

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549**

**FORM 10-Q**

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended March 31, 2020

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 000-55730

**BLACKSTAR ENTERPRISE GROUP, INC.**

(Exact name of registrant as specified in its charter)

Delaware

27-1120628

\_\_\_\_\_  
(State of Incorporation)

\_\_\_\_\_  
(IRS Employer ID Number)

4450 Arapahoe Ave., Suite 100, Boulder, CO 80303

(Address of principal executive offices)

(303) 500-5073

(Registrant's Telephone number)

\_\_\_\_\_  
(Former Address and phone of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
N/A	N/A	N/A

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 past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for the past 90 days.

Yes

No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 for Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes

No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided to Section 7(a)(2)(B) of the Securities Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

Indicate the number of share outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of June 20, 2020, there were 52,668,824 shares of the registrant's common stock, \$.001 par value, issued and outstanding, not including shares reserved for conversion of notes.

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## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

**BLACKSTAR ENTERPRISE GROUP, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**AS OF MARCH 31, 2020 AND DECEMBER 31, 2019**

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
	<b>(Unaudited)</b>	
<b>ASSETS</b>		
Current assets		
Cash	\$ 5,885	\$ 33,251
Prepaid interest	3,519	10,557
Total Current assets	9,404	43,808
Fixed assets		
Furniture and equipment	1,659	1,659
Accumulated depreciation	(1,659)	(1,659)
Total fixed assets	—	—
Total Assets	\$ 9,404	\$ 43,808
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 56,366	\$ 57,392
Accrued payables	10,857	3,636
Advances Related parties	41,850	41,850
Convertible notes payable net of discounts of \$61,905 and \$101,648 as of March 31, 2020 and December 31, 2019, respectively	184,089	145,208
Notes payable	30,000	30,000
Total current liabilities	323,162	278,086
Stockholders' Deficit		
Preferred stock, 10,000,000 shares authorized with \$0.001 par value. 1,000,000 shares issued outstanding respectively	1,000	1,000
Common stock, 700,000,000 and 200,000,000 shares authorized at March 31, 2020 and December 31, 2019 respectively with 50,241,238 and 48,003,443 issued and outstanding at March 31, 2020 and December 31, 2019, respectively	50,241	48,003
Additional paid in capital	2,338,045	2,315,655
Additional paid in capital - warrants	1,562,593	1,562,593
APIC - debt discount portion of convertible note	239,073	239,073
Accumulated deficit	(4,504,710)	(4,400,602)
Total Stockholders' Deficit	(313,758)	(234,278)
Total Liabilities and Stockholders' Deficit	\$ 9,404	\$ 43,808

The accompanying notes are an integral part of these financial statements.

**BLACKSTAR ENTERPRISE GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE QUARTERS ENDED MARCH 31, 2020 AND 2019**

	Quarter Ended March 31,	
	2020 <u>(Unaudited)</u>	2019 <u>(Unaudited)</u>
REVENUE	\$ —	\$ —
Cost of revenues		
GROSS PROFIT	<u>—</u>	<u>—</u>
Operating Expenses:		
Depreciation	—	138
Legal and professional	3,000	8,308
Management consulting – related party	16,500	2,430
Corporate registration expense	534	130
General and administrative	15,084	4,063
Total operating expenses	<u>35,118</u>	<u>15,069</u>
Income (loss) from operations	<u>(35,118)</u>	<u>(15,069)</u>
Other income (expense)		
Amortization of discount on convertible notes	(33,243)	(1,045)
Amortization of convertible debt issuance costs	(6,500)	—
Loss on note payable conversion	(20,545)	—
Interest expense	(8,702)	—
Other income (expense) net	<u>(68,990)</u>	<u>(1,045)</u>
Income (loss) before provision for income taxes	<u>(104,108)</u>	<u>(16,114)</u>
Provision (credit) for income tax	—	—
Net income (loss)	<u>\$ (104,108)</u>	<u>\$ (16,114)</u>
Net income (loss) per share (Basic and fully diluted)	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted average number of common shares outstanding	<u>48,401,409</u>	<u>52,000,000</u>

The accompanying notes are an integral part of these financial statements.

**BLACKSTAR ENTERPRISE GROUP, INC.**  
**CONSOLIDATED STATEMENT OF STOCKHOLDER'S DEFICIT**  
**AS OF AND FOR THE THREE MONTHS ENDED MARCH 31, 2019 (Unaudited)**

	Common Stock		Preferred Stock		Paid in Capital	Accumulated Deficit	Stockholders' Equity/(Deficit)
	Shares	Amount (\$0.001Par)	Shares	Amount (\$0.001Par)			
Balances - December 31, 2018	52,000,000	52,000	1,000,000	1,000	3,373,353	(3,521,333)	(94,980)
Net loss	—	—	—	—	—	(16,114)	(16,114)
Balances - March 31, 2019	<u>52,000,000</u>	<u>\$ 52,000</u>	<u>1,000,000</u>	<u>\$ 1,000</u>	<u>\$3,373,353</u>	<u>\$ (3,537,447)</u>	<u>\$ (111,094)</u>

The accompanying notes are an integral part of these financial statements.

**BLACKSTAR ENTERPRISE GROUP, INC.**  
**CONSOLIDATED STATEMENT OF STOCKHOLDER'S DEFICIT**  
**AS OF AND FOR THE THREE MONTHS ENDED MARCH 31, 2020 (Unaudited)**

	Common Stock		Preferred Stock		Paid in Capital	Accumulated Deficit	Stockholders' Equity/(Deficit)
	Shares	Amount (\$0.001Par)	Shares	Amount (\$0.001Par)			
Balances - December 31, 2019	48,003,443	48,003	1,000,000	1,000	4,117,321	(4,400,602)	(234,278)
Shares issued for conversion of notes payable	2,387,795	2,388			22,240		24,628
Shares cancelled	(150,000)	(150)			150		
Net loss for the quarter ended March 31, 2020	—	—	—	—	—	(104,108)	(104,108)
Balances - March 31, 2020	<u>50,241,238</u>	<u>\$ 50,241</u>	<u>1,000,000</u>	<u>\$ 1,000</u>	<u>\$4,139,711</u>	<u>\$ (4,504,710)</u>	<u>\$ (313,758)</u>

The accompanying notes are an integral part of these financial statements.



**BLACKSTAR ENTERPRISE GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE QUARTERS ENDED MARCH 31, 2020 AND 2019**

	For the Quarter Ended March 31,	
	2020	2019
	(Unaudited)	(Unaudited)
<b>Cash Flows From Operating Activities:</b>		
Net income (loss)	\$ (104,108)	\$ (16,114)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	—	138
Amortization of convertible note issuance costs	6,500	—
Loss on note payable conversion	20,545	—
Non-cash interest paid in stock	3,221	—
Amortization of discounts on convertible notes	33,243	—
Changes in operating assets and liabilities		
Increase/(Decrease) in accounts payable	(1,026)	(1,607)
Increase/(Decrease) in accrued payables	7,222	1,046
Increase in advances payable – related parties	—	10,218
Increase in prepaid interest	7,037	—
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(27,366)</b>	<b>(6,319)</b>
 <b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>—</b>	<b>—</b>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>—</b>	<b>—</b>
 <b>Net Increase (Decrease) In Cash</b>	<b>(27,366)</b>	<b>(6,319)</b>
 <b>Cash At The Beginning Of The Period</b>	<b>33,251</b>	<b>6,319</b>
 <b>Cash At The End Of The Period</b>	<b>\$ 5,885</b>	<b>\$ —</b>
 <b>Supplemental Disclosure of Cash Flow Information</b>		
Stock issued for principal of note payable	\$ 862	\$ —
Stock issued for interest expense	\$ 3,221	\$ —

The accompanying notes are an integral part of these financial statements.

