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Joystar Inc
Form 10QSB
November 22, 2004

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

FORM 10-QSB

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

COMMISSION FILE NUMBER 000-25973

JOYSTAR, INC.

(Exact name of registrant as specified in its charter)

California

68-0406331

(State or other jurisdiction of
incorporation or organization)

(IRS Employer Identification No.)

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

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

Advanced Refrigeration Technologies, Inc.

Former name

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

Yes [X] No []

The number of shares of the registrant's common stock as of September 30, 2004: 22,403,300 shares.

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

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JOYSTAR, INC.
(A Development Stage Company)
BALANCE SHEETS
DECEMBER 31, 2003 AND SEPTEMBER 30, 2004

ASSETS

	December 31, 2003	September 30, 2004 (UNAUDITED)
	-----	-----
Current assets:		
Cash	\$ 136,319	\$ 107,370
Other receivables	2,000	100
Prepaid expenses	8,042	3,265
Total current assets	----- 146,361	----- 110,735
Property and equipment, net	22,690	39,785
Total assets	----- \$ 169,051	----- \$ 150,520

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	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	\$ 132,198	126,110
Accrued salaries and payroll taxes	198,474	293,695
Accrued rent	35,000	35,000
Loans from shareholder	83,795	--
	-----	-----
Total current liabilities	449,467	454,805
	-----	-----
Stockholders' equity (deficit):		
Preferred stock (no par value) 10,000,000 shares authorized; none issued	--	--
Common Stock, no par value, 50,000,000 shares authorized; 21,051,277 and 22,403,300 shares issued and outstanding at December 31, 2003 and September 30, 2004, respectively	1,895,241	3,458,993
Stock issued for deferred compensation	(894,250)	(712,000)
Stock subscribed not issued, 118,667 and 416,999 shares at December 31, 2003 and September 30, 2004, respectively	176,800	623,800
Deficit accumulated during development stage	(1,458,207)	(3,675,078)
	-----	-----
Total stockholders' (deficit)	(280,416)	(304,285)
	-----	-----
Total liabilities and stockholders' equity	\$ 169,051	\$ 150,520
	=====	=====

The accompanying notes are an integral part of these financial statements

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

	For the nine months ended September 30, 2004	For the nine months ended September 30, 2003	For the three months ended September 30, 2004	For three en Sept 30,
	-----	-----	-----	-----
Income:				
Travel agent programs and				

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commissions	\$ 53,610	\$ 31,137	\$ 43,795	\$
Operating expenses:				
General and administrative	1,046,394	444,576	796,246	2
Marketing and sales	1,221,502	155,473	552,888	1
Total operating expenses	2,267,896	600,049	1,349,134	3
Loss from operations before interest and taxes	(2,214,286)	(568,912)	(1,305,339)	(3)
Interest expense	--	4,705	--	
Provision for taxes - State	2,585	--	25	
Net loss	\$ (2,216,871)	\$ (573,617)	\$ (1,305,364)	\$ (3)
Loss per share	\$ (0.10)	\$ (0.04)	\$ (0.06)	\$
Weighted average number of common shares outstanding	21,531,413	15,561,366	22,108,238	18,2

The accompanying notes are an integral part of these financial statements

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

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

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for cash at \$1.50 per share	94,932	142,300	--	
Balance June 11, 2003 date of acquisition of Joystar, Inc. shares in a reverse merger	13,880,599	265,013	--	
Cancel Joystar shares	(13,880,599)	--	--	
Advanced Refrigeration shares outstanding at June 11, 2003	3,322,840	--	--	
Issue Advanced Refrigeration Technologies, Inc. shares	13,880,599	--	--	
Stock issued pursuant to the stock option plan June 11, 2003 at market value of stock \$0.03 per share	810,000	24,300	--	
Stock issued for services	215,000	15,000	--	
Stock issued for past and future compensation	2,400,000	1,008,000	--	
Future compensation deferred until earned	--	--	(894,250)	
Stock issued various dates for cash at between \$0.50 and \$1.50 per share	394,267	531,500	--	
Stock issued for services	28,571	51,428	--	
Stock subscribed not issued 118,667 shares	--	--	--	176,8
Net loss	--	--	--	
Balance at December 31, 2003	21,051,277	1,895,241	(894,250)	176,8
Stock issued for services	649,800	788,272	--	
Stock issued for cash	702,223	775,480	--	
Deferred compensation earned	--	--	204,750	
Deferred compensation	--	--	(22,500)	
Stock subscribed not issued 416,999 shares	--	--	--	447,0
Net loss	--	--	--	
Balance September 30, 2004 (Unaudited)	22,403,300	\$ 3,458,993	\$ (712,000)	\$ 623,8

