

Edgar Filing: VOYAGER ENTERTAINMENT INTERNATIONAL INC - Form 10QSB

VOYAGER ENTERTAINMENT INTERNATIONAL INC  
Form 10QSB  
November 14, 2007

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

FORM 10-QSB

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED September 30, 2007.

OR

/  TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT  
OF 1934 FOR THE TRANSITION FROM \_\_\_\_\_ TO \_\_\_\_\_.

COMMISSION FILE NUMBER 000-33151

VOYAGER ENTERTAINMENT INTERNATIONAL, INC.

(Exact Name of Small Business Issuer as Specified in its Charter)

Nevada  
-----  
(State or other jurisdiction of  
incorporation or organization)

54-2110681  
-----  
(I.R.S. Employer  
Identification No.)

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

89119  
-----  
(Zip code)

Issuer's telephone number: (702) 221-8070

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

Check whether the issuer (1) has filed all reports required to be filed by  
Section 13 or 15(d) of the Securities Exchange Act of 1934 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  /

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS

Check whether the registrant filed all documents and reports required to be  
filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of  
securities under a plan confirmed by a court. Yes  / No  /

APPLICABLE ONLY TO CORPORATE ISSUERS

## Edgar Filing: VOYAGER ENTERTAINMENT INTERNATIONAL INC - Form 10QSB

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

There were outstanding 121,816,512 shares Common Stock issued and outstanding as of November 6, 2007.

Transitional Small Business Disclosure Format: Yes / / No /X/

### TABLE OF CONTENTS

	Page
PART I - FINANCIAL INFORMATION	
Item 1. Financial Statements	3
Item 2. Management's Discussion and Analysis	13
Item 3. Controls and Procedures	15
PART II - OTHER INFORMATION	
Item 1. Legal Proceedings	16
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	16
Item 3. Defaults Upon Senior Securities	16
Item 4. Submission of Matters to a Vote of Security Holders	16
Item 5. Other Information	16
Item 6. Exhibits	17
SIGNATURES	18

2

### PART I FINANCIAL INFORMATION

#### ITEM 1. FINANCIAL STATEMENTS

VOYAGER ENTERTAINMENT INTERNATIONAL, INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)  
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)  
SEPTEMBER 30, 2007

VOYAGER ENTERTAINMENT INTERNATIONAL, INC. AND SUBSIDIARIES  
 (A DEVELOPMENT STAGE COMPANY)  
 CONDENSED CONSOLIDATED BALANCE SHEET

(UNAUDITED)

	SEPTEMBER 30,
	-----
ASSETS	
CURRENT ASSETS	
Cash	\$ 33,49
Prepays	44
Deferred financing costs	50,00
	-----
Total current assets	83,94
NOTE RECEIVABLE	500,00
FIXED ASSETS, net of accumulated depreciation of \$33,816	13,03
Total assets	\$ 596,97
	=====
LIABILITIES AND STOCKHOLDERS' DEFICIT	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 1,115,43
Accrued expenses - related party	800,00
Note payable	2,833,23
	-----
Total current liabilities	4,748,67
	-----
Total liabilities	4,748,67
COMMITMENTS & CONTINGENCIES	-
STOCKHOLDERS' DEFICIT	
Preferred stock: \$.001 par value; authorized 50,000,000 shares	
Series A - 1,500,000 designated, none outstanding	-
Series B - 10,000,000 designated, 1,000,000 outstanding	1,00
Common stock: \$.001 par value; authorized 200,000,000 shares;	
issued and outstanding: 121,221,512	121,22

Edgar Filing: VOYAGER ENTERTAINMENT INTERNATIONAL INC - Form 10QSB

Additional paid-in capital	13,049,866
Deferred construction costs paid with common stock	(393,750)
Receivable for return of stock related to canceled acquisition	(375,000)
Loan collateral paid with common stock	(750,000)
Accumulated deficit during the development stage	(15,805,030)
Total stockholders' deficit	(4,151,700)
Total liabilities and stockholders' deficit	\$ 596,970

See accompanying notes to these financial statements.