**BLACKSTAR ENTERPRISE GROUP, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AS OF AND FOR THE THREE MONTHS ENDED MARCH 31, 2020**  
**(Unaudited)**

**NOTE 1 – NATURE OF OPERATIONS AND BASIS OF PRESENTATION**

BlackStar Enterprise Group, Inc. (the Company” or “BlackStar”) was incorporated in the State of Delaware on December 18, 2007 as NPI08, Inc. (“NPI08”). Our Company was divested from Kingsley Capital, Inc. in a bankruptcy proceeding in 2008, in which Kingsley was the debtor. In January 2010, NPI08 acquired an ownership interest in Black Star Energy Group, Inc., a Colorado Corporation. BlackStar Energy then merged into NPI08, with NPI08 being the surviving entity. Concurrently, NPI08 changed its name to BlackStar Energy Group, Inc. and attempted to start up in the energy business in 2010 without success, resulting in losses totaling \$1,819,530 over a three-year period. Our Company was inactive until 2016 when new management and capital were introduced.

On January 25, 2016, International Hedge Group, Inc. (“IHG”) signed an agreement to acquire a 95% interest in the Company. The name was changed to BlackStar Enterprise Group, Inc. in August of 2016. In lieu of the 95% of common shares originally agreed upon, IHG received 44,400,000 shares of common stock, of which IHG currently owns 4,792,702 due to anti-dilutive cancellation of shares by management (approximately 10% of outstanding common stock), and 1,000,000 of Class A Preferred Stock. The Class A Preferred Stock is a super majority voting stock and is convertible at a rate of 100 common shares to one share of preferred stock. IHG is our controlling shareholder and is engaged in providing management services to companies, and, on occasion, capital consulting. IHG and BlackStar are currently managed and controlled by the same individuals John Noble Harris (beneficial owner of an additional 9% of common stock) and Joseph Kurczodyna (beneficial owner of an additional 9% of common stock).

The Company is a Delaware corporation organized for the purpose of engaging in any lawful business. The Company intends to act as a merchant banking firm seeking to facilitate venture capital to early stage revenue companies. BlackStar intends to offer consulting and regulatory compliance services to crypto-equity companies and blockchain entrepreneurs for securities, tax, and commodity issues. BlackStar is conducting ongoing analysis for opportunities in involvement in crypto-related ventures through a wholly-owned subsidiary, Crypto Equity Management Corp (“CEMC”). BlackStar intends to serve businesses in their early corporate lifecycles and may provide funding in the forms of ventures in which they control the venture until divestiture or spin-off by developing the businesses with capital. In addition to the services described above, BlackStar formed a subsidiary nonprofit company, Crypto Industry SRO Inc., on December 31, 2017. Crypto Industry SRO is in the beginning stages of organizing membership participation in the newly-formed nonprofit. Crypto Industry SRO is planned to act as a self-regulatory membership organization for the crypto-equity industry and set guidelines and best-practice rules by which industry members would abide. BlackStar will provide management of this entity under a services contract.

The Company’s fiscal year end is December 31<sup>st</sup>. The Company’s financial statements are presented on the accrual basis of accounting.

**Basis of presentation – Unaudited Financial Statements**

The accompanying unaudited financial statements have been prepared in accordance with United States generally accepted accounting principles for financial information and with the instructions to Form 10-Q. They do not include all information and footnotes required by United States generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the notes to the financial statements for the year ended December 31, 2019 included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission. These unaudited financial statements are condensed and should be read in conjunction with those financial statements included in the Form 10-K and interim disclosures generally do not repeat those in the annual statements. In the opinion of Management, all adjustments considered necessary for a fair presentation, consisting solely of normal

recurring adjustments, have been made. Operating results for the three months ended March 31, 2020 are not necessarily indicative of the results that may be expected for the year ending December 31, 2020.

## **NOTE 2 – GOING CONCERN**

The Company's financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the financial statements for the three months ended March 31, 2020 and the year ended December 31, 2019, the Company has generated no revenues and has incurred losses. As of March 31, 2020, the Company had a total of \$5,885 of cash, negative working capital of (\$313,758) and an accumulated deficit of (\$4,504,710). These conditions raise substantial doubt as to the Company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The continuation of the Company as a going concern is dependent upon the ability to raise equity or debt financing, and the attainment of profitable operations from the Company's planned business. Management cannot provide any assurances that the Company will be successful in accomplishing any of its plans.

## **NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Accounting policies refer to specific accounting principles and the methods of applying those principles to fairly present the Company's financial position and results of operations in accordance with generally accepted accounting principles. The policies discussed below include those that management has determined to be the most appropriate in preparing the Company's financial statements and are not discussed in a separate footnote.

### **Principles of Consolidation**

The accompanying consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") and reflect our accounts and operations and those of our subsidiaries and include the accounts of BlackStar Enterprise Group, Inc. and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

On September 30, 2017, the Company formed a wholly-owned subsidiary corporation, Crypto Equity Management Corp ("CEMC") in the state of Colorado. The Company intends to use CEMC to pursue business opportunities in cryptocurrency sphere. These financial statements as currently presented reflect the combined operations of BEGI and CEMC. BlackStar also formed a subsidiary nonprofit company, Crypto Industry SRO Inc., on December 31, 2017.

### **Cash and cash equivalents**

The Company considers all cash on hand, cash accounts not subject to withdrawal restrictions or penalties and all highly liquid investments with an original maturity of three months or less as cash equivalents. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At March 31, 2020 and December 31, 2019, the Company had \$0 and \$0 in excess of the FDIC insured limit, respectively.

### **Revenue recognition**

The Company recognizes revenue under ASC 606, using the following five-step model, which requires that we: (1) identify a contract with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to performance obligations and (5) recognize revenue as performance obligations are satisfied. The Company currently has no sources of revenue.

## **Basic and Diluted Loss per Share**

The Company computes loss per share in accordance with Accounting Standards Update (“ASU”), *Earnings per Share (Topic 260)* which requires presentation of both basic and diluted earnings per share on the face of the statement of operations. Basic EPS would exclude any dilutive effects of options, warrants, and convertible securities but does include the restricted shares of common stock issued. Diluted EPS reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted to common stock. Basic EPS calculations are determined by dividing net income by the weighted average number of shares of common stock outstanding during the year. Diluted EPS calculations are determined by dividing net income by the weighted average number of common shares and dilutive common share equivalents outstanding. Under current Company policy the majority stockholder International Hedge Group has and intends to surrender an equivalent number of common shares each time shares are sold or converted from other instruments. As a result, the EPS is the same for basic and diluted shares.

