VOYAGER ENTERTAINMENT INTERNATIONAL INC
Form 10-Q
November 13, 2008

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

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2008.

OR

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM ________ TO ________ .

COMMISSION FILE NUMBER 000-33151

VOYAGER ENTERTAINMENT INTERNATIONAL, INC.
(Exact Name of Registrant as Specified in its Charter)

Nevada	45-0420093
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4483 West Reno Avenue, Las Vegas, Nevada	89119
(Address of principal executive offices)	(Zip code)

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

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 [ ]

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

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [ ]	Smaller reporting company [X]

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

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of November 12, 2008, there were 132,027,287 outstanding shares of the Registrant's Common Stock, $.001 par value.

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(A DEVELOPMENT STAGE COMPANY)
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
SEPTEMBER 30, 2008

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

September 30, Decembe

	2008 (Unaudited)	200 (Audi
ASSETS		
CURRENT ASSETS		
Cash	$ 5,591	$ 4
Prepaids	375	
Deferred financing costs	50,000	5
Advances - related party	500,000	50
Total current assets	555,966	59
FIXED ASSETS, net of accumulated depreciation of $41,926 and $36,211, respectively	7,403	1
Total assets	$ 563,369	$ 60
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,244,308	$ 1,12
Accrued expenses - related party	1,410,000	1,25
Note payable	1,855,000	1,85
Due to related parties	280,000	12
Loans and settlement payable	878,239	87
Total current liabilities	5,667,547	5,23
Total liabilities	5,667,547	5,23
COMMITMENTS & CONTINGENCIES	-	
STOCKHOLDERS' DEFICIT		
Preferred stock: $.001 par value; authorized 50,000,000 shares		
Series A - 1,500,000 designated, none outstanding	-	
Series B - 10,000,000 designated, 1,000,000 outstanding	1,000	
Common stock: $.001 par value; authorized 200,000,000 shares; issued and outstanding:131,777,287 and 123,577,287 respectively	131,777	12
Additional paid-in capital	12,955,864	12,99
Deferred construction costs paid with common stock	(112,500)	(18
Loan collateral paid with common stock	(750,000)	(75
Receivable for return of stock related to canceled acquisition	-	(37
Common stock payable	95,000	
Accumulated deficit during the development stage	(17,425,319)	(16,43
Total stockholders' deficit	(5,104,178)	(4,63
Total liabilities and stockholders' deficit	$ 563,369	$ 60

See accompanying notes to these condensed consolidated financial statements.

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

(UNAUDITED)

	Three Months Ended		Nine Months Ended	
	September 30, 2008	September 30, 2007	September 30, 2008	September 30, 2007
Revenues	$ -	$ -	$ -	$ -
Operating Expenses:				
Professional and consulting fees	33,633	324,617	512,288	1,238,434
Project costs	13,376	14,406	28,973	20,798
Depreciation	1,600	2,259	5,715	7,311
Settlement expense	-	-	-	-
Other expense	32,322	66,752	100,232	138,379
	80,931	408,034	647,208	1,404,922
Operating loss	(80,931)	(408,034)	(647,208)	(1,404,922)
Other income (expense):				
Interest income	1	43,792	43,751	87,635
Interest expense	(74,164)	(167,851)	(382,483)	(521,664)
	(74,163)	(124,059)	(338,732)	(434,029)
Net Loss	(155,094)	(532,093)	(985,940)	(1,838,951)
Preferred stock dividends	-	-	-	-
Net loss allocable to common stockholders	$ (155,094)	$ (532,093)	$ (985,940)	$ (1,838,951)
Net loss per common share basic and diluted	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.02)
Weighted average number of common shares outstanding	131,777,287	119,344,095	126,267,798	116,399,438

See accompanying notes to these condensed consolidated financial statements.

