused on organizational, start-up, market analysis and fund raising activities. Although we have a project to market, there is nothing at this time on which to base an assumption that our business operations will prove to be successful or that we will ever be able to operate profitably. Our future operating results will depend on many factors, including our ability to raise adequate working capital, demand and acceptance of our project, the level of our competition and our ability to attract and maintain key management and employees.

While Management believes its estimates of projected occurrences and events are within the timetable of its business plan, there can be no guarantees or assurances that the results anticipated will occur.

Our auditor's report filed with our Annual Report on Form 10-KSB for the year ended December 31, 2002 reflects the fact that without realization of additional capital, it would be unlikely for us to continue as a going concern. If we are unable to continue as a going concern, it is unlikely that we will continue in business.

As a result of our deficiency in working capital and other factors, our auditors included a paragraph in their report regarding substantial doubt about our ability to continue as a going concern. Our plans in this regard are to seek additional funding through future equity private placements or debt facilities.

There is a limited current public market for our common stock.

Although our common stock is listed on the Over-the-Counter Bulletin Board, there is a limited volume of sales, thus providing a limited liquidity into the market for our shares. As a result of the foregoing, stockholders may be unable to liquidate their shares for any reason.

#### ITEM 3. CONTROLS AND PROCEDURES

Based on his most recent evaluation, which was completed within 90 days of the filing of this Form 10-QSB, the Company's President and Chief Executive and Accounting Officer believes the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) are effective to ensure that information required to be disclosed by the Company in this report is accumulated and communicated to the Company's management, as appropriate, to allow timely decisions regarding required disclosure. There were no significant changes in the Company's internal controls or other factors that could significantly affect these controls subsequent to the date of his evaluation and there were no corrective actions with regard to significant deficiencies and material weaknesses.

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## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

#### Threatened Litigation

In the process of auditing the consolidated financial statements of VEII for the years ended December 31, 2002 and 2001, which are included in VEII's Annual Report on Form 10-KSB, its auditor, Stonefield Josephson, Inc., sent out "Note Payable Confirmation Requests" to Don and Nancy Tyner and First Nevada Development Company (collectively "Tyner") on or about March 14, 2003 to confirm the \$210,000 Tyner loaned to VEII during the period of September thru October of 2002. In response, Tyner sent a letter through its attorney alleging \$1,464,826.38 was immediately due and payable including interest at the legal rate.

Tyner is alleging that several payments made by it to various individuals and entities were actually for the benefit of VEII, and VEII should be responsible for those debts. In addition to the \$210,200 acknowledged by VEII, Tyner has alleged the following are owed by VEII:

- 1) Check 1068, dated 1/10/02 in the amount of \$600,000 made payable to "BLD Trust";
- 2) Check 10034, dated 2/15/02 in the amount of \$400,000 made payable to "Dakota Imaging, Inc.";
- 3) Check 1114, dated 3/25/02 in the amount of \$20,000 made payable to "John E. Dhonau";
- 4) Check 4003, dated 8/1/02 in the amount of \$50,000 made payable to "Rainbird Trust";
- 5) Check 1181, dated 8/1/02 in the amount of \$100,000 made payable to "Rainbird Trust";
- 6) Miscellaneous expenses totaling \$18,039.24 incurred by Don Tyner; and,
- 7) A \$50,000 bonus on the \$600,000 check dated 01/10/03 made payable to "BLD Trust".

VEII acknowledges the \$18,039.24 listed as expenses is a bona-fide debt of VEII, as such the company is of the opinion that it owes Tyner the sum of \$228,239.24 plus any accrued interest.

Attempts to settle these matters have not been successful as of the time of this filing.

The Company intends to defend any action initiated by Tyner for collection of the aforementioned amounts vigorously.

The Company believes the "BLD Trust" is Barclay and Loretta (wife) Davis, and that "Rainbird Trust" is Barclay and Loretta Davis.

### ITEM 2. CHANGES IN SECURITIES

The Company did not issue any securities during the first quarter of 2003.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The information required by this Item 4 is incorporated by reference to the Company's definitive Information Statement as amended filed with the Securities and Exchange Commission on May 6, 2003, which was mailed to shareholders of record at April 23, 2003.

As set forth in the Information Statement, the Company received written consents in lieu of Annual Meeting from shareholders representing more than 50% of the total voting shares of the Company, approving the following actions:

1. The removal of Veldon Simpson as a director of the Company.
2. The election of Richard L. Hannigan, Sr., Myong Hannigan and Tracy Jones to the board of directors to serve until the next annual meeting of shareholders or until their successors are elected and qualified.