4

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

(UNAUDITED)

	Three Months Ended		Nine Months Ended	
	September 30 2007	September 30 2006	September 30 2007	September 2006
	-----	-----	-----	-----
Revenues	\$ --	\$ --	\$ --	\$ --
Operating Expenses:				
Professional and consulting fees	324,617	308,520	1,238,434	768,000
Project costs	14,406	8,288	20,798	32,000
Depreciation	2,259	2,715	7,311	7,000
Settlement expense	--	--	--	--
Other expense	66,752	38,796	138,379	109,000
	-----	-----	-----	-----
	408,034	358,319	1,404,922	918,000
Operating loss	(408,034)	(358,319)	(1,404,922)	(918,000)
Other income (expense):				
Interest income	43,792	492	87,635	--
Interest expense	(167,851)	(90,853)	(521,664)	(125,000)
	-----	-----	-----	-----
	(124,059)	(90,361)	(434,029)	(125,000)
Net Loss	(532,093)	(448,680)	(1,838,951)	(1,043,000)
Preferred stock dividends	--	--	--	--

Edgar Filing: VOYAGER ENTERTAINMENT INTERNATIONAL INC - Form 10QSB

Net loss allocable to common stockholders	----- \$ (532,093) =====	----- \$ (448,680) =====	----- \$ (1,838,951) =====	----- \$ (1,043, =====
Net loss per common share - basic and diluted	----- \$ (0.00) =====	----- \$ (0.00) =====	----- \$ (0.02) =====	----- \$ (0 =====
Weighted average number of common shares outstanding	----- 119,344,095 =====	----- 90,761,417 =====	----- 116,399,438 =====	----- 83,593, =====

See accompanying notes to these financial statements.

5

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

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT  
FROM JANUARY 1, 2007 THROUGH SEPTEMBER 30, 2007  
(UNAUDITED)

	Preferred Stock Series A		Preferred Stock Series B		C
	Shares	Amount	Shares	Amount	Share
	-----	-----	-----	-----	-----
Balance at December 31, 2006	--	--	1,000,000	\$1,000	113,842
Issuance of common stock for services March 2007	--	--	--	--	1,000
Expense of Acquisition Deposit as Fee	--	--	--	--	
Issuance of common stock for services April 2007	--	--	--	--	500
Issuance of common stock for services May 2007	--	--	--	--	1,100
Issuance of common stock for interest	--	--	--	--	89
Fair market adjustment to stock for Deferred Construction Costs, September 2007	--	--	--	--	
Accretion of loan costs to interest expense June 2007	--	--	--	--	
Issuance of common stock for Cash July 2007					2,000
Issuance of common stock for interest July 2007					39
Issuance of common stock for services August 2007					1,300

Edgar Filing: VOYAGER ENTERTAINMENT INTERNATIONAL INC - Form 10QSB

Issuance of common stock for cash August 2007					1,200
Issuance of common stock for interest August 2007					149
Fair market value adjustment to stock for Deferred Construction Costs September 2007					
Accretion of loan costs to interest expense September 2007					
Net loss as of September 30, 2007	--	--	--	--	
Balance at September 30, 2007	----	----	1,000,000	\$1,000	121,221
	=====	=====	=====	=====	=====

	Deferred construction costs	Acquisition Deposit	Loan collateral	Loan Fee	
	-----	-----	-----	-----	-----
Balance at December 31, 2006	\$ (196,875)	\$ (750,000)	\$ (750,000)	\$ (270,000)	\$
	=====	=====	=====	=====	=====
Issuance of common stock for services March 2007	--	--	--	--	--
Expense of Acquisition Deposit as Fee	--	375,000	--	--	--
Issuance of common stock for services April 2007	--	--	--	--	--
Issuance of common stock for services May 2007	--	--	--	--	--
Issuance of common stock for interest	--	--	--	--	--
Fair market adjustment to stock for Deferred Construction Costs, September 2007	(225,000)	--	--	--	--
Accretion of loan costs to interest expense June 2007	--	--	--	200,000	--
Issuance of common stock for Cash July 2007					
Issuance of common stock for interest July 2007					
Issuance of common stock for services August 2007					
Issuance of common stock for cash August 2007					
Issuance of common stock for interest August 2007					
Fair market value adjustment to stock for					