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

(UNAUDITED)

	September, 30 2008	September 30, 2007	F Ma Sep
Cash Flows from Operating Activities:			
Net Loss	$ (985,940)	$ (1,838,951)	$
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation	5,715	7,311	
Issuance of common stock for services	208,000	837,000	
Issuance of common stock for nullification fee	-	-	
Issuance of common stock for accrued bonus	-	-	
Interest expense from the issuance of common stock	150,000	35,012	
Accretion of debt issuance costs	-	303,750	
Changes in assets and liabilities:			
Prepaid expenses	1,420	(446)	
Accounts payable and accrued expenses	116,801	72,779	
Accrued expenses - related party	160,000	175,000	
Accrued settlement obligation	-	-	
Net cash used in operating activities	(344,004)	(408,548)	
Cash flows from Investing Activities:			
Payments to acquire fixed assets	(2,481)	(4,195)	
Proceeds from Note Receivable	-	-	
Net cash used in investing activities	(2,481)	(4,195)	
Cash flows from Financing Activities:			
Proceeds from notes payable, short term debt	-	20,000	
Proceeds from notes payable, due to related parties	161,000	100,000	
Payment on notes payable, short term debt	-	(20,000)	
Payment on notes payable, due to related parties	(6,000)	-	
Proceeds from the sale of preferred stock	-	-	
Proceeds from the sale of common stock	135,000	320,000	
Proceeds from common stock payable	20,000	-	
Payments for loan fees	-	-	
Payments for deferred financing costs	-	(50,000)	

Net cash provided by financing activities	310,000	370,000	
Net (decrease) increase in cash	(36,485)	(42,743)	
Cash, beginning of year	42,076	76,241	
Cash, end of quarter	$ 5,591	$ 32,498	$
Cash paid for:			
Interest	$ 56	$ 43,750	$
Income Taxes	$ -	$ -	$

See accompanying notes to these condensed consolidated financial statements.

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

(UNAUDITED)

Supplemental schedule of non-cash Investing and Financing Activities:			
Common stock issued for financing costs	$ -	$ -	$
Common stock issued for loan collateral	$ -	$ -	$
Deferred construction costs, adjusted to fair value	$ 70,313	$ 196,875	$
Conversion of preferred shares	$ -	$ -	$
Common stock issued as acquisition deposit	$ -	$ -	$
Common stock cancelled due to business combination cancellation	$ 375,000	$ -	$
Common stock payable	$ 75,000	$ -	$

See accompanying notes to these condensed consolidated financial statements.

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

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

Basis of Presentation and Organization

The accompanying Condensed Consolidated Financial Statements of Voyager Entertainment International, Inc. (the "Company") should be read in conjunction with the Company's Annual Report on Form 10-KSB for the year ended December 31, 2007. Significant accounting policies disclosed therein have not changed except as noted below.

The accompanying Condensed Consolidated Financial Statements and the related footnote information are unaudited. In the opinion of management, they include all normal recurring adjustments necessary for a fair presentation of the condensed consolidated balance sheets of the Company at September 30, 2008, the condensed consolidated results of its operations and cash flows for the three and nine months ended September 30, 2008 and 2007. Results of operations reported for interim periods are not necessarily indicative of results for the entire year.

Voyager Entertainment International, Inc. (the "Company"), a North Dakota corporation formerly known as Dakota Imaging, Inc. and incorporated on January 31, 1991, is in the entertainment development business with plans to develop the world's tallest Observation Wheel on the Las Vegas strip area. During April 2002, the Company changed its name from Dakota Imaging, Inc. to Voyager Entertainment International, Inc. and adopted a new fiscal year. On June 11, 2003, the Company became a Nevada Corporation.

As used in these Notes to the Consolidated Financial Statements, the terms the "Company", "we", "us", "our" and similar terms refer to Voyager Entertainment International, Inc. and, unless the context indicates otherwise, its consolidated subsidiaries. The Company's wholly owned subsidiaries include Voyager Ventures, Inc. ("Ventures"), a Nevada corporation, Outland Development, LLC ("Outland"), a Nevada Limited Liability Corporation, and Voyager Entertainment Holdings, Inc. ("Holdings"), a Nevada corporation. Voyager Ventures, Inc. has been a dormant company and was discontinued as of December 31, 2007. All organizational costs had been paid by the parent.

