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Joystar Inc
Form 10QSB
August 23, 2004

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

FORM 10-QSB

- (X) Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2004
- () Transition report pursuant of Section 13 or 15(d) of the Securities Exchange Act of 1939 for the transition period ____ to_____

COMMISSION FILE NUMBER 000-25973

JOYSTAR, INC.

(Exact name of registrant as specified in its charter)

California

68-0406331

(State or other jurisdiction of
incorporation or organization)

(IRS Employer Identification No.)

5 Whatney, Irvine, Ca. 92618, Telephone (949) 837-8101

(Address of Principal Executive Offices, including Registrant's zip code
and telephone number)

Advanced Refrigeration Technologies, Inc.

Former name

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No []

The number of shares of the registrant's common stock as of June 30, 2004:
21,597,744 shares.

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

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JOYSTAR, INC.
 (FORMERLY ADVANCED REFRIGERATION TECHNOLOGIES, INC.)
 (A Development Stage Company)
 BALANCE SHEETS
 DECEMBER 31, 2003 AND JUNE 30, 2004

ASSETS

	DECEMBER 31, 2003	JUNE 30, 2004 (UNAUDITED)
	-----	-----
Current assets:		
Cash	\$ 136,319	\$ 132,074
Other receivables	2,000	1,000
Prepaid expenses	8,042	7,852
Total current assets	----- 146,361	----- 140,926
Property and equipment, net	----- 22,690	----- 34,646
Total assets	----- \$ 169,051	----- \$ 175,572

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	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 132,198	115,007
Accrued salaries and payroll taxes	198,474	278,111
Accrued rent	35,000	35,466
Loans from shareholder	83,795	--
	-----	-----
Total current liabilities	449,467	428,584
	-----	-----
Stockholders' equity (deficit):		
Preferred stock (no par value) 10,000,000 shares authorized; none issued	--	--
Common Stock, no par value, 50,000,000 shares authorized; 21,051,277 and 21,597,744 shares issued and outstanding at December 31, 2003 and June 30, 2004, respectively	1,895,241	2,692,493
Stock issued for deferred compensation	(894,250)	(757,750)
Stock subscribed not issued, 118,667 and 664,000 shares at December 31, 2003 and June 30, 2004, respectively	176,800	854,800
Deficit accumulated during development stage	(1,458,207)	(3,042,555)
	-----	-----
Total stockholders' (deficit)	(280,416)	(253,012)
	-----	-----
Total liabilities and stockholders' equity	\$ 169,051	\$ 175,572
	=====	=====

The accompanying notes are an integral part of these financial statements

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JOYSTAR, INC.
(FORMERLY ADVANCED REFRIGERATION TECHNOLOGIES, INC.)
(A Development Stage Company)
STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS AND THREE MONTHS ENDED JUNE 30, 2004 AND 2003
AND FOR THE PERIOD FROM INCEPTION (MAY 23, 2001) TO JUNE 30, 2004
(UN-AUDITED)

	For the six months ended June 30, 2004 -----	For the six months ended June 30, 2003 -----	For the three months ended June 30, 2004 -----	For t month June -----
Income:				
Travel commissions	\$ 41,059	\$ 20,933	\$ 9,815	\$
	-----	-----	-----	-----
Operating expenses:				
General and administrative	613,283	212,454	250,148	

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Marketing and sales	1,009,564	39,060	668,614	
	-----	-----	-----	-----
Total operating expenses	1,622,847	251,514	918,762	
	-----	-----	-----	-----
Loss from operations before interest and taxes	(1,581,788)	(230,581)	(908,947)	(
Interest expense	--	--	--	
Provision for taxes - State	2,560	--	2,560	
	-----	-----	-----	-----
Net loss	\$ (1,584,348)	\$ (230,581)	\$ (911,507)	\$ (
	=====	=====	=====	=====
Loss per share	\$ (0.07)	\$ (0.02)	\$ (0.04)	\$
	=====	=====	=====	=====
Weighted average number of common shares outstanding	21,239,656	14,170,584	21,395,965	13,
	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements

