UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 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 [X] 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 [X] 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	[X]	Smaller reporting company	[X]
		Emerging growth company	[X]

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 [X]

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

As of November 12, 2020, there were 82,454,275 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

	September 30, 2020 (Unaudited)	December 31, 2019
ASSETS		
Current Assets		
Cash	$ 23,006	$ 33,251
Prepaid expenses	3,256	10,557
Total current assets	26,262	43,808
Fixed assets		
Furniture and equipment	1,659	1,659
Accumulated depreciation	(1,659)	(1,659)
Total fixed assets	—	—
Total Assets	$ 26,262	$ 43,808
LIABILITIES & STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	$ 53,843	$ 57,392
Accrued payables	18,456	3,636
Advances related parties	19,260	41,850
Convertible notes payable, net of discounts of $105,002 and $101,648 at Sept. 30, 2020 and December 31, 2019	183,507	145,208
Notes payable	55,000	30,000
Total current liabilities	330,066	278,086
Stockholders' Deficit		
Preferred stock, 10,000,000 shares authorized, $0.001 par value; 1,000,000 shares issued and outstanding	1,000	1,000
Common stock, 700,000,000 and 200,000,000 shares authorized at Sept. 30, 2020 and December 31, 2019, $0.001 par value; 74,639,153 and 48,003,443 shares issued and outstanding at Sept. 30, 2020 and December 31, 2019	74,639	48,003
Common stock to be issued	—	—
Additional paid in capital	3,004,437	2,315,655
Additional paid in capital - warrants	1,562,593	1,562,593
Additional paid in capital - debt discount of convertible note	385,073	239,073
Accumulated deficit	(5,331,546)	(4,400,602)
Total stockholders' deficit	(303,804)	(234,278)
Total Liabilities and Stockholders' Deficit	$ 26,262	$ 43,808

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

BLACKSTAR ENTERPRISE GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Unaudited)

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Revenue	$ —	$ —	$ —	$ —
Operating expenses				
Depreciation	—	—	—	300
Legal and professional	13,028	2,350	62,819	89,257
Management consulting - related party	33,500	16,400	59,910	72,830
General and administrative	10,936	9,801	40,935	27,473
Total operating expenses	57,464	28,551	163,664	189,860
Other income (expense)				
Amortization of discount on convertible notes	(56,733)	—	(116,249)	(110,000)
Amortization of convertible debt issuance costs	(17,438)	—	(27,015)	—
Loss on note payable conversions	(277,607)	—	(574,715)	—
Warrant expense	—	—	—	(132,593)
Interest expense	(16,551)	(10,069)	(49,301)	(65,170)
Other income (expense)	(368,329)	(10,069)	(767,280)	(307,763)
(Loss) before provision for income taxes	(425,793)	(38,620)	(930,944)	(497,623)
Provision for income taxes	—	—	—	—
Net (loss)	$ (425,793)	$ (38,620)	$ (930,944)	$ (497,623)
Net (loss) per share - basic and diluted	$ (0.01)	$ (0.001)	$ (0.02)	$ (0.01)
Weighted average number of common shares outstanding - basic and diluted	67,576,016	52,000,000	56,747,018	52,000,000

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

BLACKSTAR ENTERPRISE GROUP, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDER'S DEFICIT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Unaudited)