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

Basis of Financial Statement Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in accordance with such rules and regulations. The information furnished in the interim condensed consolidated financial statements includes normal recurring adjustments and reflects all adjustments, which, in the opinion of management, are necessary for a fair presentation of such financial statements. Although management believes the disclosures and information presented are adequate to make the information not misleading, these interim condensed consolidated financial statements should be read in conjunction with the Company's most recent audited financial statements and notes thereto included in its December 31, 2007 Annual Report on Form 10-KSB. Operating results for the period ended September 30, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008.

Going Concern

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate continuation of the Company as a going concern. However, the Company has not begun generating revenue, is considered a development stage company, has experienced recurring net operating losses, had a net loss of $985,940 and $1,838,951 for the nine months ended September 30, 2008 and 2007, and a working capital deficiency of $5,111,581 at September 30, 2008. These factors raise substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might result from this uncertainty.

RECLASSIFICATION

Certain reclassifications, which have no effect on net loss, have been made in the prior period financial statements to conform to the current presentation. Specifically, we have presented the 2007 nullification expense separate from professional and consulting fees.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair Value Accounting

In September 2006, the Financial Accounting Standards Board ("FASB") issued FASB Statement No. 157, "Fair Value Measurements" ("FAS 157"). FAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of FAS 157 were adopted January 1, 2008. In February 2008, the FASB staff issued Staff Position No. 157-2 "Effective Date of FASB Statement No. 157" ("FSP FAS 157-2"). FSP FAS 157-2 delayed the effective date of FAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The provisions of FSP FAS 157-2 are effective for the Company's fiscal year beginning January 1, 2009.

FAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FAS 157 are described below:

Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
Level 2	Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;
Level 3	Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

In February 2007, the FASB issued FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("FAS 159"). FAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value, with the objective of improving financial reporting by mitigating volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The provisions of FAS 159 were adopted January 1, 2008. The Company did not elect the Fair Value Option for any of its financial assets or liabilities, and therefore, the adoption of FAS 159 had no impact on the Company's consolidated financial position, results of operations or cash flows.

New Accounting Pronouncements

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162, "The Hierarchy of Generally Accepted Accounting Principles," ("SFAS 162"). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of non-governmental entities that are presented in conformity with generally accepted accounting principles in the United States of America. SFAS 162 will be effective 60 days after the Securities and Exchange Commission approves the Public Company Accounting Oversight Board's amendments to AU Section 411. The Company does not anticipate the adoption of SFAS 162 will have an impact on its financial statements.

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 163, "Accounting for Financial Guarantee Insurance Contracts - an interpretation of FASB Statement No. 60," ("SFAS No. 163"). SFAS 163 requires that an insurance enterprise recognize a claim liability prior to an event of default (insured event) when there is evidence that credit deterioration has occurred in an insured financial obligation. This Statement also clarifies how Statement 60 applies to financial guarantee insurance contracts, including the recognition and measurement to be used to account for premium revenue and claim liabilities. Those clarifications will increase comparability in financial reporting of financial guarantee insurance contracts by insurance enterprises. This Statement requires expanded disclosures about financial guarantee insurance contracts. The accounting and disclosure requirements of the Statement will improve the quality of information provided to users of financial statements. SFAS 163 will be effective for financial statements issued for fiscal years beginning after December 15, 2008. The Company does not expect the adoption of SFAS 163 will have a material impact on its financial condition or results of operation.