## **Income Taxes**

The Company accounts for income taxes pursuant to ASC 740. Under ASC 740 deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases.

The Company maintains a valuation allowance with respect to deferred tax asset. Blackstar Enterprise Group establishes a valuation allowance based upon the potential likelihood of realizing the deferred tax asset and taking into consideration the Company’s financial position and results of operations for the current period. Future realization of the deferred tax benefit depends on the existence of sufficient taxable income within the carry-forward period under Federal tax laws.

Changes in circumstances, such as the Company generating taxable income, could cause a change in judgment about the reliability of the related deferred tax asset. Any change in the valuation allowance will be included in income in the year of the change estimate.

## **Carrying Value, Recoverability and Impairment of Long-Lived Assets**

The Company has adopted paragraph 360-10-35-17 of FASB Accounting Standards Codification for its long-lived assets. The Company’s long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable.

The company assesses the recoverability of its long-lived assets by comparing the projected undiscounted net cash flows associated with the related long-lived asset or group of assets over their remaining estimated useful lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets. Fair value is generally determined using the assets expected future discounted cash flows or market value, if readily determinable. If long-lived assets are determined to be recoverable, but the newly determined remaining estimated useful lives are shorter than originally estimated, the net book values of the long-lived assets are depreciated over the newly determined remaining estimated useful lives.

The Company considers the following to be some examples of important indicators that may trigger an impairment review; (i) significant under-performance or losses of assets relative to expected historical or projected future operating results; (ii) significant changes in the manner or use of assets or in the Company’s overall strategy with respect to the manner of use of the acquired assets or changes in the Company’s overall business strategy; (iii) significant negative industry or economic trends; (iv) increased competitive pressures; (v) a significant decline in the Company’s stock price for a sustained period of time; and (vi) regulatory changes. The Company evaluates acquired assets for potential impairment indicators at least annually and more frequently upon the occurrence of such events.

The impairment charges, if any, are included in operating expenses in the accompanying statements of operations.

## **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

The Company's significant estimates include income taxes provision and valuation allowance of deferred tax assets; the fair value of financial instruments; the carrying value and recoverability of long-lived assets, and the assumption that the Company will continue as a going concern. Those significant accounting estimates or assumptions bear the risk of change due to the fact that there are uncertainties attached to those estimates or assumptions, and certain estimates or assumptions are difficult to measure or value.

Management regularly reviews its estimates utilizing currently available information, changes in facts and circumstances, historical experience and reasonable assumptions. After such reviews, and if deemed appropriate, those estimates are adjusted accordingly. Actual results could differ from those estimates.

## **Fair Value of Financial Instruments**

The estimated fair values of financial instruments were determined by management using available market information and appropriate valuation methodologies. The carrying amounts of financial instruments including cash approximate their fair value because of their short maturities.

## **Long Lived Assets**

In accordance with ASC 350 the Company regularly reviews the carrying value of intangible and other long-lived assets for the existence of facts or circumstances both internally and externally that suggest impairment. If impairment testing indicates a lack of recoverability, an impairment loss is recognized by the Company if the carrying amount of a long-lived asset exceeds its fair value.

## **Stock-based Compensation**

The Company accounts for stock-based compensation issued to employees based on FASB accounting standard for Share Based Payment. It requires an entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award – the requisite service period (usually the vesting period). It requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. The scope of the FASB accounting standard includes a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. The Company currently has no stock-based compensation plan in place.

## **Advertising and Promotional Costs**

Advertising and promotional costs are expensed as incurred. Advertising and promotional expenses totaled \$0 and \$0 for the three months ended March 31, 2020 and December 31, 2019 respectively.

## **Comprehensive Income (Loss)**

Comprehensive income is defined as all changes in stockholders' equity (deficit), exclusive of transactions with owners, such as capital investments. Comprehensive income includes net income or loss, changes in certain assets and liabilities that are reported directly in equity such as translation adjustments in investments in foreign subsidiaries and unrealized gains (losses) on available-for-sale securities. From our inception, there have been no differences between our Comprehensive loss and net loss. Our comprehensive loss was identical to our net loss for the years ended December 31, 2019 and 2018.

## **Original Issue Discount**

For certain convertible debt issued, the Company provides the debt holder with an original issue discount. The original issue discount is recorded as a debt discount, reducing the face amount of the note and is amortized to interest expense over the life of the debt.

## **Derivative Financial Instruments**

Fair value accounting as required by ASC 815 – Derivatives and Hedging, requires bifurcation of embedded derivative instruments such as certain convertible features in convertible debt or equity instruments, and measurement of their fair value for accounting purposes. In determining the appropriate fair value, the Company uses the Black-Scholes option pricing model. In assessing the convertible debt instruments, management determines if the convertible debt host instrument is conventional convertible debt and further if there is a beneficial conversion feature requiring measurement. If the instrument is not considered conventional convertible debt, the Company will continue its evaluation process of these instruments as derivative financial instruments.

## **Recent pronouncements**

Management has evaluated accounting standards and interpretations issued but not yet effective as of March 31, 2020 and does not expect such pronouncements to have a material impact on the Company's financial position, operations, or cash flows.

## **NOTE 4 – PROPERTY, PLANT AND EQUIPMENT**

During the quarter ended September 30, 2016, the Company purchased certain office equipment for a total of \$1,659. As of March 31, 2020, the equipment was fully depreciated and the Company recognized \$0 of depreciation expense for the three months then ended.

## **NOTE 5 – STOCKHOLDERS' DEFICIT**

As of December 31, 2019, the total number of common shares authorized that may be issued by the Company was 200,000,000 shares with a par value of \$0.001 per share. The Company is authorized to issue 10,000,000 shares of preferred stock with a par value of \$0.001 per share. On March 10, 2020, the Company's shareholders voted to increase the Company's authorized common shares from 200,000,000 to 700,000,000.

On August 25, 2016, the Company issued 1,000,000 shares of its preferred series A stock to IHG in fulfillment of the purchase agreement. As at March 31, 2020 there are 1,000,000 preferred series A shares issued and outstanding. These shares are convertible at a ratio of 100 shares of the common stock of the Company for each share of preferred stock of the Company.