	Common Stock		Preferred Stock				
	Shares	**Amount ($0.001 Par)**	**Shares**	**Amount ($0.001 Par)**	**Paid in Capital**	**Accumulated Deficit**	**Stockholders' Deficit**
Balances - December 31, 2019	48,003,443	$48,003	1,000,000	$ 1,000	$4,117,321	$ (4,400,602)	$ (234,278)
Adjust for shares issued directly from IHG retirement to treasury at December 31, 2019	(150,000)	(150)	—	—	150	—	—
Shares issued for conversion of notes and interest	26,235,710	26,236	—	—	678,182	—	704,418
Conversion feature of convertible note	—	—	—	—	146,000	—	146,000
Shares issued for loan costs at $0.02 per share	550,000	550	—	—	10,450	—	11,000
Net loss	—	—	—	—	—	(930,944)	(930,944)
Balances – Sept. 30, 2020	74,639,153	$74,639	1,000,000	$ 1,000	$4,952,103	$ (5,331,546)	$ (303,804)
Balances - December 31, 2018	52,000,000	$52,000	1,000,000	$ 1,000	$3,373,353	(3,521,333)	$ (94,980)
Shares issued for interest on loans	150,000	150	—	—	48,850	—	49,000
Shares issued for conversion on notes payable	299,891	300	—	—	25,700	—	26,000
Shares cancelled	(289,891)	(290)	—	—	290	—	—
Paid in Capital - Warrants	—	—	—	—	132,593	—	132,593
Paid in Capital - Convertible note	—	—	—	—	110,000	—	110,000
Net loss	—	—	—	—	—	(497,623)	(497,623)
Balances – Sept. 30, 2019	52,160,000	$52,160	1,000,000	$ 1,000	$3,690,786	(4,018,956)	$ (275,010)

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

BLACKSTAR ENTERPRISE GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Unaudited)

	2020	2019
Cash Flows From Operating Activities		
Net income (loss)	$ (930,944)	$ (497,623)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	—	300
Convertible note discount	—	110,000
Amortization of convertible note issue costs	27,015	—
Amortization of discounts on convertible notes	116,249	—
Amortization of prepaid interest	10,503	—
Loss on conversion of notes payable	574,715	—
Interest and loan fees paid in stock	36,355	—
Warrant expense	—	132,593
Changes in operating assets and liabilities		
Decrease (increase) in prepaids	7,301	(3,782)
Increase (decrease) in accounts payable	(3,549)	42,763
Increase (decrease) in accrued payables	9,700	9,952
Cash used in operating activities	(152,655)	(205,797)
Cash Flows From Investing Activities		
	—	—
Cash used in investing activities	—	—
Cash Flows From Financing Activities		
Proceeds from sales of common stock	—	75,000
Increase in notes payable	165,000	114,000
Increase in advances from related party	—	10,478
Repayments of advances from related party	(22,590)	—
Net cash provided by financing activities	142,410	199,478
Net increase (decrease) in cash	(10,245)	(6,319)
Cash, beginning of period	33,251	6,319
Cash, end of period	$ 23,006	$ —
Supplemental disclosure		
Cash paid for interest	$ 1,650	$ 10,000
Supplemental disclosure of non-cash investing and financing activities		
Common stock to be issued for loan costs	$ 11,000	$ —
Note payable and interest converted to common stock	$ 129,703	$ 26,000

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

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BLACKSTAR ENTERPRISE GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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”). The Company changed its name to Blackstar Energy Group, Inc., a Colorado corporation, in 2010 and was active in the energy industry for several years, subsequently becoming 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, and in August 2016 the name was changed to BlackStar Enterprise Group, Inc. 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. IHG is our controlling shareholder and is engaged in providing management services and capital consulting to companies. IHG and BlackStar are currently managed and controlled by two individuals each of whom is a beneficial owner of an additional 9% of the Company’s common stock

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. BlackStar formed a subsidiary nonprofit company, Crypto Industry SRO Inc. (“Crypto”) in 2017. Crypto business plan is 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.

Basis of presentation

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 nine months ended September 30, 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 nine months ended September 30, 2020 and the year ended December 31, 2019, the Company has generated no revenues and has incurred losses. As of September 30, 2020, the Company had cash of $23,006, negative working capital of ($303,804) and an accumulated deficit of ($5,331,546). 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

NOTE 2 – GOING CONCERN (continued)

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, Crypto Equity Management Corp (“CEMC”) and Crypto Industry SRO Inc . All significant intercompany accounts and transactions have been eliminated in consolidation.

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 September 30, 2020 and December 31, 2019, the Company had no deposits in excess of the FDIC insured limits.