In June 2008, the FASB issued FASB Staff Position EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are

Participating Securities," ("FSP EITF 03-6-1"). FSP EITF 03-6-1 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting, and therefore need to be included in the computation of earnings per share under the two-class method as described in FASB Statement of Financial Accounting Standards No. 128, "Earnings per Share." FSP EITF 03-6-1 is effective for financial statements issued for fiscal years beginning on or after December 15, 2008 and earlier adoption is prohibited. The Company is required to adopt FSP EITF 03-6-1 in the first quarter of 2009 and is currently evaluating the impact that FSP EITF 03-6-1 will have on its financial statements.

Note 2. Stockholders' Deficit

The authorized common stock of the Company consists of 200,000,000 shares of common stock with par value of $0.001 and 50,000,000 shares of preferred stock. For our preferred stock we have designated two series: 1,500,000 shares of Series A Preferred Stock and 10,000,000 shares of Series B Preferred Stock both with a par value of $0.001.

In 2006, we issued a certificate for 2,000,000 shares and a separate certificate for 3,000,000 shares for the total 5,000,000 shares required under the agreement Western Architectural acquisition. On February 7, 2008, the share certificate for 3,000,000 shares was sent to the Company as part of the 2,500,000 shares required to be returned under the March 30, 2007 nullification agreement for this rescinded acquisition. We have accounted for the 500,000 excess shares as a common stock payable due for $75,000 to Western at September 30, 2008.

In March 2008, the Company issued 1,000,000 shares of common stock for $50,000 cash or $0.05 per share.

In April 2008, the Company issued 625,000 shares of common stock for $25,000 cash or $0.04 per share.

In April 2008, the Company issued 2,375,000 shares of common stock for professional services rendered for total compensation of $98,000 or $0.04 per share.

In May 2008, the Company issued 1,000,000 shares of common stock for $30,000 cash or $0.03 per share.

In June 2008, the Company issued 1,000,000 shares of common stock for $30,000 cash of $0.03 per share.

In June 2008, the Company issued 5,200,000 shares of common stock for professional services and interest expense for $260,000 or $0.05 per share.

No preferred share transactions occurred during the three months ending September 30, 2008.

Note 3. Related Party Transactions and Acquisitions

Related Party Transactions

During the quarters ended September 30, 2008 and 2007, the Company paid consulting fees of approximately $35,000 per month to Synthetic Systems, LLC for a total of $105,000 in each quarter. Synthetic Systems is jointly owned by our Chief Executive Officer and Secretary. The Company also paid to Synthetic Systems , LLC office rent expenses of approximately $25,912 and $26,869, and furniture and equipment lease of $10,350 or $1,150 per month as of September 30, 2008 and 2007, respectively.

As previously disclosed in our 2007 Form 10-KSB, on May 30, 2002, the Company executed a Contractor Agreement with Western Architectural Services, LLC ("Western") where Western would provide to the Company certain architectural services for the Las Vegas Observation Wheel Project in exchange for which the Company issued 2,812,500 shares of restricted common stock to Western. Although he was not an affiliate of the Company upon execution of the Contractor Agreement, Western's Chief Executive Officer is currently an executive officer, director and significant stockholder of the Company. We have accounted for these shares as Deferred Construction Costs in these financial statements.

Western plans to sell the 2,812,500 shares of common stock at the time before and during the contract to purchase supplies and to pay subcontractor fees. At the time the contract was issued the shares of the Company were trading at $6.50 per share, our current stock price is trading significantly below that amount. If at the time Western performs the services contracted and the share price is below $6.50 per share, the Company will be required to issue additional shares to Western in order for the contract to be fulfilled. Western's Chief Executive Officer is currently an affiliate of the Company which will also limit the amount of shares that can be sold based on the trading volume and shares outstanding in accordance with Rule 144 of the

Securities Act of 1933. As of September 30, 2008, we have marked these shares to market in accordance with EITF No. 96-18 "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services", Issue 3, using the period end closing price of our stock. The change in valuation was debited to additional-paid in capital due to the deferred construction cost nature of these shares.