Edgar Filing: VOYAGER ENTERTAINMENT INTERNATIONAL INC - Form 10QSB

Deferred Construction Costs September 2007	28,125			
Accretion of loan costs to interest expense September 2007				70,000
Net loss as of September 30, 2007	--	--	--	--
Balance at September 30, 2007	\$ (393,750)	\$ (375,000)	\$ (750,000)	-- \$

See accompanying notes to these financial statements.

6

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

(UNAUDITED)

	September 30, 2007	September 30, 2006	From March Septemb
Cash Flows from Operating Activities:			
Net Loss	\$ (1,838,951)	\$ (1,043,478)	\$
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation	7,311	7,428	
Issuance of common stock for services	837,000	193,500	
Issuance of common stock for accrued bonus	--	--	
Interest expense from the issuance of common stock	35,012	27,392	
Accretion of debt issuance costs	303,750	31,250	
Changes in assets and liabilities:			
Prepaid Expense	(446)	--	
Accounts payable and accrued expenses	72,779	34,262	
Accrued expenses - related party	175,000	210,000	
Accrued settlement obligation	--	-	
Net cash used in operating activities	(408,548)	(539,646)	
Cash flows used in Investing Activities:			
Payments to acquire fixed assets	(4,195)	(10,504)	
Proceeds from Note Receivable	--	(500,000)	
Net cash used in investing activities	(4,195)	(510,504)	
Cash flows provided by Financing Activities:			

Edgar Filing: VOYAGER ENTERTAINMENT INTERNATIONAL INC - Form 10QSB

Proceeds from notes payable, short term debt	120,000	1,250,000	
Payment on notes payable, short term debt	(20,000)		
Proceeds from the sale of preferred stock	--	--	
Proceeds from the sale of common stock	320,000	25,000	
Payments for loan fees	--	(50,000)	
Payments for financing costs	(50,000)	--	
Net cash provided by financing activities	370,000	1,225,000	
Net increase (decrease) in cash	(42,743)	174,850	
Cash, beginning of year	76,241	108,552	
Cash, end of year	\$ 33,498	\$ 283,402	\$
Cash paid for:			
Interest	\$ 43,750	\$ (3,472)	\$
Income Taxes	\$ --	\$ --	\$

7

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

(UNAUDITED)  
(CONTINUED)

	September 30, 2007	September 30, 2006	From March Septemb
Supplemental schedule of non-cash Investing and Financing Activities:			
Common stock issued for financing costs	\$ --	\$ 400,000	\$
Common stock issued for loan collateral	\$ --	\$ 750,000	\$
Deferred construction costs, adjusted to fair value	\$ 196,875	\$	\$
Conversion of preferred shares	\$ --	\$ 1,000	\$
Common stock issued as acquisition deposit	\$ --	\$ 450,000	\$
Common stock issued for services	\$ 837,000	\$ --	\$



VOYAGER ENTERTAINMENT INTERNATIONAL, INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

Note 1. Basis of Presentation and Organization and  
Significant Accounting Policies

Basis of Presentation and Organization  
-----

The accompanying Condensed Consolidated Financial Statements of Voyager Entertainment International, Inc. and subsidiaries (the "Company") should be read in conjunction with the Company's Annual Report on Form 10-KSB for the year ended December 31, 2006. Significant accounting policies disclosed therein have not changed except as noted below.

The accompanying Condensed Consolidated Financial Statements and the related footnote information are unaudited. In the opinion of management, they include all normal recurring adjustments necessary for a fair presentation of the condensed consolidated balance sheet of the Company at September 30, 2007, and the condensed consolidated results of its operations and cash flows for the three and nine months ended September 30, 2007 and 2006. Results of operations reported for interim periods are not necessarily indicative of results for the entire year.