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JOYSTAR, INC.
(FORMERLY ADVANCED REFRIGERATION TECHNOLOGIES, INC.)
(A Development Stage Company)
STATEMENT OF SHAREHOLDERS' EQUITY (DEFICIT)
FROM INCEPTION (MAY 23, 2001) TO JUNE 30, 2004

	COMMON STOCK		Stock issued for Deferred Compensation	Stock Subscribed not Issued
	Number of Shares	Amount		
	-----	-----	-----	-----
Balance at inception - May 23, 2001	--	\$ --	\$ --	\$
Stock issued for services	16,715,000	16,715	--	
Net loss	--	--	--	
	-----	-----	-----	-----
Balance at December 31, 2001	16,715,000	16,715	--	
Stock issued various dates for cash at \$1.50 per share	70,667	105,998	--	
Net loss	--	--	--	
	-----	-----	-----	-----
Balance at December 31, 2002	16,785,667	122,713	--	
Shares canceled by majority shareholder	(3,000,000)	--	--	
Stock issued various dates for cash at \$1.50 per share	94,932	142,300	--	
	-----	-----	-----	-----
Balance June 11, 2003 date of				

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acquisition of Joystar, Inc. shares in a reverse merger	13,880,599	265,013	--	
Cancel Joystar shares	(13,880,599)	--	--	
Advanced Refrigeration shares outstanding at June 11, 2003	3,322,840	--	--	
Issue Advanced Refrigeration Technologies, Inc. shares	13,880,599	--	--	
Stock issued pursuant to the stock option plan June 11, 2003 at market value of stock \$0.03 per share	810,000	24,300	--	
Stock issued for services	215,000	15,000	--	
Stock issued for past and future compensation	2,400,000	1,008,000	--	
Future compensation deferred until earned	--	--	(894,250)	
Stock issued various dates for cash at between \$0.50 and \$1.50 per share	394,267	531,500	--	
Stock issued for services	28,571	51,428	--	
Stock subscribed not issued 118,667 shares	--	--	--	176,8
Net loss	--	--	--	
	-----	-----	-----	-----
Balance at December 31, 2003	21,051,277	1,895,241	(894,250)	176,8
Stock issued for services	349,800	521,772	--	
Stock issued for cash	196,667	275,480	--	
Deferred compensation earned	--	--	136,500	
Stock subscribed not issued 545,333 shares	--	--	--	678,0
Net loss	--	--	--	
	-----	-----	-----	-----
Balance June 30, 2004 (Unaudited)	21,597,744	\$ 2,692,493	\$ (757,750)	\$ 854,
	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements

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JOYSTAR, INC.
(FORMERLY ADVANCED REFRIGERATION TECHNOLOGIES, INC.)
(A Development Stage Company)
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2004 AND 2003
AND CUMULATIVE FROM INCEPTION (MAY 23, 2001) TO JUNE 30, 2004
(UN-AUDITED)

	FOR THE SIX MONTHS ENDED JUNE 30, 2004	FOR THE SIX MONTHS ENDED JUNE 30, 2003	CUMULATIVE AMOUNTS FROM INCEPTION (MAY 23, 2001) THROUGH JUNE 30, 2004
	-----	-----	-----