The accompanying notes are an integral part of these financial statements

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

	For the nine Months ended September 30, 2004	For the nine months ended September 30, 2003	Cumulat amounts incepti (May 23, throu Septembe 2004

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Cash flows from operating activities:			
Net loss	\$ (2,216,871)	\$ (573,617)	\$ (3,559,871)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	5,876	1,068	8,000
Stock issued or subscribed for services	1,089,522	116,806	1,310,000
Changes in assets and liabilities:			
(Increase) decrease in prepaid expenses	4,777	(3,000)	(3,000)
(Increase) decrease in other receivables	1,900	(2,382)	(1,000)
(Decrease) increase in accounts payable	(6,088)	24,000	126,000
Increase in accrued salaries and payroll taxes	95,221	115,717	293,000
Increase in rent accrual	--	(19,000)	35,000
Net cash used in operations	(1,025,663)	(340,408)	(1,788,000)
Cash flows used by investing activities:			
Acquisition of fixed assets	(22,971)	(19,979)	(48,000)
Net cash used by investing activities	(22,971)	(19,979)	(48,000)
Cash flows from financing activities:			
Issuance of common stock	775,480	142,300	1,555,000
Reduction of shareholders loan, issued 60,000 shares of common stock	(83,295)	--	(83,000)
Net issuance of common stock for cash	692,185	--	82,000
(Decrease) Increase in shareholder loans	(500)	27,020	504,000
Subscribed stock not issued	328,000	383,400	(115,000)
Payment of debt assumed in reverse acquisition	--	(70,000)	--
Net cash from financing activities	1,019,685	482,720	1,944,000
Net (decrease) increase in cash	(28,949)	122,333	107,000
Cash, beginning of period	136,319	5,025	107,000
Cash, end of period	\$ 107,370	\$ 127,358	\$ 107,000
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Issuance or subscription of common stock for services	\$ 1,089,522	\$ 29,300	\$ 1,310,000
Issuance of common stock for future services	\$ 22,500	--	\$ 712,000
Issuance of common stock for loan payable	\$ 83,295	--	--
Interest expense paid	--	--	5,000
Income taxes paid	\$ 2,585	--	\$ 2,000

The accompanying notes are an integral part of these financial statements

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

1. BASIS OF PRESENTATION

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

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

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

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

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

2. INTERIM FINANCIAL INFORMATION

The financial statements of the Company as of September 30, 2004 and for the nine months ended September 30, 2004 and 2003 and related footnote information are un-audited. All adjustments (consisting only of normal recurring adjustments) have been made which, in the opinion of management, are necessary for a fair presentation. Results of operations for the nine months ended September 30, 2004 and 2003 are not necessarily indicative of the results that may be expected for any future period. The balance sheet at December 31, 2003

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was derived from audited financial statements.

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

COMMON STOCK TRANSACTIONS

During the nine months ended September 30, 2004, the Company issued 702,223 shares of common stock in a private placement for a total sales price of \$775,480 an average sales price of \$1.10 per share. The Company has received subscriptions to purchase 535,666 shares of common stock at an average purchase price of \$1.16.

During the nine months ended September 30, 2004 the Company issued 649,800 shares of common stock for services valued at the fair market value price of the Company's stock on the dates issued \$788,272 and average of \$1.21 a share.

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

On August 27, 2004 the Company granted options to purchase 150,000 share of common stock under the Company's 2003 Equity Compensation Plan at \$0.66 per share, 110% of the market price on that date.

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LEGAL PROCEEDINGS

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

SUBSEQUENT EVENT

As of November 8, 2004, the Company commenced its private placement offering of up to \$1,000,000 of units consisting of two shares of common stock and one warrant to purchase a share of common stock at an exercise price of \$1.25 per share. Each unit is being sold at \$2.00 purchase price. The units are offered by the Company to accredited investors only in reliance on Section 505 of the Regulation D of the Securities Act of 1933. 100,000 units have been subscribed as of November 12, 2004.