Voyager Entertainment International, Inc. (the "Company"), a North Dakota corporation formerly known as Dakota Imaging, Inc. formed on January 31, 1991, is in the entertainment development business with plans to develop the world's tallest Observation Wheel on the Las Vegas strip area. During April 2002, the Company changed its name from Dakota Imaging, Inc. to Voyager Entertainment International, Inc. and adopted a new fiscal year.

As used in these Notes to the Condensed Consolidated Financial Statements, the terms the "Company", "we", "us", "our" and similar terms refer to Voyager Entertainment International, Inc. and, unless the context indicates otherwise, its consolidated subsidiaries. The Company's wholly owned subsidiaries include Voyager Ventures, Inc. ("Ventures"), a Nevada corporation, Outland Development, LLC ("Outland"), a Nevada Limited Liability Corporation, and Voyager Entertainment Holdings, Inc. ("Holdings"), a Nevada corporation.

These Condensed Consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation.

Going Concern  
-----

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Company as a going concern. However, the Company has not begun generating revenue, is considered a development stage company, has experienced recurring net operating losses, had a net loss of \$1,838,951 and \$1,043,478 for the nine months ended September 30, 2007 and 2006, and a working capital deficiency of \$4,664,732 at September 30, 2007. These factors raise substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification

## Edgar Filing: VOYAGER ENTERTAINMENT INTERNATIONAL INC - Form 10QSB

of recorded asset amounts, or amounts and classification of liabilities that might result from this uncertainty.

### RECLASSIFICATION

Certain reclassifications, which have no effect on net income (loss), have been made in the prior period financial statements to conform to the current presentation. Specifically, we have presented accrued interest relating to the debt on our balance sheet in accrued expenses.

### NEW ACCOUNTING PRONCEMENTS

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48 (FIN 48), "Accounting for Uncertainty in Income Taxes," an interpretation of FASB Statement No. 109, "Accounting for Income Taxes." FIN 48 prescribes a minimum recognition threshold and measurement attribute for the financial statement recognition of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition for tax related positions. FIN 48 becomes effective for the Company on January 1, 2007. The Company is currently in the process of determining the effect, if any, the adoption of FIN 48 will have on the consolidated financial statements.

9

VOYAGER ENTERTAINMENT INTERNATIONAL, INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

### Note 2. Stockholder's Equity

The authorized common stock of the Company consists of 200,000,000 shares of common stock with par value of \$0.001, 50,000,000 shares of series A preferred stock with a par value of \$0.001 and 10,000,000 shares of Series B Preferred Stock.

In March 2007, the Company issued 1,000,000 shares of common stock for consulting services rendered. These shares were valued at the fair value on the date of grant for total compensation of \$98,000 or \$0.098.

In April 2007, the Company issued 500,000 shares of common stock for consulting services rendered. These shares were valued at the fair value on the date of grant for total compensation of \$60,000 or \$0.12.

In May 2007, the Company issued 1,100,000 shares of common stock for consulting services rendered. These shares were valued at the fair value on the date of grant for total compensation of \$115,500 or \$0.105.

In August 2007, the Company issued 1,300,000 shares of common stock for consulting services rendered. These shares were valued at the fair value on the date of grant for total compensation of \$188,500 or \$0.145.

In April 2007, the Company issued 89,438 shares of common stock for interest which was accrued at December 31, 2006 for \$6,261 relating to our Diversified Lending Group, Inc. note.

In July 2007, the Company issued 2,000,000 shares of common stock as a result of shares purchased through a private placement offering for \$200,000 or \$0.10.

In July 2007, the Company issued 39,800 shares of common stock for the accrued

## Edgar Filing: VOYAGER ENTERTAINMENT INTERNATIONAL INC - Form 10QSB

\$7,164 in interest accrued at June 30, 2007 for charges relating to the Diversified Lending Group, Inc. note.

In August 2007, the Company issued 1,200,000 shares of common stock as a result of shares purchased through a private placement offering for \$120,000 or \$0.01.

In August 2007, the Company issued 149,369 shares of common stock for interest which was for the accrued interest at September 30, 2007 for \$21,587 relating to our Diversified Lending Group, Inc. note.