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Cash flows from operating activities:			
Net loss	\$(1,584,348)	\$ (230,581)	\$ (2,926,
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	3,638	332	6,
Stock issued\subscribed for services	893,272	24,300	1,114
Changes in assets and liabilities:			
(Increase) decrease in prepaid expenses	190	(3,000)	(7,8
(Increase) decrease in other receivables	1,000	--	(1,0
(Decrease) increase in accounts payable	(17,191)	76,493	115,
Increase in accrued salaries and payroll taxes	79,637	99,614	278,
Increase in rent accrual	466	6,000	35,
	-----	-----	-----
Net cash used in operations	(623,336)	(26,842)	(1,386,
	-----	-----	-----
Cash flows used by investing activities:			
Acquisition of fixed assets	(15,594)	(5,966)	(40,
	-----	-----	-----
Net cash used by investing activities	(15,594)	(5,966)	(40,
	-----	-----	-----
Cash flows from financing activities:			
Issuance of common stock	275,480	142,300	1,055,
Reduction of shareholders loan, subscribed 60,000 shares of common stock	(83,295)	--	
(Decrease) Increase in shareholder loans	(500)	34,562	
Subscribed stock not issued	443,000	4,500	619,
Payment of debt assumed in reverse acquisition	--	(115,942)	(115,
	-----	-----	-----
Net cash from financing activities	634,685	65,420	1,559,
	-----	-----	-----
Net (decrease) increase in cash	(4,245)	32,612	132,0
Cash, beginning of period	136,319	5,025	
	-----	-----	-----
Cash, end of period	\$ 132,074	\$ 37,637	\$ 132,
	=====	=====	=====
SUPPLEMENTAL DISCLOSURE OF NON-CASH			
INVESTING AND FINANCING ACTIVITIES:			
Issuance of common stock for services	\$ 893,272	\$ 24,300	\$ 1,114,
Issuance of common stock for future services	--	--	757,
Issuance of common stock for accounts payable	--	15,000	
Issuance of common stock for loan payable	\$ 83,295	\$ --	\$
	=====	=====	=====

The accompanying notes are an integral part of these financial statements

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(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE, 2004 AND 2003
AND CUMULATIVE FROM INCEPTION (MAY 23, 2001) TO JUNE 30, 2004
(UN-AUDITED)

1. BASIS OF PRESENTATION

On June 11, 2003, Joystar, Inc. (formerly Advanced Refrigeration Technologies, Inc. a California corporation) (" the Company") acquired all of the issued and outstanding common stock of Joystar, Inc., a Nevada corporation ("Joystar") in exchange for the issuance by the Company of a total of 13,880,599 newly issued restricted shares of common voting stock to the Joystar shareholders pursuant to the Agreement and Plan of Reorganization dated as of June 10, 2003. Prior to the issuance of the shares, the Company had 3,322,840 shares of common stock issued and outstanding. Subsequent to the exchange there were 17,203,439 shares issued and outstanding. The shareholders of Joystar own 81% of the common stock outstanding of the Company after the issuance of the 13,880,599 shares.

The acquisition of Joystar by the Company on June 11, 2003 has been accounted for as a purchase and treated as a reverse acquisition since the former owners of Joystar controlled 81% of the total shares of Common Stock of the Company outstanding immediately following the acquisition.

On this basis, the historical financial statements prior to June 11, 2003 have been restated to be those of the accounting acquirer Joystar. The historical stockholders' equity prior to the reverse acquisition has been retroactively restated (a recapitalization) for the equivalent number of shares received in the acquisition after giving effect to any difference in par value of the issuer's and acquirer's stock. The original 3,322,840 shares of common stock outstanding prior to the exchange reorganization have been reflected as an addition in the stockholders' equity account of the Company on June 11, 2003.

As of June 4, 2004 Joystar, Inc., a Nevada corporation and wholly owned subsidiary of the Company), was officially merged with and into Joystar, Inc., a California corporation (formerly Advanced Refrigeration Technologies, Inc.). In connection with the merger the Company provided for the name change from Advanced Refrigeration Technologies, Inc. to Joystar, Inc. The merger and the name change was approved by the Company's Board of Directors. The Company no longer files consolidated financial statements. This merger had on effect on income for this or any prior period reported.

The Company has been in the development stage since its inception May 23, 2001.

2. ADDITIONAL FOOTNOTES INCLUDED BY REFERENCE

Except as indicated in the following notes, there have been no other material changes in the information disclosed in the notes to the financial statements included in the Company's Form 10-KSB for the year ended December 31, 2003. Therefore, those footnotes are included herein by reference.