3. Ratification of the appointment of officers:

Richard L. Hannigan, Sr.	CEO and President
Myong Hannigan	Secretary/Treasurer
Tracy Jones	COO

4. The reincorporation of the Company in the State of Nevada.
5. Increasing the authorized capital stock of the Company as a result of the reincorporation. The Company's North Dakota Articles of Incorporation, as currently in effect, authorizes the Company to issue up to 100,000,000 shares of common stock, \$0.001 par value, and 25,000,000 shares of preferred stock, \$0.001 par value. The Board of Directors and Majority Shareholders approved an increase in the number of authorized shares of both the common and preferred stock of the Company to be effected as a result of the reincorporation. Upon completion of the reincorporation in the State of Nevada, the Company will be authorized to issue 200,000,000 shares of common stock, \$0.001 par value, and 50,000,000 shares of preferred stock, \$0.001 par value per share.
6. Ratification of the selection of Stonefield Josephson, Inc., as independent public accountants of the Company for the 2003 fiscal year.

As of the date of this report, the reincorporation in the State of Nevada has not been completed.

### ITEM 5. OTHER INFORMATION

On November 15, 2002, we entered into a Loan and Security Agreement with Dan Fugal, a non-affiliate of the Company, whereby Mr. Fugal is to provide us with a credit facility in the form of a secured line of credit not to exceed \$2.5 million. As of the date of the filing of this report, Mr. Fugal has provided the Company with \$505,000.

On February 15, 2003, we executed Amendment No. 1 to the Loan and Security Agreement to amend the term date from February 15, 2003 to April 15, 2003. We believe that Mr. Fugal will continue to extend the date on the Loan Security Agreement. While Mr. Fugal has relayed to the Company that he does not plan to activate his option against the Company, there can be no guarantee that this will occur.

On April 25, 2003, Mr. Fugal and the Company mutually agreed to amend the November 15, 2002 agreement as follows:

Originally, Mr. Fugal was to provide an amount not to exceed \$2.5 million when the Company obtained a credit enhancement. In an effort for the Company to reduce the liability owed to Mr. Fugal the agreement has been amended to reflect that the Company will draw down tranches of funds in order to fund operations until financing has been acquired. The Company may request additional funds as needed from time to time.

The initial date of repayment has been extended from April 15, 2003 to July 31, 2003. As a result of the Company drawing down tranches of funds all shares required to be issued under the terms and conditions of the agreement along with the terms and conditions of the finder fee agreements are required to be issued at this time.

A copy of Amendment No. 2 to the Loan and Security Agreement is attached to this report at Exhibit 10.3.

#### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

<u>Number</u>	<u>Description</u>
3.1	Amended Certificate of Incorporation, dated April 12, 2002 (incorporated by reference to Exhibit 3.i to the Company's Current Report on Form 8-K filed on April 15, 2002)
3.2	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.ii to the Company's Current Report on Form 8-K filed on April 15, 2002)
4.1	2002 Stock Plan (incorporated by reference to Exhibit 99 to the Company's Current Report on Form 8-K filed on April 15, 2002)
10.1	Loan and Security Agreement (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on November 22, 2002)
10.2	Amendment No. 1 to Loan and Security Agreement (incorporated by reference to Exhibit 10(k) to the Company's Form 10-KSB filed on April 16, 2003)
10.3*	Amendment No. 2 to Loan and Security Agreement

\* Filed herewith.

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(b) Reports on Form 8-K

None

Threatened Litigation

## SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed by the undersigned, thereunto duly authorized.

VOYAGER ENTERTAINMENT INTERNATIONAL, INC.  
(Registrant)

By: /s/  
Richard L. Hannigan, Sr.  
President, Chief Executive and Accounting Officer

Date: May 19, 2003

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## CERTIFICATION

In connection with the accompanying Quarterly Report of Voyager Entertainment International, Inc. (the "Registrant") on Form 10-QSB for the period ending March 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), I, Richard L. Hannigan, Sr., Chief Executive and Accounting Officer of the Registrant, certify that:

1. I have reviewed this Quarterly Report;
2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as, and for the periods presented in this Quarterly Report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, to the extent applicable, is made known to me by others within those entities, particularly during the period in which this Quarterly Report is being



prepared;

b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this Quarterly Report (the "Evaluation Date"); and

c) presented in this Quarterly Report my conclusions about the effectiveness of the disclosure controls and procedures based on my evaluation as of the Evaluation Date;

5. I have disclosed, based on my most recent evaluation, to the Registrant's auditors and the audit committee of Registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and

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6. I have indicated in this Quarterly Report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of my most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 19, 2003

By:/s/

Name: Richard L. Hannigan, Sr.

Title: President, Chief Executive Officer  
and Chief Accounting Officer