**Class A Preferred Rights.** The record Holders of the Class A Preferred Convertible Stock shall have the right to vote on any matter with holders of Common Stock and may vote as required on any action, which Delaware law provides may or must be approved by vote or consent of the holders of the specific Class of voting preferred shares and the holders of common shares. The Record Holders of the Class A Preferred Shares shall have the right to vote on any matter with holders of common stock voting together as one (1) class. The Record Holders of the Class A Preferred Shares shall have that number of votes (identical

in every other respect to the voting rights of the holders of other Class of voting preferred shares and the holders of common stock entitled to vote at any Regular or Special Meeting of the Shareholders) equal to that number of common shares which is not less than 60% of the vote required to approve any action, which Delaware law provides may or must be approved by vote or consent of the holders of other Class of voting preferred shares and the holders of common shares or the holders of other securities entitled to vote, if any. The Class A Preferred Convertible Stock shall rank: (i) senior to any other class or Class of outstanding Preferred Shares or Class of capital stock of the Company; (ii) prior to all of the Company's Common Stock, ("Common Stock"); and (iii) prior to any other class or Class of capital stock of the Company hereafter created "Junior Securities"); and in each case as to distributions of assets upon liquidation, dissolution or winding up of the Company, whether voluntary or involuntary (all such distributions being referred to collectively as "Distributions"). So long as a majority of the shares of Class A Preferred authorized are outstanding, the Company will not, without the written consent of the holders of at least 51% of the Company's outstanding Class A Preferred, either directly or by amendment, merger, consolidation, or otherwise: (i) liquidate, dissolve or wind-up the affairs of the Company, or effect any Liquidation Event; (ii) amend, alter, or repeal any provision of the Certificate of Incorporation or Bylaws in a manner adverse to the Class A Preferred (iii) create or authorize the creation of, or issue any other security convertible into or exercisable for, any equity security, having rights, preferences or privileges senior to the Class A Preferred, or (iv) purchase or redeem or pay any dividend on any capital stock prior to the Class A Preferred, other than stock repurchased from former employees or consultants in connection with the cessation of their employment/services. In the event of any liquidation, merger, dissolution or winding up of the Company, either voluntary or involuntary, the holders of shares of Class A Preferred Convertible Stock (each a "Holder" and collectively the "Holders") shall be entitled to receive, prior in preference to any distribution to Junior Securities, an amount per share equal to \$.01 plus any allocable and due dividends per share. The Holders of the Class A Preferred Convertible Stock shall, individually and collectively, have the right to convert all of their Class A Preferred Convertible Stock, in one transaction, by electing, in writing, to convert the 1,000,000 shares of Class A Preferred Stock into shares of Common Stock of the Company, on the basis of 100 common shares for each share of Class A Preferred Stock, subject to adjustment

**Common Stock Voting Rights:** Except as stated in the articles of incorporation, each outstanding share, regardless of class, is entitled to one vote, and each fractional share is entitled to a corresponding fractional vote, on each matter voted on at a shareholders' meeting.

As of March 31, 2020, and December 31, 2019, the total number of common shares outstanding was 50,241,238 and 48,003,443, respectively. The number of shares outstanding at March 31, 2020 was reduced by 150,000 in order to reflect that shares previously reported as outstanding but yet to be issued by the Company were, in fact, issued from the block of shares that were returned to treasury by International Hedge Group, Inc. The share quantity was deemed by management to be not material therefore not requiring an amendment of the Form 10-K for the year ended December 31, 2019 that was previously filed.

## **NOTE 6 – WARRANTS**

### **Warrant Table**

	<u>Date</u>	<u>Issue Life</u>	<u>Shares Under Warrant</u>	<u>Exercise Price</u>	<u>Remaining Life</u>
Balance at	December 31, 2015		0	0	0
Granted	August 30, 2016	3.00	34,000,000	\$ 0.05	0.00
Exercised	June 14, 2017		(17,000,000)	0	0
Issued	July 5, 2017	5.00	100,000	\$ 0.60	2.26
Exercised	June 14, 2018		(17,000,000)	0	0
Issued	April 26, 2019	5.00	440,000	0.25	4.07
Expired			0	0	0
Balance at	<u>March 31, 2020</u>		<u>540,000</u>	<u>\$ 0.31</u>	<u>3.17</u>

As of March 31, 2020, warrants to purchase 540,000 shares of common stock were outstanding.

## **NOTE 7 – CONVERTIBLE NOTE**

### **7-1 AUCTUS FUND**

On April 26, 2019, the Company entered into an agreement with Auctus Fund LLC. The terms and conditions are as follows:

The face value of the note is \$110,000 at an interest rate of 12% and the maturity date is January 26, 2020. As of January 26, 2020, the Company is in default with the payments required by the note and is therefore subject to a default rate of 24%. At the time of the disbursement the Company received \$97,250 net cash proceeds, as there was a deduction from proceeds to the Company of \$2,750 for legal fees related to the issuance of the promissory note and a deduction of \$10,000 as prepaid interest to the lender of which \$1,111 was expensed in the current quarter. The repayment is a lump sum payment on the due date or is convertible into Company common stock at the discretion of the lender. The conversion, if chosen, will be at 50% of the two lowest trading days in the previous ten-day period prior to the date of conversion. This represents a discount of fifty percent (50%). The number of shares to be issued in the conversion will be calculated as follows: the average price of the two lowest trading days of the preceding the days will be multiplied by 0.50 (to arrive at the discount factor) and then the resulting price will be divided into the principal and accrued interest resulting in the number of shares due. The lender agrees to limit the amount of stock received to less than 4.99% of the total outstanding common stock. There are also 440,000 warrants attached to this note with an exercise price of \$0.25 and a life of 5 years.

The Company accounts for this conversion feature as a Beneficial Conversion Feature and has fully recognized the Beneficial Conversion Feature on inception. The fair value is calculated to be \$110,000 for the expense portion of the note. This calculation is based on the current trading prices of the Company. Management has determined that this treatment, the expensing of the entire value of the note, is appropriate given the uncertain nature of the value of the Company and its stock. With this treatment there will be no revaluations until the note is paid or redeemed for stock.

The Company has accounted for the value of the warrants using the Black-Scholes model with a stock price of \$0.38, volatility of 98%, risk free rate of 2.25% and a life of 5 years. Within these parameters the Company has recorded a warrant expense of \$132,593.

During the quarter ended March 31, 2020 the lender exercised its right to convert \$2,471 of accrued interest and \$862 of principal into 2,387,795 shares of common stock of the Company.

As a result of these conversions the Company issued a total of 2,387,795 shares of its common stock and due to the difference between the trading price and the value of the debt converted the Company recorded a loss of (\$20,545). This is reported on the Statement of Income and Expense under the heading of “Loss on conversion of Notes Payable.”

### **7-2 GS CAPITAL PARTNERS**

On November 1, 2019 the Company entered into a financing arrangement with GS Capital Partners LLC. The face value of the note is \$70,000 at an interest rate of 10% and the maturity date is November 1, 2020. At the time of the disbursement the Company received \$54,450 net cash proceeds, as there was a deduction from proceeds to the Company of \$3,500 for legal fees related to the issuance of the promissory note, \$6,000 as prepaid interest and \$6,050 as a note placement expense. The repayment is a lump sum payment on the due date or is convertible into Company common stock at the discretion of the lender. The conversion, if chosen, will be at 50% of the two lowest trading days in the previous ten-day period prior to the date of conversion. This represents a discount of fifty percent (50%). The number of shares to be issued in the conversion will be calculated as follows: the average price of the two lowest trading days of the preceding the days will be multiplied by 0.50 (to arrive at the discount factor) and then the resulting price will be divided into the principal and accrued interest resulting in the number of shares due. The lender agrees to limit the amount of stock received to less than 4.99% of the total outstanding common stock. There are no warrants or options attached to this note.