3. INTERIM FINANCIAL INFORMATION

The financial statements of the Company as of June 30, 2004 and for the six months ended June 30, 2004 and 2003 and related footnote information are un-audited. All adjustments (consisting only of normal recurring adjustments) have been made which, in the opinion of management, are necessary for a fair presentation. Results of operations for the six months ended June 30, 2004 and

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2003 are not necessarily indicative of the results that may be expected for any future period. The balance sheet at December 31, 2003 was derived from audited financial statements.

Certain information and footnote disclosures, normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been omitted. These financial statements should be read in conjunction with the financial statements and notes for the year ended December 31, 2003

COMMON STOCK TRANSACTIONS

During the six months ended June 30, 2004, the Company issued 196,667 shares of common stock in a private placement for a total sales price of \$275,480 an average sales price of \$1.40 per share. The Company has received subscriptions to purchase 545,333 shares of common stock at an average purchase price of \$1.24.

During the six months ended June 30, 2004 the Company issued 349,800 shares of common stock for services valued at the fair market value price of the Company's stock on the dates issued \$521,772 and average of \$1.49 a share.

Loans payable to shareholder at December 31, 2003, \$83,295 were converted to 60,000 shares of common stock during the six months ended June 30, 2004.

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JOYSTAR, INC.
(FORMERLY ADVANCED REFRIGERATION TECHNOLOGIES, INC.)
(A Development Stage Company)
NOTES TO FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE, 2004 AND 2003
AND CUMULATIVE FROM INCEPTION (MAY 23, 2001) TO JUNE 30, 2004
(UN-AUDITED)

LEGAL PROCEEDINGS

In March, 2004 a former employee of the Company who was terminated prior to the acquisition of Joystar, filed a lawsuit for breach of contract and specific performance relating to the exercise of options, among other causes of action. The Company considers the basis of the lawsuit without merit and intends to vigorously defend itself.

SUBSEQUENT EVENT

In July 2004 the Company issued 500,000 shares of stock at \$1.00.

In June 2004 the Company entered into an agreement with a marketing and advertising agency for the issuance of 1,000,000 shares of common stock for services as provided. The Company issued 250,000 shares, valued at \$235,000, in July 2004 for services provided under the contract from April 2004 through June 2004.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

PRELIMINARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

ALL FORWARD-LOOKING STATEMENTS CONTAINED HEREIN ARE DEEMED BY THE COMPANY TO BE COVERED BY AND TO QUALIFY FOR THE SAFE HARBOR PROTECTION PROVIDED BY THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. PROSPECTIVE SHAREHOLDERS SHOULD UNDERSTAND THAT SEVERAL FACTORS GOVERN WHETHER ANY FORWARD - LOOKING STATEMENT CONTAINED HEREIN WILL BE OR CAN BE ACHIEVED. ANY ONE OF THOSE FACTORS COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE PROJECTED HEREIN. THESE FORWARD - LOOKING STATEMENTS INCLUDE PLANS AND OBJECTIVES OF MANAGEMENT FOR FUTURE OPERATIONS, INCLUDING PLANS AND OBJECTIVES RELATING TO THE PRODUCTS AND THE FUTURE ECONOMIC PERFORMANCE OF THE COMPANY. ASSUMPTIONS RELATING TO THE FOREGOING INVOLVE JUDGMENTS WITH RESPECT TO, AMONG OTHER THINGS, FUTURE ECONOMIC, COMPETITIVE AND MARKET CONDITIONS, FUTURE BUSINESS DECISIONS, AND THE TIME AND MONEY REQUIRED TO SUCCESSFULLY COMPLETE DEVELOPMENT PROJECTS, ALL OF WHICH ARE DIFFICULT OR IMPOSSIBLE TO PREDICT ACCURATELY AND MANY OF WHICH ARE BEYOND THE CONTROL OF THE COMPANY. ALTHOUGH THE COMPANY BELIEVES THAT THE ASSUMPTIONS UNDERLYING THE FORWARD - LOOKING STATEMENTS CONTAINED HEREIN ARE REASONABLE, ANY OF THOSE ASSUMPTIONS COULD PROVE INACCURATE AND, THEREFORE, THERE CAN BE NO ASSURANCE THAT THE RESULTS CONTEMPLATED IN ANY OF THE FORWARD - LOOKING STATEMENTS CONTAINED HEREIN WILL BE REALIZED. BASED ON ACTUAL EXPERIENCE AND BUSINESS DEVELOPMENT, THE COMPANY MAY ALTER ITS MARKETING, CAPITAL EXPENDITURE PLANS OR OTHER BUDGETS, WHICH MAY IN TURN AFFECT THE COMPANY'S RESULTS OF OPERATIONS. IN LIGHT OF THE SIGNIFICANT UNCERTAINTIES INHERENT IN THE FORWARD - LOOKING STATEMENTS INCLUDED THEREIN, THE INCLUSION OF ANY SUCH STATEMENT SHOULD NOT BE REGARDED AS A REPRESENTATION BY THE COMPANY OR ANY OTHER PERSON THAT THE OBJECTIVES OR PLANS OF THE COMPANY WILL BE ACHIEVED.