No preferred share transactions occurred as of September 30, 2007.

### Note 3. Related Party Transactions and Acquisitions

#### Related Party Transactions

-----

During the quarters ended September 30, 2007 and 2006, the Company paid consulting fees of approximately \$35,000 per month to Synthetic Systems, LLC, for a total of \$315,000 in each year. Synthetic Systems is jointly owned by their Chief Executive Officer and Secretary. The Company also paid to Synthetic Systems LLC., office rent expenses of approximately \$26,800 and \$25,500 and furniture and equipment lease of \$10,350 or \$1,150 per month as of September 30, 2007 and 2006, respectively.

As previously disclosed in our 2006 Form 10-KSB, on May 30, 2002, the Company executed a Contractor Agreement with Western Architectural Services, LLC ("Western") where Western would provide to the Company certain architectural services for the Las Vegas Observation Wheel Project in exchange for which the Company issued 2,812,500 shares of restricted common stock to Western. Although he was not an affiliate of the Company upon execution of the Contractor Agreement, Western's Chief Executive Officer is currently an executive officer, director and significant stockholder of the Company. We have accounted for these shares as Deferred Construction Costs in these financial statements.

Western plans to sell the amount of common stock at the time before and during the contract to purchase supplies and pay subcontractors. At the time the contract was issued the shares of the Company were trading at \$6.50 per share. The current stock price of the Company has a trading range of \$0.09 to \$0.18. If at the time Western performs the services contracted and

10

VOYAGER ENTERTAINMENT INTERNATIONAL, INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

the share price is below \$6.50 per share, the Company will be required to issue new shares to Western in order for the contract to be fulfilled. Western's Chief Executive Officer is currently an affiliate of the Company which will also limit the amount of shares that can be sold based on the trading volume and shares outstanding in accordance with Rule 144 of the Securities Act of 1933. As of September 30, 2007, we have marked these shares to market in accordance with EITF No. 96-18 "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services", Issue 3, using the period end closing price of our stock. The change in valuation was credited to additional-paid in capital due to the deferred construction cost nature of these shares.

## Edgar Filing: VOYAGER ENTERTAINMENT INTERNATIONAL INC - Form 10QSB

As of September 30, 2007, we have borrowed \$100,000 from Western. The amount is unsecured, carries no interest and is due upon the demand of Western.

### Acquisitions

-----

On April 10, 2006, we entered into a Unit Purchase (Buy-Sell) Agreement ("Agreement") to acquire all the outstanding units of Western Architectural Services, LLC ("Western") in exchange for a total of 5,000,000 shares of Voyager's common stock ("Shares"). On September 11, 2006, Voyager believed it had fully completed the necessary due diligence pursuant to the Agreement and consequently delivered the Shares consideration as required for the final closing. Upon further evaluation of Voyager's due diligence of Western pursuant to Section 2.02 of the Agreement, it has been determined that the existing limited liability company ("LLC") operating agreement of Western would need to be modified in order for Voyager to continue the existing operations of Western.

On March 30 2007, Voyager and Western were not able to come to acceptable terms with regards to the needed changes to the LLC operating agreement. The Agreement was cancelled since the transaction did not meet all the requirements of Section 2.02 of the Agreement and was deemed as if the acquisition transaction was never closed.

As a result, the acquisition was nullified effective March 30, 2007. As a result of the nullification of the acquisition transaction 2,500,000 shares of common stock will be returned to the Company for cancellation and returned to the treasury. The remaining 2,500,000 shares is accounted for as a fee for the nullification. The shares were valued at fair value of \$0.15 per share for a total value of \$375,000. As of the date of these financial statements, the Company and Western are in the process of cancelling the necessary shares under the March 30, 2007 agreement. At the date of this filing the shares have not been cancelled. We have expensed \$375,000 as of September 30, 2007.

### Note 4. Deferred Financing Costs

In March 2007, the Company began discussions with an external third party for financing arrangements. We have paid \$50,000 toward services provided by the external third party and have accounted for this as short term deferred financing costs. We will net this expense against any financing proceeds received.