**7-3 ADAR ALEF**

On November 4, 2019 the Company entered into a financing arrangement with Adar Alef, LLC. The face value of the note is \$70,000 at an interest rate of 10% and the maturity date is November 1, 2020. At the time of the disbursement the Company received \$54,450 net cash proceeds, as there was a deduction from proceeds to the Company of \$3,500 for legal fees related to the issuance of the promissory note, \$6,000 as prepaid interest and \$6,050 as a note placement expense. The repayment is a lump sum payment on the due date or is convertible into Company common stock at the discretion of the lender. The conversion, if chosen, will be at 50% of the two lowest trading days in the previous ten-day period prior to the date of conversion. This represents a discount of fifty percent (50%). The number of shares to be issued in the conversion will be calculated as follows: the average price of the two lowest trading days of the preceding the days will be multiplied by 0.50 (to arrive at the discount factor) and then the resulting price will be divided into the principal and accrued interest resulting in the number of shares due. The lender agrees to limit the amount of stock received to less than 4.99% of the total outstanding common stock. There are no warrants or options attached to this note.

Upon issuance of the 2019 convertible notes, the Company recorded discounts of \$229,922 against the notes' face values, to be amortized ratably over the life of each note. The discounts initially consisted of \$186,072 of beneficial conversion features, \$9,750 of direct legal costs, \$12,100 of placement costs and \$22,000 of original issue discounts.

During the quarter ended March 31, 2020, the Company amortized the following to expense: \$3,492 of legal fees, \$3,008 of placement costs, \$29,314 of beneficial conversion features and \$3,929 of prepaid interest.

**AMORTIZATION OF PREPAID INTEREST  
OF CONVERTIBLE NOTES**

	<u>Prepaid</u>	<u>Begin Date</u>	<u>End Date</u>	<u>2019 Amortize</u>	<u>First Quarter 2020</u>	<u>Balance</u>
10-1 Auctus	\$ 10,000	4/26/2019	1/26/2020	\$ 9,054	\$ 946	\$ —
10-2 GS Capital	\$ 6,000	11/1/2019	11/1/2020	\$ 984	\$ 1,500	\$ 3,516
10-3 Adar Alef	\$ 6,000	11/4/2019	11/4/2020	<u>\$ 982</u>	<u>\$ 1,500</u>	<u>\$ 3,518</u>
<b>Totals</b>				\$ 11,020	\$ 3,946	\$ 7,034

**NOTE 8 – NOTES PAYABLE**

On April 24, 2019, the Company received \$20,000 from an individual. The terms of this note are: a due date of October 24, 2019 and an interest rate of 11%. In addition, the individual received 100,000 shares of restricted common stock. These shares were valued at \$30,000 which represents the trading price as of the date indicated and were recorded to interest expense.

On December 13, 2019, the Company negotiated a six-month extension with the lender and paid \$1,100 cash for accrued interest and issued 100,000 shares of common stock as an additional inducement for the extension. The stock was valued at \$0.027 per share per the loan agreement, resulting in \$2,700 of interest expense based on the stock's closing price on that date.

On April 29, 2019, the Company received \$10,000 from an individual. The terms of this note are: due date October 29, 2019 and an interest rate of 11%. In addition, the individual received 50,000 shares of restricted common stock. These shares were valued at \$19,000 which represents the trading price as of the date indicated and recorded to interest expense.

On December 13, 2019, the Company negotiated a six-month extension with the lender and paid \$550 cash for accrued interest and issued 50,000 shares of common stock as an additional inducement for the extension. The stock was valued at \$0.027 per share per the loan agreement, resulting in \$1,350 of interest expense based on the stock's closing price on that date. Principal outstanding on the first note was \$20,000 at both March 31, 2020 and December 31, 2019. Principal outstanding on the second note was \$10,000 at both March 31, 2020 and December 31, 2019.

#### ACCRUED INTEREST SUMMARY FOR NOTES PAYABLE

						Three Months ended	
	Begin Date	End Date	Interest Rate	Principal	2019 Accrual	March 31, 2020 Expense	March 31, 2020 Accrual
B Rosen	5/13/2019	5/13/2020	11%	10,000	\$ 699	\$ 274	\$ 973
L Haag	5/13/2019	5/13/2020	11%	20,000	\$ 1,398	\$ 547	\$ 1,945
<b>Totals</b>					\$ 2,097	\$ 821	\$ 2,918

#### NOTE 9 – RELATED PARTY TRANSACTIONS

In support of the Company's efforts and cash requirements, it must rely on advances from related parties until such time that the Company can support its operations or attains adequate financing through sales of its equity or traditional debt financing. There is no formal written commitment for continued support by shareholders. The advances are considered temporary in nature and have not been formalized by a promissory note. The following table summarizes the advances and repayments from/to related parties and describes each person's relationship to the Company.

In addition, International Hedge Group provides management consulting services to the Company. There is no formal written agreement that defines the compensation to be paid. For the three months ended March 31, 2020 and 2019 the Company recorded the related party management consulting expense of \$16,500 and \$2,430 respectively.

There were no related party advances during the quarter ended March 31, 2020. Joe Kurczodyna, an officer of the Company, was owed a total of \$480; Todd Lahr, a former officer of the Company, was owed \$18,780; and a total of \$22,590 was owed to our parent company, International Hedge Group, Inc., at March 31, 2020.

**NOTE 10 – SUBSEQUENT EVENTS**

On May 18, 2020, the Company negotiated loans with two individuals who are currently owed a total of \$30,000 principal and \$2,918 of accrued interest.

The new notes are dated May 18, 2020 and have a due date of November 18, 2020. Each note has a face value of \$12,500 and bears an interest rate of 11%. In addition, each party received 200,000 shares of common stock of the Company. These shares are valued at \$0.02, the price of the stock on May 18, 2020. The Company will record a prepaid interest amount of \$8,000 to be amortized over the six-month life of the notes. The notes may be prepaid at any time but in the event of the prepayment the full amount of principal and interest will required to be paid. In the event that the Company is unable to make payment on the due date the default interest rate will continue at 11% but the Company is obligated to issue 500,000 shares of its common stock to each lender.

On May 21, 2020, the Company entered into an agreement with Power Up Lending Group to borrow \$103,000 with a due date of May 21, 2021. The note bears an interest rate of 10% with a default rate of 22%. This is a convertible note that may be exercised beginning 180 days after the date of the note. The conversion price is to be calculated at 61% of the lowest trading price of the stock for the previous 20 trading days, an effective discount of 39%. The Company is required to instruct the transfer agent to reserve a total of 63,319,672 shares for conversion.

The Company received \$100,000 as proceeds of the note on May 25, 2020 There are legal fees of \$2,500 and offering costs of \$500. These fees and costs will be recorded as costs to be amortized over the life of the note.

Management has evaluated significant subsequent events through June 22, 2020, the date these financial statements were available to be issued, noting none that require additional disclosure.

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.**

### ***Forward-Looking Statements and Associated Risks.***

*This form 10-Q contains certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. For this purpose any statements contained in this Form 10-Q that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, words such as “may”, “will”, “expect”, “believe”, “anticipate”, “estimate, or “continue” or comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, and actual results may differ materially depending on a variety of factors, many of which are not within our control. These factors include but are not limited to economic conditions generally and in the industries in which we may participate; competition within our chosen industry, including competition from much larger competitors; technological advances and failure to successfully develop business relationships.*

Based on our financial history since inception, our auditor has expressed substantial doubt as to our ability to continue as a going concern. As reflected in the accompanying financial statements, as of March 31, 2020, we had an accumulated deficit totaling \$4,504,710. This raises substantial doubts about our ability to continue as a going concern.