General

Joystar, Inc., a California corporation, formerly Advanced Refrigeration Technologies, Inc. (the "Company") was incorporated in the State of California on February 5, 1998. On June 11, 2003, the Company acquired all of the issued and outstanding common stock of Joystar, Inc., a Nevada corporation ("Joystar") in exchange for the issuance by the Company of a total of 13,880,599 newly issued restricted shares of common voting stock to the Joystar shareholders pursuant the Agreement an Plan of Reorganization dated as of June 10, 2003. Joystar was incorporated on May 23, 2001. Prior to the issuance of the shares, the Company had 3,322,840 shares of common stock issued and outstanding. Subsequent to the exchange there were 17,203,439 shares issued and outstanding. The shareholders of Joystar own 81% of the common stock outstanding of the Company after the issuance of the 13,880,598 shares. Concurrent with the acquisition of Joystar the Company disposed of the fan control business extinguishing approximately \$125,000 of debt for \$105,000 of fan control assets.

Joystar is a provider of online and offline travel services for the leisure and small business traveler.

Joystar has been in the development stage since its inception, May 23, 2001. It is primarily engaged in developing technology and infrastructure licensing and product development and acquisitions.

The restructuring and re-capitalization has been treated as a reverse acquisition with Joystar becoming the accounting acquirer. The accompanying financial statements represent Joystar's activity since inception May 23, 2001 through June 30, 2003.

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As of June 4, 2004 Joystar, Inc., a Nevada corporation was officially merged with and into Joystar, Inc., a California corporation, (formerly Advanced Refrigeration Technologies, Inc.).

The following discussion should be read in conjunction with selected financial data and the financial statements and notes to financial statements.

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RESULTS OF OPERATIONS

The Company had revenues of \$41,059 for the six months ended June 30, 2004, as compared to \$20,933 for the six months ended June 30, 2003. To date income has been generated only by commissions on travel sales. Sales from inception total \$90,492 and the Company is accounted for as a Development stage company.

The Company's primary focus to date has been the development of its technology, infrastructure, product development, services and travel agent hosting solutions. The Company had sales of \$41,059 for the six months ended June 30, 2004 as compared to \$20,933 for the six months ended June 30, 2003.

General and administrative expenses for the six months ended June 30, 2004 were \$613,283 as compared to \$212,545 for the six months ended June 30, 2003, an increase of \$400,738 due primarily to the increases in salaries of \$200,000, professional fees of \$56,000, rent \$24,000, travel and entertainment of \$18,000 and a general increase in other expenses due to increased activity and product development.