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.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Comprehensive Income (Loss)

Comprehensive income (loss) 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 nine months ended September 30, 2020 and 2019.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 September 30, 2020 and does not expect such pronouncements to have a material impact on the Company’s financial position, operations, or cash flows.

Reclassifications

Certain amounts in the consolidated financial statements for prior year periods have been reclassified to conform with the current year periods presentation.

NOTE 4 – STOCKHOLDERS’ DEFICIT

Preferred Stock

The Company has an authorized number of preferred shares of 10,000,000, with a par value of $0.001 per share. 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. 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. As at September 30, 2020 there are 1,000,000 preferred series A shares issued and outstanding.

Common Stock

As of December 31, 2019, the authorized number of common shares of the Company was 200,000,000, 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 to 700,000,000.

As of September 30, 2020, and December 31, 2019, the total number of common shares outstanding was 74,639,153 and 48,003,443, respectively. The number of shares outstanding at September 30, 2020 was reduced by 150,000 in order to reflect that shares previously reported as outstanding as of December 31, 2019, but yet to be issued by the Company were, in fact, issued from the block of shares that were returned to treasury by IHG. The share quantity was deemed by management to be

NOTE 4 – STOCKHOLDERS' DEFICIT (continued)

not material therefore not requiring an amendment of the Form 10-K for the year ended December 31, 2019 that was previously filed.

During the nine months ended September 30, 2020, the Company issued shares of its common stock as follows:

- 26,235,710 shares for conversion of $129,703 principal, interest and fees on convertible notes payable, and recognized a loss on note payable conversions of $574,715.
- 150,000 shares, valued at $3,000 ($0.02 per share) as consideration for extension of notes originally dated April 29, 2019, as extended, for an additional six months through October 29, 2020.
- 400,000 shares valued at $8,000 ($0.02 per share) as partial consideration for an aggregate $25,000 of loans made to the Company on May 18, 2020.

NOTE 5 – WARRANTS

A summary of warrant activity during the nine months ended September 30, 2020 is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
Outstanding and exercisable – December 31, 2019	540,000	$ .31	3.99
Granted	—		
Exercised	—		
Expired	—		
Outstanding and exercisable – September 30, 2020	540,000	$ .31	3.24

NOTE 6 – CONVERTIBLE NOTES

AUCTUS FUND

On April 26, 2019, the Company entered into a financing arrangement with Auctus Fund LLC. 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. 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.

NOTE 6 – CONVERTIBLE NOTES (continued)

The Company has recorded the conversion feature as a Beneficial Conversion Feature. The fair value of $110,000 for the expense portion of the note is being amortized over the term of the note. This fair value has been determined based on the current trading prices of the Company's common stock. Management has determined that this treatment is appropriate given the uncertain nature of the value of the Company and its stock, and 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 nine months ended September 30, 2020, the lender converted an aggregate $33,939 of principal, interest and fees on the note into 11,830,995 shares of common stock of the Company. The Company has recognized a loss on conversion of $156,345, based on the difference between the trading price and the value of the debt converted.

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.

The Company has recorded the conversion feature as a Beneficial Conversion Feature. The fair value of $38,032 for the expense portion of the note is being amortized over the term of the note. This fair value has been determined based on the current trading prices of the Company's common stock. Management has determined that this treatment is appropriate given the uncertain nature of the value of the Company and its stock, and there will be no revaluations until the note is paid or redeemed for stock.

During the nine months ended September 30, 2020, the lender converted an aggregate $21,107 of principal and interest on the note into 2,329,031 shares of common stock of the Company. The Company has recognized a loss on conversion of $118,635, based on the difference between the trading price and the value of the debt converted.

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

NOTE 6 – CONVERTIBLE NOTES (continued)

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.

The Company has recorded the conversion feature as a Beneficial Conversion Feature. The fair value of $38,040 for the expense portion of the note is being amortized over the term of the note. This fair value has been determined based on the current trading prices of the Company's common stock. Management has determined that this treatment is appropriate given the uncertain nature of the value of the Company and its stock, and there will be no revaluations until the note is paid or redeemed for stock.