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

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of Operations

PRELIMINARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

General

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

Joystar is a provider of online and offline travel services for the leisure and small business traveler. Joystar has been in the development stage since its inception, May 23, 2001. It is primarily engaged in developing technology and infrastructure licensing and product development and acquisitions. The restructuring and re-capitalization has been treated as a reverse acquisition with Joystar becoming the accounting acquirer. The accompanying financial statements represent Joystar's activity since inception May 23, 2001 through June 30, 2003.

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

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

RESULTS OF OPERATIONS

The Company had sales of \$53,610 for the nine months ended September 30, 2004 as compared to \$31,137 for the nine months ended September 30, 2003. To date income has been generated only by travel agent programs and commissions on travel sales. Sales from inception total \$103,043 and the Company is accounted for as a development stage company. The Company is allocating substantial monies and effort to enlist travel agents into its travel network in order to increase income levels to a profitable level. During the quarter ended September 30, 2004 the Company has had more success in signing up agents, generating about \$39,000 in revenue from this activity.
(See infomercial in marketing and sales expense)

General and administrative expenses for the nine months ended September 30, 2004 were \$1,046,394 as compared to \$444,576 for the nine months ended September 30, 2003, an increase of \$601,818 due primarily to the increases in salaries of \$399,000, professional fees of \$123,000, rent \$27,000, travel and entertainment of \$41,000 and a general increase in other expenses due to increased activity.

Marketing and sales expenses for the nine months ended September 30, 2004 were \$1,221,502 as compared to \$155,473 for the nine months ended September 30, 2003, an increase of \$1,066,029. This was due to increases in independent contractor marketing expenses \$418,000 and sales and marketing expense \$650,000 including production of an infomercial. The Company is expecting the infomercial to generate substantial interest by agents to join the Company. However, there can be no assurance of the realization of such expectations by the Company.

LIQUIDITY AND SOURCES OF CAPITAL

At September 30, 2004 the Company had a cash balance of \$107,370 as compared to a cash balance of \$136,319 at December 31, 2003.

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

The Company had negative working capital at September 30, 2004. To date the Company has financed operations by issuance of shares of common stock in private placements \$1,555,278, stock subscribed for cash of \$504,800 and the issuance of shares for services \$1,310,715.

During the nine months ended September 30, 2004, the Company issued 702,223 shares of common stock in a private placement for a total purchase price of \$775,480 an average purchase price of \$1.10 per share. The Company has received subscriptions to purchase 535,666 shares of common stock at an average purchase price of \$1.16.

During the nine months ended September 30, 2004 the Company issued 649,800 shares of common stock for services valued at the fair market value price of the Company's stock on the dates issued \$788,272 and average of \$1.21 a share.

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ITEM 3. Controls and Procedures

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

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PART II. OTHER INFORMATION

Item 1. Legal proceedings

In March, 2004 a former employee of the Company who was terminated prior to the acquisition of Joystar, filed a lawsuit in Orange County Superior Court for breach of contract and specific performance relating to the exercise of options, among other causes of action. The amount of damages is not specified in the complaint. Damages may vary depending on number of options allegedly exercised, the value of shares over the period of time they might have been exercised and other factors. The Company considers the basis of the lawsuit without merit and intends to vigorously defend itself.

Item 2. Changes in securities and use of proceeds

During the nine months ended September 30, 2004, the Company issued 702,223 shares of common stock in a private placement for a total purchase price of \$775,480 an average purchase price of \$1.10 per share. The Company has received subscriptions to purchase 535,666 shares of common stock at an average purchase price of \$1.16. The shares of the Company's common stock were issued and sold in reliance upon the exemption provided by Section 4(2) and Section 506 of Regulation D of the Securities Act of 1933. The offers and sales in the Company's private placement were made to accredited investors only. The proceeds were used for working capital.

During the nine months ended September 30, 2004 the Company issued 649,800 shares of common stock for services valued at the fair market value price of the Company's stock on the dates issued \$788,272 an average of \$1.21 a share.

Item 3. Defaults on senior securities NONE

Item 4. Submission of items to a vote NONE

Item 5. Other information NONE

Item 6.

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(a) Exhibits

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

b) Reports on 8K during the quarter: none

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SIGNATURES

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

Date: November 15, 2004

JOYSTAR, INC.

By /s/ William Alverson

President

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