Marketing, advertising and product expenses for the six months ended June 30, 2004 were \$1,009,564 as compared to \$39,060 for the six months ended June 30, 2003, an increase of \$970,504. \$371,000 and \$585,000 was due to the development of a substantial amount of marketing material, including websites, creatives, online and print advertising, the production of a direct marketing 30 minute television commercial, 30 and 60 second television spots, and 6 and 12 minute video and DVD marketing collateral.

LIQUIDITY AND SOURCES OF CAPITAL

On July 26, 2004 the Company announced that it entered into an agreement with an accredited investor to purchase 500,000 shares of restricted common stock at \$1.00 as of the date of this filing, all \$500,000 has been received and shares have been issued.

At June 30, 2004 the Company had a cash balance of \$132,074 as compared to a cash balance of \$136,319 at December 31, 2003. Loans payable to shareholder at December 31, 2003, \$83,295 were converted to 60,000 shares of common stock during the six months ended June 30, 2004. The Company had negative working capital at June 30, 2004. To date the Company has financed operations by issuance of shares of common stock in private placements \$1,055,278, stock subscribed for cash of \$619,800 and the issuance of shares for services \$1,114,465. During the six months ended June 30, 2004, the Company issued 196,667 shares of common stock in a private placement for a total purchase price of \$275,480 an average purchase price of \$1.40 per share. The Company has received subscriptions to purchase 545,333 shares of common stock at an average purchase price of \$1.24. During the six months ended June 30, 2004 the Company issued 349,800 shares of common stock for services valued at the fair market

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value price of the Company's stock on the dates issued \$521,772 and average of \$1.49 a share.

ITEM 3. Controls and Procedures

Our President and Treasurer/Chief Financial Officer (the "Certifying Officer") is responsible for establishing and maintaining disclosure controls and procedures and internal controls and procedures for financial reporting for the Company. The Certifying Officer has designed such disclosure controls and procedures and internal controls and procedures for financial reporting to ensure that material information is made known to him, particularly during the period in which this report was prepared. The Certifying Officer has evaluated the effectiveness of the Company's disclosure controls and procedures and internal controls and procedures for financial reporting as of June 30, 2004 and believes that the Company's disclosure controls and procedures and internal controls and procedures for financial reporting are effective based on the required evaluation. There have been no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

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PART II. OTHER INFORMATION

Item 1. Legal proceedings

In March, 2004 a former employee of the Company who was terminated prior to the acquisition of Joystar, filed a lawsuit for breach of contract and specific performance relating to the exercise of options, among other causes of action. The Company considers the basis of the lawsuit without merit and intends to vigorously defend itself.

Item 2. Changes in securities and use of proceeds

During the six months ended June 30, 2004, the Company issued 196,667 shares of common stock in a private placement for a total purchase price of \$275,480 an average purchase price of \$1.40 per share. The Company has received subscriptions to purchase 545,333 shares of common stock at an average purchase price of \$1.24. The shares of the Company's common stock were issued and sold in reliance upon the exemption provided by Section 4(2) and Section 506 of Regulation D of the Securities Act of 1933. The offers and sales in the Company's private placement were made to accredited investors only. The proceeds were used for working capital.

During the six months ended June 30, 2004 the Company issued 349,800 shares of common stock for services valued at the fair market value price of the Company's stock on the dates issued \$521,772 and average of \$1.49 a share.

Item 3. Defaults on senior securities NONE

Item 4. Submission of items to a vote NONE

Item 5. Other information NONE

Item 6.

(a) Exhibits

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Exhibit No.	Description
-----	-----
Exhibit 31	CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT
Exhibit 32	CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT

b) Reports on 8K during the quarter: 8-K filed July, 2004 for (5- Other Events) taking place June 15, 2004

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SIGNATURES

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

Date: August 17, 2004

JOYSTAR, INC.

By /s/ William Alverson

President

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