During the nine months ended September 30, 2020, the lender converted the total of principal and interest due on the note of $74,656 into 12,075,684 shares of common stock of the Company. The Company has recognized a loss on conversion of $299,735, based on the difference between the trading price and the value of the debt converted.

POWER UP LENDING GROUP

On May 21, 2020, the Company entered into a financing agreement with Power Up ("Power UP") to borrow $103,000 with a due date of May 21, 2021. The note bears interest at 10%, with a default rate of 22%, and is convertible, commencing 180 days after the date of issuance. The conversion price is to be calculated at 61% of the lowest trading price of the Company's common stock for the previous 20 trading days prior to the date of conversion. 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. The Company has reserved 63,319,672 shares for conversion. Net proceeds from the loan were $100,000, after legal fees and offering costs of $3,000. These fees and costs are being amortized over the term of the note. The Company has recorded the conversion feature as a Beneficial Conversion Feature. The fair value of $103,000 for the expense portion of the note is being amortized over the term of the note. This fair value has been determined based on the trading price of the Company's common stock as of the date of the note. Management has determined that this treatment is appropriate given the uncertain nature of the value of the Company and its stock, and there will be no revaluations until the note is paid or redeemed for stock.

On July 24, 2020, the Company entered into a financing agreement with Power Up to borrow $43,000 with a due date of July 24, 2021. The note bears interest at 10%, with a default rate of 22%, and is convertible, commencing 180 days after the date of issuance. The conversion price is to be calculated at 61% of the lowest trading price of the Company's common stock for the previous 20 trading days prior to the date of conversion. 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. The Company has reserved 41,876,318 shares for conversion. Net proceeds from the loan were $40,000, after legal fees and offering costs of $3,000. These fees and costs are being amortized over the term of the note. The Company has recorded the conversion feature as a Beneficial Conversion Feature. The fair value of $43,000 for the expense portion of the note is being amortized over the term of the note. This fair value has been determined based on the trading price of the Company's common stock as of the date of the note. Management has determined that this treatment is appropriate given the uncertain nature of the value of the Company and its stock, and there will be no revaluations until the note is paid or redeemed for stock.

NOTE 6 – CONVERTIBLE NOTES (continued)

On September 24, 2020, the Company enter into a financing agreement with Power Up to borrow $53,000. Initial funding was made by Power Up on October 8, 2020, and as a result no liability has been recorded as of September 30, 2020. (See Note 9).

NOTE 7 – NOTES PAYABLE

On April 24, 2019, the Company was loaned $20,000 from an unrelated individual. The note was due October 24, 2019 with 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 24, 2020, the lender agreed to a second six-month extension through October 24, 2020. As consideration for entering into the extension, the Company agreed to pay the lender accrued interest on the note of $1,100 and to issue 100,000 shares of the Company's common stock, valued at $0.02 per share, the closing price of the stock as of the extension agreement date. The $2,000 value of the shares was recorded as interest expense and included in Common Stock to be Issued. As of June 30, 2020, the interest due had not been paid nor had the shares of common stock been issued.

On April 29, 2019, the Company was loaned $10,000 from an unrelated individual. The note was due on October 29, 2019 with 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. On April 29, 2020, the lender agreed to a second six-month extension through October 29, 2020. As consideration for entering into the extension, the Company agreed to pay the lender accrued interest on the note of $550 and to issue 50,000 shares of the Company's common stock, valued at $0.02 per share, the closing price of the stock as of the extension agreement date. The $1,000 value of the shares was recorded as interest expense and included in Common Stock to be Issued. As of June 30, 2020, the interest due had not been paid nor had the shares of common stock been issued.