In March 2007, we received advances in the amounts of $100,000 from Western Architectural Services, LLC. The advances are unsecured, carry no interest and are due upon demand. As of September 30, 2008, no payments have been made to Western.

On July 28, 2008, we received a $6,000 note payable from our Secretary. The note was due upon demand and had an interest rate of 12% per annum. The note and accumulated interest was paid in full on August 25, 2008.

As of September 30, 2008, we have received advances in the amounts of $180,000 from our Chief Operating Officer, who is also the Chief Executive Officer of Western. The amounts are unsecured, carry no interest and are due upon demand. As of September 30, 2008, no payments have been made toward the advances .

Acquisitions

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

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

The acquisition was nullified effective March 30, 2007. As a result of the nullification of the acquisition transaction, 2,500,000 shares of common stock were be returned to the Company for cancellation and returned to the treasury. The remaining 2,500,000 shares were accounted for as a fee for the nullification in our Statement of Operations as of March 31, 2007. The shares were valued at fair value of $0.15 per shares for a total value of $375,000.

In 2006, we issued a certificate for 2,000,000 shares and a separate certificate for 3,000,000 shares for the total 5,000,000 shares required under the agreement. On February 7, 2008, the share certificate for 3,000,000 shares was sent to the Company as part of the 2,500,000 shares required to be returned under the March 30, 2007 nullification agreement. We have accounted for the 500,000 excess shares as a common stock payable due for $75,000 to Western at September 30, 2008.

Note 4. Fair Value

In accordance with FAS 157, the table below sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy. As required by FAS 157, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Fair Value at September 30, 2008			
	Total	Level 1	Level 2	Level 3
Assets:				
Deferred construction costs	$ 112,500	$ 112,500	$ -	$ -
	$ 112,500	$ 112,500	$ -	$ -
Liabilities:				
None	$ -	$ -	$ -	$ -
	$ -	$ -	$ -	$ -

Note 5. Notes Due

On September 5, 2006, the Company entered into a note payable with Diversified Lending Group, Inc. for $1,250,000. The Company is a joint tenant with Western in this debt which bears interest of 14% (unless in default then 18%) and is due within one year from the date of the note. As of December 31, 2007, Western paid directly to Diversified Lending Group, Inc. six months of interest for the original loan. We have accounted for this as both interest income and interest expense of $87,500. As stated in the agreement, the Company could extend the Maturity Date of the loan one time for a period of six months, which the Company exercised for a fee of 3% of the loan amount or $37,500 (Western Architecture paid to the Company $18,750 as their part of the loan extension). As of September 30, 2008, management is negotiating with the note holder to extend the terms of the note. Although management has ongoing negotiations to extend the terms of the agreement, technically per the agreement we are in default. Interest of $112,500 at 18% has been accrued through September 30, 2008.

Note 6. Extinguishment of Accrued Expense

On August 12, 2002, the Company entered into a consulting agreement with an independent third party to assist us in financing objectives. Per the agreement, the Company was required to pay a $100,000 commitment fee which we accrued at the time expecting performance from the third party. Performance never occurred and the commitment fee was not paid; therefore, the agreement was never executed.

In accordance with the Nevada statute of limitations law, the Company's promise to pay has expired and was written off, resulting in a $100,000 decrease in consulting fees as of September 30, 2008.

Note 7. Subsequent Events

Subsequent to the quarter ended September 30, 2008, we issued 250,000 shares of common stock for services valued at $10,000 or $0.04 per share.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS AND PLAN OF OPERATION.

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

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

EXECUTIVE SUMMARY AND OVERVIEW

During the next 12 months, we are continuing our efforts on the development of the Observation Wheel in Las Vegas, Nevada; however, actual production will not commence until we have sufficient capital for construction and marketing. As of the year ending December 31, 2007, the Company did not have enough cash on hand to continue operations through the next year. However, from time-to-time the officers of the Company loan funds to provide for operations. There can be no guarantees that the Company's officers and directors will continue to loan funds to the Company on an ongoing basis. However, if we do not receive a substantial amount of funding it will be unlikely we can continue operations.