### **Plan of Operation**

BlackStar Enterprise Group, Inc. (the “Company” or “BlackStar”) was incorporated in the State of Delaware on December 18, 2007 as NPI08, Inc. (“NPI08”). In January 2010, NPI08 acquired an ownership interest in Black Star Energy Group, Inc., a Colorado Corporation. BlackStar Energy then merged into NPI08, with NPI08 being the surviving entity. Concurrently, NPI08 changed its name to BlackStar Energy Group, Inc. On January 25, 2016, International Hedge Group, Inc. signed an agreement to acquire a 95% interest in the Company. In lieu of the 95% of common shares originally agreed upon, IHG received 44,400,000 shares of common stock and 1,000,000 shares of Class A Preferred Stock. The name was changed to BlackStar Enterprise Group, Inc. in August of 2016.

The Company is a Delaware corporation organized for the purpose of engaging in any lawful business. The Company intends to act as a merchant bank as at the date of these financial statements. We currently trade on the OTC QB under the symbol “BEGI”. The Company is a merchant banking firm seeking to facilitate venture capital to early stage revenue companies. BlackStar intends to offer consulting and regulatory compliance services to crypto-equity companies and blockchain entrepreneurs for securities, tax, and commodity issues. BlackStar is conducting ongoing analysis for opportunities in involvement in crypto-related ventures through our newly formed wholly-owned subsidiary, Crypto Equity Management Corp., (“CEMC”), mainly in the areas of blockchain and distributed ledger technologies (“DLT”). BlackStar intends to serve businesses in their early corporate lifecycles and may provide funding in the forms of ventures in which we control the venture until divestiture or spin-off by developing the businesses with capital. We have only engaged in one transaction as a merchant bank form to date.

Our investment strategy focuses primarily on ventures with companies that we believe are poised to grow at above-average rates relative to other sectors of the U.S. economy, which we refer to as "emerging growth companies." Under no circumstances does the company intend to become an investment company and its activities and its financial statement ratios of assets and cash will be carefully monitored and other activities reviewed by the Board to prevent being classified or inadvertently becoming an investment company which would be subject to regulation under the Investment Company Act of 1940.

As a merchant bank, BlackStar intends to seek to provide access to capital for companies and is specifically seeking out ventures involved in DLT or blockchain. BlackStar intends to facilitate funding and management of DLT-involved companies through majority controlled joint ventures through its subsidiary CEMC. BlackStar, through CEMC, intends to initially control and manage each venture. Potential ventures for both BlackStar and CEMC will be analyzed using the combined business experience of its executives, with CEMC looking to fill those venture criteria with companies in crypto-related businesses such as blockchain or DLT technologies. The Company does not intend to develop Investment Objectives or “criteria” in any manner but will rely on the acumen and experience of its executives.

**Recent Updates** – The Company is designing and building the Peer-to-Peer (“P2P”) BDTP, subject to obtaining sufficient funding. Currently in the demonstration phase, we estimate finalizing the BDTP at a cost of \$60,000 USD over the next five

months and have budgeted funds for the final production of the platform. As of the date of this filing, the demo is being tested and BlackStar intends to seek input from various regulatory agencies and OTC Markets on the functionality of the BDTP over the next several months. The BDTP has been completely designed in terms of the following components: data model, reports, web-based user interface, blockchain interface, transaction logic, cloud interface, and functional demonstration app.

We have contracted the services of Dr. David Gnabasi, a computer scientist contractor of Artuova and a former employee of Colorado Parks and Wildlife, who has demonstrated a working blockchain project for managing licenses for Parks and Wildlife state agencies. Mr. Mathew Baldwin, a principal of Artuova, created the software for the BDTP to work with Dr. Gnabasi's blockchain design. The software demonstrates the concept of trading shares for cash using blockchain technology. The software is complete in demonstrating a proof-of-concept trading ability, while recording activity using an immutable blockchain ledger. Currently, the working model platform is hosted on Amazon's Hyperledger-Fabric Blockchain.

The Company's success will be dependent upon the Company's ability to analyze and manage the opportunities presented.

We intend to expend funds over the next four quarters as follows:

2 <sup>nd</sup> Quarter 2020		· BDTP Software Development/Ventures	· \$250,000
		· Operations	· \$100,000
3 <sup>rd</sup> Quarter 2020		· BDTP Implementation/Ventures	· \$250,000
		· Operations	· \$100,000
4 <sup>th</sup> Quarter 2020		· BDTP Implementation/Ventures	· \$250,000
		· Operations	· \$50,000
1 <sup>st</sup> Quarter 2021		· Ventures	· \$250,000
		· Operations	· \$50,000

Our Budget for operations in the current year is as follows:

BDTP Development	\$	500,000
Working Capital –Joint Ventures	\$	500,000
Legal, Audit and Accounting	\$	150,000
Fees, rent, travel and general & administrative expenses	\$	150,000
	\$	<b>1,300,000</b>

The Company may change any or all the budget categories in the execution of its business model. None of the line items are to be considered fixed or unchangeable. The Company may need substantial additional capital to support its budget. We have not recognized revenues from our operational activities.

Based on our current cash reserves of \$5,885 as of March 31, 2020, we have no cash for an operational budget. We have recently received funds from several convertible promissory notes to continue to provide operational funds. We may offer a private placement of stock or Notes to investors in order to achieve an additional approximately \$700,000 in funding in the next six months. We have not yet commenced the offering, but may commence this offering in the 3<sup>rd</sup> Quarter of 2020. If we are unable to generate enough revenue to cover our operational costs, we will need to seek additional sources of funds. Currently, we have no committed source for any funds as of date hereof. No representation is made that any funds will be available when needed. In the event funds cannot be raised if and when needed, we may not be able to carry out our business plan and could fail in business as a result of these uncertainties.

The independent registered public accounting firm's report on our financial statements as of December 31, 2019, includes a "going concern" explanatory paragraph that describes substantial doubt about our ability to continue as a going concern.

Since our cash reserves were \$5,885 as of the end of the 1<sup>st</sup> Quarter, our parent company, IHG, may fund on an interim basis any shortfall in our cash reserves. If received, we would use those funds to pay legal, accounting, office rent and general and administrative expense. We have estimated \$250,000 for the remaining quarters in 2020 in operational costs which includes ordinary legal, accounting, travel, general and administrative, audit, rent, telephones and miscellaneous.

## **Results of Operations**

*For the Three Months Ended March 31, 2020 compared to same period in 2019*

During the three months ended March 31, 2020 and 2019, we had no revenue, no cost of revenues, and no gross profit. During the three months ended March 31, 2020, we recognized a net loss of \$(104,108) compared to a net loss of \$(16,114) during the three months ended March 31, 2019. Our operating expenses included nil in depreciation, nil in computer programming, \$16,500 in related party management consulting fees, \$3,000 in legal and professional fees, and \$15,084 in general and administrative fees, for total operating expenses of \$35,118 for the three months ended March 31, 2020, compared to \$15,069 for the same quarter in 2019. Higher management consulting fees and general and administrative expenses led to higher total operating expenses in the three months ended March 31, 2020 by \$20,049 compared to the same period ended March 31, 2019. Our loss from operations was \$(35,118) and \$(15,069) for the quarters ended March 31, 2020 and 2019, respectively.