On May 18, 2020, the Company entered into loan agreements with two unrelated individuals, who are current note holders in the aggregate amount of $30,000. Each of the new loans is for $12,500, an aggregate $25,000. The notes are due November 18, 2020 with interest at 11%. 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. As additional consideration for entering into the loans, each individual shall be issued 200,000 shares of common stock, an aggregate 400,000 shares. The shares are valued at $0.02 per share, the closing price of the Company's common stock as of the date of the loan. The $8,000 value ascribed to the shares has been capitalized as prepaid interest and is being amortized over the six-month term of the loans.

NOTE 8 – 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.

NOTE 8 – RELATED PARTY TRANSACTIONS (continued)

IHG, controlling shareholder of the Company, provides management consulting services to the Company. There is no formal written agreement that defines the compensation to be paid. For the nine months ended September 30, 2020 and 2019 the Company recorded related party management fees of $59,510 and $72,830 respectively. For the three months ended September 30, 2020 and 2019 the Company recorded related party management fees of $33,500 and $16,400 respectively.

During the nine months ended September 30, 2020 there were no advances from related parties, and the Company repaid $22,590 to its parent company, International Hedge Group, Inc. At September 30, 2020, an officer of the Company, was owed $480; and a former officer of the Company, was owed $18,780.

NOTE 9 – SUBSEQUENT EVENTS

On October 5, 2020, the Company issued 199,222 shares of its common stock, valued at $0.0257 per share, as consideration for financing services rendered to the Company in 2019. At September 30, 2020, the value of the shares issued of $5,120 was included in accrued liabilities.

On October 5, 2020, the Company issued 3,697,000 shares of common stock, valued at $0.00513 per share, as consideration for conversion of note principal, interest and loan fees in the aggregate amount of $18,966. The conversion notice was dated September 29, 2020, but the Company was notified of the conversion and the shares issued on October 5, 2020, so the Company has chosen to treat the conversion as occurring in the subsequent period.

On October 8, 2020, the Company received the proceeds from a financing agreement entered into with Power Up Lending Group on September 24, 2020 to borrow $53,000. The note bears interest at 10%, with a default rate of 22%, and is convertible, commencing 180 days after the date of issuance. The conversion price is to be calculated at 61% of the lowest trading price of the Company's common stock for the previous 20 trading days prior to the date of conversion. 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, and the Company has reserved 25,429,828 shares for conversion. Net proceeds from the loan were $50,000, after legal fees and offering costs of $3,000.

On October 28, 2020, the Company issued 3,918,900 shares of common stock, valued at $0.009 per share, as consideration for conversion of note principal, interest and loan fees in the aggregate amount of $35,270.

The Company has analyzed its operations subsequent to September 30, 2020 through the date these financial statements were issued and has determined that it does not have any additional material subsequent events to disclose.

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 September 30, 2020, we had an accumulated deficit totaling $5,331,546. 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 though 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 has designed and is constructing the Peer-to-Peer ("P2P") BlackStar Enterprise Trading Platform ("BDTP"), subject to obtaining sufficient funding. We have completed a working demo on Amazon Blockchain that facilitates shareholder trading activity while complementing the market makers. The Company is positioning itself to trade

BEGI common shares digital on Amazon's Blockchain while complying with the rules and regulations within the Broker Dealer Eco-System. Currently we anticipate that there may be a small charge to enter the platform, but no ticket charge, and with unlimited commission-free trading. We believe that this parallel market may produce liquidity from price movement or arbitrage, along with low cost of entry and easy access to Bid and Offer prices for both shareholders and speculators. In July 2020, the Company presented the concept to SEC FinHub staff members for regulatory guidance and received the recommendation to apply for Alternative Trading System ("ATS") status. BlackStar is evaluating its options, including exploring partnerships with existing ATS's, and other strategies to go live with BDTP in accordance with existing laws and regulations.

Currently in the demonstration phase, we estimate finalizing the BDTP at a cost of $60,000 USD over the next five months and are seeking funds for the final production of the platform. As of the date of this filing, the initial demo is complete and BlackStar intends to continue to seek further 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.