### Note 5. Notes Payable

On May 10, 2007, the Company received a loan from CLC/Las Vegas, LLC, in the amount of \$20,000. The terms of the loan called for one payment of all principal funded to date, interest and other amounts unpaid due and payable in full one month from the date of funds received by the Company. The loan bears interest at a rate of 10% per annum, calculated daily on the basis of a 360-day year. The loan was paid in full on August 10, 2007.

On September 5, 2006 the Company received a loan from Diversified Lending Group, Inc. ("DLG") a California registered mortgage banker, in the amount of \$1,250,000. The Company is a joint tenant with Western Architectural in this debt which bears interest of 14% and is due within one year from the date of the note. As of September 30, 2007, Western Architectural paid directly to Diversified Lending Group, Inc. six months of interest for the original loan. We have accounted for this as both interest income and interest expense of \$87,500. As stated in the agreement, the Company could extend the Maturity Date of the loan one time for a period of six months. The company exercised the option to extend the loan term six months for a fee of 3% of the loan amount or \$37,500 (Western Architecture paid to the Company \$18,750 as their part of the loan

extension).

11

VOYAGER ENTERTAINMENT INTERNATIONAL, INC. AND SUBSIDIARIES  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

Note 6. Subsequent Events

In October 2007, the Company issued 100,000 shares of common stock as a result of shares purchased through a private placement offering for \$10,000 or \$0.10.

In November 2007, the Company issued 500,000 shares of common stock for services rendered. These shares were valued at the fair value on the date of grant for total compensation of \$50,000 or \$0.1.

12

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of our financial condition should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this report. References in this section to "Voyager Entertainment International, Inc.," the "Company," "we," "us," and "our" refer to Voyager Entertainment International, Inc. and our direct and indirect subsidiaries on a consolidated basis unless the context indicates otherwise.

This interim report contains forward looking statements relating to our Company's future economic performance, plans and objectives of management for future operations, projections of revenue mix and other financial items that are based on the beliefs of, as well as assumptions made by and information currently known to, our management. The words "expects, intends, believes, anticipates, may, could, should" and similar expressions and variations thereof are intended to identify forward-looking statements. The cautionary statements set forth in this section are intended to emphasize that actual results may

## Edgar Filing: VOYAGER ENTERTAINMENT INTERNATIONAL INC - Form 10QSB

differ materially from those contained in any forward looking statement.

### EXECUTIVE SUMMARY AND OVERVIEW

Our current business plan is to build multiple observation Ferris wheels ("Observation Wheels"). Proposed sites for the construction of Observation Wheels include Las Vegas, Nevada, United Arab Emirates ("UAE"), and Shanghai, China.

We plan to focus primarily on the development of the Observation Wheel in Las Vegas and the UAE over the next 6 and 18 months respectively. However, we will also actively seek partnerships and locations for other Observation Wheels throughout the United States and other foreign countries.

For additional detailed discussion regarding the Company's business and business trends affecting the Company and certain risks inherent in the Company's business, see "Item 6: Management's Discussion and Analysis or Plan of Operations" in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2006.

### DEVELOPMENT OF OUR BUSINESS

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, DSC merged with and into Ventures and ceased to exist, and Ventures became a wholly owned subsidiary of the Company.

On April 2, 2002, we amended our Certificate of Incorporation to change our name from Dakota Imaging, Inc. to Voyager Entertainment International, Inc.

In June 2003, the Company reincorporated in the State of Nevada. The reincorporation became effective in the states of North Dakota and Nevada on June 23, 2003, the date the Certificate of Merger was issued by the Secretary of State of North Dakota.

### CRITICAL ACCOUNTING POLICIES

The methods, estimates and judgments we use in applying our accounting policies have a significant impact on the results we report in our financial statements. Some of our accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Our most critical accounting estimates include the assessment of value of our deferred construction costs.