For the three months ended March 31, 2020, we had significantly higher other expenses due to amortization of discounts and conversion features in the convertible promissory notes that we have used to finance our continued operations, resulting in other net expenses of \$(68,990) as compared to \$(1,045) for the same period in 2019. We had one other expense in the quarter ended March 31, 2019 of \$(1,045) for amortization of discount on convertible notes; the same line item was \$(33,243) for the quarter ended March 31, 2020.

Net loss per share for the three-month period in 2020 and 2019 was \$(0.00) and \$(0.00) per share, respectively.

Our auditor has expressed substantial doubt as to whether we will be able to continue to operate as a “going concern” due to the fact that the Company has an accumulated deficit of \$(4,504,710) as of March 31, 2020, compared to an accumulated deficit of \$(4,400,602) at December 31, 2019, and has not yet established an ongoing source of revenues sufficient to cover its operating costs and allow it to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company obtaining the adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease operations.

## **Liquidity and Capital Resources**

As of March 31, 2020, we had total current assets of \$9,404 comprised of \$5,885 in cash and \$3,519 in prepaid expenses, compared to \$43,808 total current assets as of December 31, 2019. Our total assets as of March 31, 2020 were \$9,404 compared to \$43,808 as of December 31, 2019. Current liabilities as of March 31, 2020 were \$323,162 compared to \$278,086 at December 31, 2019. Current liabilities as of March 31, 2020 consisted of accounts payable of \$56,366, accrued payables of \$10,857, an advance payable to a related party of \$41,850, convertible promissory notes payable of \$184,089 (net discounts), and notes payable of \$30,000. As of March 31, 2020, we had a deficit of (\$313,758) in working capital, compared to a deficit of (\$234,278) as of December 31, 2019.

We intend to attempt to raise capital through several sources: a) partner venture funds, b) private placements of our stock, and/or c) loans from our parent company IHG. We do not anticipate generating sufficient amounts of revenues to meet our working capital requirements. Consequently, we intend to make appropriate plans to ensure sources of additional capital in the future to fund growth and expansion through additional equity or debt financing or credit facilities.

We do not have terms or committed sources of capital of any type at this time. If we are able to raise additional capital, we intend to complete and launch the BDTP, and further, enter into additional joint ventures. We intend to use the funds repaid from the joint ventures to a) retire debt, b) fund additional joint ventures with companies, and c) to provide operational funds.

We have been, and intend to continue, working toward identifying and obtaining new sources of financing. No assurances can be given that we will be successful in obtaining additional financing in the future. Any future financing that we may obtain may cause significant dilution to existing stockholders. Any debt financing or other financing of securities senior to common stock that we are able to obtain will likely include financial and other covenants that will restrict our flexibility. Any failure to

comply with these covenants would have a negative impact on our business, prospects, financial condition, results of operations and cash flows.

If adequate funds are not available, we may be required to delay, scale back or eliminate portions of our operations or obtain funds through arrangements with strategic partners or others that may require us to relinquish rights to certain of our assets. Accordingly, the inability to obtain such financing could result in a significant loss of ownership and/or control of our assets and could also adversely affect our ability to fund our continued operations and our expansion efforts.

We do not anticipate that we will purchase any significant equipment over the next twelve months.

We do not anticipate any significant changes in the number of employees unless we significantly increase the size of our operations. We believe that we do not require the services of additional independent contractors to operate at our current level of activity. However, if our level of operations increases beyond the level that our current staff can provide, we may need to supplement our staff in this manner.

### ***Financing Activities***

During the three months ended March 31, 2020, the Company received \$0 from subscription agreements or private placement offerings. The Company received shareholder contributions in the amount of \$0 in the three months ended March 31, 2020. We recorded under supplemental disclosure \$862 from stock issued for principal of note payable, and \$3,221 for stock issued for interest expense. Net cash provided by financing activities was \$0 for both the three months ended March 31, 2020 and 2019.

### ***Investing Activities***

Net cash used in investing activities was \$0 for the three-month period. The same was true for the three months ended March 31, 2019.

### ***Operating Activities***

During the three months ended March 31, 2020, net cash used in operating activities was \$(27,366), compared to \$(6,319) used in operating activities for the same period in 2019. The increased amount of cash used in operating activities is attributable to increases in operating and other expenses, increasing the net loss for the three months ended March 31, 2020. There were, however, greater adjustments to reconcile the net loss to net cash used in operating activities, including amortization of convertible note issuance costs of \$6,500, loss on conversion of notes payable of \$20,545, interest expense paid in stock of \$3,221, and amortization of discounts on convertible notes of \$33,243 for the three months ended March 31, 2020.

During the year ended December 31, 2019, the Company used cash in the amount of (\$219,686) in operating activities, compared to (\$344,017) over the previous year.

### ***Going Concern***

We have only a very limited amount of cash and have incurred operating losses and limited cash flows from operations since inception. As of March 31, 2020 and December 31, 2019, we had accumulated deficit of \$(4,504,710) and \$(4,400,602), respectively and we will require additional working capital to fund operations through 2020 and beyond. These factors, among others, raise substantial doubt about our ability to continue as a going concern. Our financial statements included in this Form 10-Q do not include any adjustments related to recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should we be unable to continue as a going concern. The audited financial statements included in the Company's recent annual report on Form 10-K have been prepared assuming that we will continue as a going concern and do not include any adjustments that might result if we cease to continue as a going concern.

Based on our financial history since inception, in their report on the financial statements for the period ended December 31, 2019, our independent registered public accounting firm has expressed substantial doubt as to our ability to continue as a going concern. There is no assurance that any revenue will be realized in the future.

There can be no assurance that we will have adequate capital resources to fund planned operations or that any additional funds will be available to us when needed or at all, or, if available, will be available on favorable terms or in amounts required by us.

If we are unable to obtain adequate capital resources to fund operations, we may be required to delay, scale back or eliminate some or all of our operations, which may have a material adverse effect on our business, results of operations and ability to operate as a going concern.

#### *Short Term*

On a short-term basis, we have not generated revenues sufficient to cover our growth oriented operations plan. Based on prior history, we may continue to incur losses until such a time that our revenues are sufficient to cover our operating expenses and growth oriented operations plan. As a result we may need additional capital in the form of equity or loans, none of which is committed as of this filing.

#### *Capital Resources*

We have only common stock as our capital resource, and our assets, cash and receivables.

We have no material commitments for capital expenditures within the next year, however, as operations are expanded substantial capital will be needed to pay for expansion and working capital.

#### *Need for Additional Financing*

We do not have capital sufficient to meet our growth plans. We have made equity and debt offerings in order to support our growth plans, to date, and may do so in the future.

No commitments to provide additional funds have been made by our management or other stockholders. Accordingly, there can be no assurance that any additional funds will be available to us to allow coverage of our expenses as they may be incurred.