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:

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

Our Budget for operations in the next 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
	$	**1,300,000**

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 $23,006 as of September 30, 2020, we have limited cash for an operational budget. We have recently received funds from 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 4th 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 $23,006 as of the end of the third 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 $100,000 for the remaining quarter 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 September 30, 2020 compared to same period in 2019

During the three months ended September 30, 2020 and 2019, we had no revenues. During the three months ended September 30, 2020, we recognized a net loss of $(425,793) compared to a net loss of $(38,620) during the three months ended September 30, 2019. Our operating expenses for the three months ended September 30, 2020 include $13,028 in legal and professional fees, $33,500 in management consulting fees to a related party, and $10,936 in general and administrative expenses, for a total of $57,464. Increased management consulting fees and legal and professional fees increased the total operating expenses for the three months ended September 30, 2020 by $28,913 as compared to the three months ended September 30, 2019.

For the three months ended September 30, 2020, we recorded amortization of discount on convertible notes of $(56,733), amortization of convertible debt issuance costs of $(17,438), loss on note payable conversions of $(277,607), and interest expense of $(16,551), resulting in other expenses of $(368,329). We only recorded interest expense of $(10,069) in the same period ended September 30, 2019. The increase in other expenses of $358,260 from 2019 to 2020 is attributable to convertible debt issuances and conversions in 2020.

Net loss per share for the three-month periods ending September 30, 2020 and 2019 was $(0.01) and $(0.001) per share, respectively.

For the Nine Months Ended September 30, 2020 compared to same period in 2019

During the nine months ended September 30, 2020 and 2019, we had no revenues. During the nine months ended September 30, 2020, we recognized a net loss of $(930,944) compared to a net loss of $(497,623) during the nine months ended September 30, 2019. The net loss for 2020 was due to operating expenses of $163,664 and other expenses totaling $(767,280). Our operating expenses for the nine months ended September 30, 2020 included $62,819 in legal and professional fees, $59,910 in management consulting fees to a related party, and $40,935 in general and administrative expenses, for total operating expenses of $163,664. Operating expenses were lower by $26,196 for the nine months ended September 30, 2020 compared to the same period in 2019, due mainly to lower legal and professional fees and management consulting fees, though general and administrative expenses were higher, resulting in a lesser net loss for the nine months ended September 30, 2020 compared to the same period in 2019.

For the nine months ended September 30, 2020, we recorded amortization of discount on convertible notes of $(116,249), amortization of convertible debt issuance costs of $(27,015), loss on note payable conversions of $(574,715), and interest expense of $(49,301), resulting in other expenses of $(767,280). We recorded an amortization of discount on convertible notes of $(110,000), a warrant expense of $(132,593), and an interest expense of $(65,170) for total other expenses of $(307,763) in the nine months ended September 30, 2019, resulting in an overall increase in other expenses of $459,571 from 2019 to 2020. The increase from 2019 to 2020 is attributable to increased convertible debt issuances and conversions in 2020.

Net loss per share for the nine-month period in 2020 and 2019 was $(0.02) and $(0.01) 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 $(5,331,546) as of September 30, 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

At September 30, 2020, we had total current assets of $26,262 comprised of $23,006 in cash and $3,256 in prepaids, compared to $43,808 total current assets at December 31, 2019. Current liabilities at September 30, 2020 were $330,066 compared to $278,086 at December 31, 2019. Current liabilities at September 30, 2020 consisted of accounts payable of $53,843, accrued payables of $18,456, advances payable to a related party of $19,260, convertible promissory notes payable, net, of $183,507, and notes payable of $55,000. At September 30, 2020, we had a working capital deficit of ($303,804), compared to a deficit of ($234,278) at 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 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) 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 nine months ended September 30, 2020, the Company had no cash received from equity offerings or shareholder contributions. We received $165,000 from notes payable and made $22,590 of repayments of advances from related parties. In the nine months ended September 30, 2019, we recorded $75,000 from the sales of common stock, $114,000 in notes payable, and $10,478 in advances from related parties. Net cash provided by financing activities was $142,410 for the nine months ended September 30, 2020, compared to $199,478 for the same period the year before.