We believe the following critical accounting policy reflects our most significant estimates and assumptions used in the preparation of our consolidated financial statements:

### STOCK BASED COMPENSATION

On January 1, 2006, we adopted the fair value recognition provisions of SFAS No. 123(R), "Accounting for Stock-Based Compensation", to account for compensation costs under our stock option plans. We previously utilized the intrinsic value method under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (as amended).

We use the fair value method for equity instruments granted to non-employees and

## Edgar Filing: VOYAGER ENTERTAINMENT INTERNATIONAL INC - Form 10QSB

will use the Black Scholes model for measuring the fair value of options, if issued. The stock based fair value compensation is determined as of the date of the grant or the date at which the performance of the services is completed (measurement date) and is recognized over the vesting periods.

We do not have any of the following:

- \* Off-balance sheet arrangements.
- \* Certain trading activities that include non-exchange traded contracts accounted for at fair value.

13

- \* Relationships and transactions with persons or entities that derive benefits from any non-independent relationships other than related party transactions discussed herein.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2007 COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2006

Results of operations consist of the following:

	September 30, 2007	September 30, 2006
Revenue	\$ --	\$ --
General and administrative expenses	408,034	358,000
	-----	-----
Operating loss	\$ (408,034)	\$ (358,000)

As of September 30, 2007, we have not constructed an Observation Wheel and therefore have not generated revenues. All costs for the three months of the third quarter of 2007 remained relatively consistent when compared to the three months ended September 30, 2006.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 2006

Results of operations consisted of the following:

	September 30, 2007	September 30, 2006
Revenue	\$ --	\$ --
General and administrative expenses	1,404,922	918,000
	-----	-----
Operating loss	\$ (1,404,922)	\$ (918,000)

The increase in general and administrative expenses of 53% is due primarily to an increase in professional and consulting fees of \$1,238,434 as of September 30, 2007 compared to \$768,520 of September 30, 2006. Many of these services were paid through issuance of common stock of \$837,000 as of September 30, 2007 compared to \$193,500 as of September 30, 2006. The increase in common stock issued for services is a result of insufficient funds for payment of services and an increase in consulting services compared to prior periods. There was \$20,798 of project costs as of September 30, 2007 compared to \$32,993 as of September 30, 2006. Project costs are the expenses related to the materials used

## Edgar Filing: VOYAGER ENTERTAINMENT INTERNATIONAL INC - Form 10QSB

to attract investors. All other costs in the third quarter of 2007 remained relatively consistent when compared to September 30, 2006.

### LIQUIDITY AND CAPITAL RESOURCES

We plan to focus primarily on the development of the Observation Wheel in Las Vegas and the UAE over the next 6 to 18 months. However, we will also actively seek partnerships and locations for other Observation Wheels throughout the United States and other foreign countries.

	September 30, 2007	September 30, 2006
Cash	\$ 33,498	\$ 76,241
Accounts payable and accrued expenses	\$ 1,115,437	\$ 1,042,899
Cash proceeds from the sale of common stock	\$ 320,000	\$ 50,000

We have financed our operations during the year primarily through the use of cash on hand, issuance of stock for services, issuance of stock for cash, and aging of our payables. As of September 30, 2007, we had total current liabilities of \$4,748,676 compared to \$4,400,899 as of December 31, 2006. The increase in total current liabilities is primarily due to an increase in Accounts Payable of approximately \$16,000, Due to Related Parties \$175,000, and Accrued Expenses of approximately \$50,000. These items increased as our lack of cash has resulted in longer aging of payables and need for additional cash infusion. We had no long term liabilities during any of these periods.

Cash decreased 56% as of September 30, 2007 due to payment of some of our payables throughout the first through third quarters of 2007.

We issued common stock of \$320,000 for cash as of third quarter of 2007, which has allowed us to continue our efforts.

We had \$33,498 cash on hand as of September 30, 2007 compared to \$76,241 as of December 31, 2006. We will continue to need additional cash during the following twelve months and these needs will coincide with the cash demands resulting from our general operations and implementing our business plan. There is no assurance that we will be able to obtain additional capital as required, or obtain the capital on acceptable terms and conditions.