#### **Off Balance Sheet Arrangements**

None

#### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

#### **Item 4. Controls and Procedures**

##### *Disclosure Controls and Procedures*

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time period specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is accumulated and communicated to management including our principal executive officer/principal financial officer as appropriate, to allow timely decisions regarding required disclosure.

Management has carried out an evaluation of the effectiveness of the design and operation of our company's disclosure controls and procedures. Due to the lack of personnel and outside directors, management acknowledges that there are deficiencies in these controls and procedures. The Company anticipates that with further resources, the Company will expand both management and the board of directors with additional officers and independent directors in order to provide sufficient disclosure controls and procedures.

##### *Changes in Internal Control Over Financial Reporting*

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) or 15d-15(f)) during the quarter ended March 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.



## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

None.

### ITEM 1A. RISK FACTORS

In light of the current COVID-19 global pandemic, the Company included the following new risk factors in the annual report for the year ended December 31, 2019:

#### UNFAVORABLE CONDITIONS IN OUR INDUSTRY OR THE GLOBAL ECONOMY OR REDUCED ACCESS TO LENDING MARKETS COULD HARM OUR BUSINESS.

Our results of operations may vary based on the impact of changes in our industry or the global economy on us or our potential customers. Current or future economic uncertainties or downturns could adversely affect our business and results of operations. Negative conditions in the general economy both in the United States and abroad, including conditions resulting from changes in gross domestic product growth, financial and credit market fluctuations, political turmoil, natural catastrophes, warfare, public health issues, such as the recent outbreak of coronavirus (COVID-19), and terrorist attacks on the United States, Europe, the Asia Pacific region, or elsewhere, could cause a decrease in business investments or decrease access to financing which would harm our business. To the extent that our platform is perceived by potential customers as too costly, or difficult to deploy or migrate to, our revenue may be disproportionately affected by delays or reductions in general technology spending. Also, we may have competitors, many of whom may be larger and have greater financial resources than we do, and may respond to market conditions by attempting to lure away our customers. We cannot predict the timing, strength, or duration of any economic slowdown, instability, or recovery, generally or within any particular industry.

#### SOME OF OUR VENTURE COMPANIES MAY NEED ADDITIONAL CAPITAL, WHICH MAY NOT BE READILY AVAILABLE.

Ventures in which we may make investments will often require substantial additional financing to fully execute their growth strategies. Each round of venture financing is typically intended to provide a company with only enough capital to reach the next stage of development, or in the case of our financings, the turn-around stage or offering stage which might provide us with a liquidity event. We cannot predict the circumstances or market conditions under which our ventures may seek additional capital. It is possible that one or more of our ventures will not be able to raise additional financing or may be able to do so at a price or on terms which are unfavorable to us, either of which could negatively impact our success. A likely economic downturn due to the recent pandemic known as coronavirus (COVID-19) may also cause lasting damage to the markets and potential ventures, from capital access and lack of investment issues to staffing and supply chain issues.

Other than as provided above, there are no material changes to risk factors as previously disclosed in the Company's Form 10-K for the year ended December 31, 2019.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

For the three months ended March 31, 2020, the Company had no unregistered sales of equity securities. Prior to the filing of this report, the Company entered into two unregistered transactions.

On May 18, 2020, the Company negotiated loans with two individuals who are currently owed a total of \$30,000 principal and \$2,918 of accrued interest under prior loans.

The new notes are dated May 18, 2020 and have a due date of November 18, 2020. Each note has a face value of \$12,500 and bears an interest rate of 11%. In addition, each party received 200,000 shares of common stock of the Company. These shares are valued at \$0.02, the price of the stock on May 18, 2020. The Company will record a prepaid interest amount of \$8,000 to be amortized over the six-month life of the notes. The notes may be prepaid at any time but in the event of the prepayment the

full amount of principal and interest will required to be paid. In the event that the Company is unable to make payment on the due date the default interest rate will continue at 11% but the Company is obligated to issue 500,000 shares of its common stock to each lender.

On May 21, 2020, the Company entered into an agreement with Power Up Lending Group to borrow \$103,000 with a due date of May 21, 2021. The note bears an interest rate of 10% with a default rate of 22%. This is a convertible note that may be exercised beginning 180 days after the date of the note. The conversion price is to be calculated at 61% of the lowest trading price of the stock for the previous 20 trading days, an effective discount of 39%. The Company is required to instruct the transfer agent to reserve a total of 63,319,672 shares for conversion.

The Company received \$100,000 as proceeds of the note on May 25, 2020 There are legal fees of \$2,500 and offering costs of \$500. These fees and costs will be recorded as costs to be amortized over the life of the note. More information can be found in the Form 8-K filed on June 2, 2020 and is incorporated herein by reference.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

### **ITEM 4. MINE SAFETY DISCLOSURE**

Not Applicable.

### **ITEM 5. OTHER INFORMATION**

**Promissory Notes:** As stated in Item 2, above, on May 18, 2020, the Company negotiated loans with two individuals who are currently owed a total of \$30,000 principal and \$2,918 of accrued interest under prior loans.

The new notes are dated May 18, 2020 and have a due date of November 18, 2020. Each note has a face value of \$12,500 and bears an interest rate of 11%. In addition, each party received 200,000 shares of common stock of the Company. These shares are valued at \$0.02, the price of the stock on May 18, 2020. The Company will record a prepaid interest amount of \$8,000 to be amortized over the six-month life of the notes. The notes may be prepaid at any time but in the event of the prepayment the full amount of principal and interest will required to be paid. In the event that the Company is unable to make payment on the due date the default interest rate will continue at 11% but the Company is obligated to issue 500,000 shares of its common stock to each lender.

**Share Totals:** As of March 31, 2020, and December 31, 2019, the total number of common shares outstanding was 50,241,238 and 48,003,443, respectively. The number of shares outstanding at March 31, 2020 was reduced by 150,000 in order to reflect that shares previously reported as outstanding but yet to be issued by the Company were, in fact, issued from the block of shares that were returned to treasury by International Hedge Group, Inc. The share quantity was deemed by management to be not material therefore not requiring an amendment of the Form 10-K for the year ended December 31, 2019 that was previously filed.

## ITEM 6. EXHIBITS

**Exhibits.** The following is a complete list of exhibits filed as part of this Form 10-Q. Exhibit numbers correspond to the numbers in the Exhibit Table of Item 601 of Regulation S-K.

31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934
32.1	Certification of Chief Executive Officer under Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer under Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document (1)
101.SCH	XBRL Taxonomy Extension Schema Document (1)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (1)
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (1)
101.LAB	XBRL Taxonomy Extension Label Linkbase Document (1)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (1)

- (1) Pursuant to Rule 406T of Regulation S-T, this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

**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.

**BLACKSTAR ENTERPRISE GROUP, INC.**  
**(Registrant)**

Dated: June 25, 2020

By: /s/ John Noble Harris

John Noble Harris  
(Chief Executive Officer, Principal Executive  
Officer)

Dated: June 25, 2020

By: /s/ Joseph E. Kurczodyna

Joseph E. Kurczodyna  
(Chief Financial Officer, Principal Accounting  
Officer)