Investing Activities

The Company had no investing activities during the nine-month periods ended September 30, 2020 and 2019.

Operating Activities

During the nine months ended September 30, 2020, we used $(152,655) in cash for our net operating activities, compared to $(205,797) used in operating activities for the same period in 2019. The decreased amount of cash used in operating activities is attributable to adjustments to reconcile net loss to net cash used in operating activities in many of the categories in the nine months ended September 30, 2020. We recorded a total of $764,837 in adjustments to reconcile net loss to net cash used in operating activities and had changes in operating assets and liabilities totaling $13,452 for the nine months ended September

30, 2020. For the same period in 2019, we recorded a total of $242,893 in adjustments to reconcile net loss to net cash used in operating activities and had changes in operating assets and liabilities totaling $48,933.

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 September 30, 2020 and December 31, 2019, we had accumulated deficit of $(5,331,546) 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 September 30, 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 first two new risk factors below in the annual report for the year ended December 31, 2019. The Company additionally will add the subsequent risk factors going forward until further notice.

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.

UNKNOWN DURATION AND IMPACT OF COVID-19.

As the COVID-19 pandemic is complex and rapidly evolving, the Company's plans as described above may change. At this point, we cannot reasonably estimate the duration and severity of this pandemic, which could have a material adverse impact on our business, results of operations, financial position and cash flows. Other than the accounting delay in our periodic reports in the first few months of the pandemic, we do not currently believe that COVID-19 will substantially impair the long-term operations of our business, as we are not reliant on a physical presence or brick-and-mortar business; however, our ability to find investors, obtain financing, and generally fund our ongoing operations may be impacted due to the ongoing and anticipated economic downturn, the length and severity of which is unknown at this time.

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

CONVERTIBLE NOTES

On July 24, 2020, the Company enter into a financing agreement with Power Up to borrow $43,000 with a due date of July 24, 2021. The note bears interest at 10%, with a default rate of 22%, and is convertible, commencing 180 days after the date of issuance. The conversion price is to be calculated at 61% of the lowest trading price of the Company's common stock for the previous 20 trading days prior to the date of conversion. 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. The Company has reserved 41,876,318 shares for conversion. Net proceeds from the loan were $40,000, after legal fees and offering costs of $3,000. These fees and costs are being amortized over the term of the note. The Company has recorded the conversion feature as a Beneficial Conversion Feature. The fair value of $43,000 for the expense portion of the note is being amortized over the term of the note. This fair value has been determined based on the trading price of the Company's common stock as of the date of the note. Management has determined that this treatment is appropriate given the uncertain nature of the value of the Company and its stock, and there will be no revaluations until the note is paid or redeemed for stock. Details of the note can be found in the Form 8-K filed August 4, 2020. The proceeds of the note will be used for operational expenses.

On September 24, 2020, the Company enter into a financing agreement with Power Up to borrow $53,000. Initial funding was made by Power Up on October 8, 2020 and as a result no liability has been recorded as of September 30, 2020. The note bears interest at 10%, with a default rate of 22%, and is convertible, commencing 180 days after the date of issuance. The conversion price is to be calculated at 61% of the lowest trading price of the Company's common stock for the previous 20 trading days prior to the date of conversion. 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. The Company has reserved 25,429,828 shares for conversion. Net proceeds from the loan were $50,000, after legal fees and offering costs of $3,000. Details of the note can be found in the Form 8-K filed October 14, 2020. The proceeds of the note will be used for operational expenses.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURE

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

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: November 16, 2020

By:/s/ John Noble Harris
John Noble Harris
(Chief Executive Officer, Principal Executive Officer)

Dated: November 16, 2020

By:/s/ Joseph E. Kurczodyna
Joseph E. Kurczodyna
(Chief Financial Officer, Principal Accounting Officer)