14

### ITEM 3. CONTROLS AND PROCEDURES.

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act). Based upon this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. There was no change in our internal controls or in other factors that could affect these controls during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.



15

PART II

OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

None.

ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The authorized common stock of the Company consists of 200,000,000 shares of common stock with par value of \$0.001, 50,000,000 shares of series A preferred stock with a par value of \$0.001 and 10,000,000 shares of Series B Preferred Stock.

In March 2007, the Company issued 1,000,000 shares of common stock for consulting services rendered. These shares were valued at the fair value on the date of grant for total compensation of \$98,000 or \$0.098.

In April 2007, the Company issued 500,000 shares of common stock for consulting services rendered. These shares were valued at the fair value on the date of grant for total compensation of \$60,000 or \$0.12.

In May 2007, the Company issued 1,100,000 shares of common stock for consulting services rendered. These shares were valued at the fair value on the date of grant for total compensation of \$115,500 or \$0.105.

In August 2007, the Company issued 1,300,000 shares of common stock for consulting services rendered. These shares were valued at the fair value on the date of grant for total compensation of \$188,500 or \$0.145.

In April 2007, the Company issued 89,438 shares of common stock for interest which was accrued at December 31, 2006 for \$6,261 relating to our Diversified Lending Group, Inc. note.

In July 2007, the Company issued 2,000,000 shares of common stock as a result of shares purchased through a private placement offering for \$200,000 or \$0.10.

In July 2007, the Company issued 39,800 shares of common stock for the accrued \$7,164 in interest accrued at June 30, 2007 for charges relating to the Diversified Lending Group, Inc. note.

## Edgar Filing: VOYAGER ENTERTAINMENT INTERNATIONAL INC - Form 10QSB

In August 2007, the Company issued 1,200,000 shares of common stock as a result of shares purchased through a private placement offering for \$120,000 or \$0.01.

In August 2007, the Company issued 149,369 shares of common stock for interest which was for the accrued interest at September 30, 2007 for \$21,587 relating to our Diversified Lending Group, Inc. note.

No preferred share transactions occurred as of September 30, 2007.

### ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4 - SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

None.

### ITEM 5 - OTHER INFORMATION

(1) Committees and financial reviews.

The board of directors has not established an audit committee. In addition, we do not have any other compensation or executive or similar committees. We will not, in all likelihood, establish an audit committee until such time as we increase our revenues, of which there can be no assurance. We recognize that an audit committee, when established, will play a critical role in our financial reporting system by overseeing and monitoring management's and the independent auditor's participation in the financial reporting process.

Until such time as an audit committee has been established, the board of directors will undertake those tasks normally associated with an audit committee to include, but not by way of limitation, the (i) review and discussion of the audited financial statements with management, and (ii) discussions with the independent auditors with respect to the matters required to be discussed by the Statement On Auditing Standards No. 61, "Communications with Audit Committees", as may be modified or supplemented.

16

### ITEM 6 - EXHIBITS.

(a) The following exhibits are filed with this report.

- 31.1 Certification by Chief Executive Officer pursuant to Sarbanes Oxley Section 302.
- 32.1 Certification by Chief Financial Officer pursuant to Sarbanes Oxley Section 302.
- 32.1 Certification by Chief Executive Officer pursuant to 18 U.S. C. Section 1350
- 32.2 Certification by Chief Financial Officer pursuant to 18 U.S. C. Section 1350

17

SIGNATURES

Pursuant to 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 authorized.

VOYAGER ENTERTAINMENT INTERNATIONAL, INC.

-----  
(Registrant)

Dated November 12, 2007

By: /s/ Richard Hannigan

-----  
Richard Hannigan,  
President/Director

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated

By: /s/ Richard Hannigan, Sr.

-----  
Richard Hannigan, Sr.  
President/CEO/Director  
November 12, 2007

By: /s/ Myong Hannigan

-----  
Myong Hannigan  
Secretary/Treasurer/Director  
November 12, 2007

By: /s/ Tracy Jones

-----  
Tracy Jones  
COO/Director  
November 12, 2007

18