We have been successful in the past in selling our common stock in private transactions to provide for minimal operations. We plan to seek additional funding through debt transactions and the sale of our common stock either privately or publicly. There can be no guarantees we will continue to be successful in completing those transactions. The primary expenses for the Company consist of consulting fees that are primarily paid by the issuance of our common stock.

We are not the traditional Company that has the standard research and development expenses. As a result, most of our research and development expenses consist of presentation materials and architectural designs. Upon funding of the project the initial expense will be engineering and architectural.

Our primary costs consist mainly of professional and consulting, legal and accounting fees along with those fees paid to related parties, rent expenses and printing expenses. As the project is being developed we are incurring additional architectural and travel related fees. If this project is successful there will be a significant increase in expenses for all aspects of the construction process to include an additional office set up, additional employees and continual travel.

We plan to focus primarily on the development of the Observation Wheel in Las Vegas over the next 12 months. Other than presentation materials, if a suitable site is acquired and selected, the primary focus will be on completing engineering and starting the construction of an Observation Wheel.

For additional detailed discussion regarding the Company's business and business trends affecting the Company and certain risks inherent in the Company's business, see "Item 6: Management's Discussion and Analysis and Plan of Operation" in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2007.

DEVELOPMENT OF OUR BUSINESS

Voyager Entertainment International, Inc., formerly named Dakota Imaging, Inc., was incorporated in North Dakota on January 31, 1991. Effective February 8, 2002, the Company completed a reverse triangular merger between Dakota Subsidiary Corp. ("DSC"), a wholly owned subsidiary of the Company, and Voyager Ventures, Inc., a Nevada Corporation ("Ventures"), whereby the Company issued 3,660,000 shares of its Series A preferred stock in exchange for 100% of Ventures' outstanding common stock. Pursuant to the terms of the merger, DSC merged with and into Ventures and ceased to exist, and Ventures became a wholly-owned subsidiary of the Company.

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

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

Voyager Ventures, Inc. has been a dormant company since 2002 and was discontinued as of December 31, 2007.

CRITICAL ACCOUNTING POLICIES

The methods, estimates and judgments we use in applying our accounting policies have a significant impact on the results we report in our financial statements, which we discuss under the heading "Results of Operations" following this section of our MD&A. Some of our accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Our most critical accounting estimates include the assessment of value of our deferred construction costs.

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

STOCK BASED COMPENSATION

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

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

We do not have any of the following:

* Off-balance sheet arrangements.

* Certain trading activities that include non-exchange traded contracts accounted for at fair value.

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

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2008 ("2008") COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2007 ("2007")

Results of operations consist of the following:

	September 30, 2008	September 30, 2007	$ Change	% Chang
Revenue	$ -	$ -	$ -	- %
General and administrative expenses	80,931	408,034	(327,103)	(80)%
Operating loss	(80,931)	$(408,034)	$ 327,103	(80)%

As of September 30, 2008, we have not constructed an Observation Wheel and therefore have not generated revenues.

The decrease in general and administrative expenses of 80% is due primarily to a decrease in professional fees and loan expenses. In the third quarter of 2008, $100,000 in unpaid consulting fees relating to a non-fully executed contract were written off under Nevada statute of limitation as stated in Note 6 of our financial statements. Additionally, other professional fees decreased to $33,633 as of September 30, 2008 compared to $324,617 as of September 30, 2007 because fewer consultants were engaged for the project in the third quarter of 2008 compared to September 30, 2007.

Other general and administrative expenses have decreased to $32,322 as of September 30, 2008 from $66,752 as of September 30, 2007 primarily because we recognized a non-recurring loan fee of $18,750 in 2007 for extending our Diversified Lending, Inc. note payable as stated in Note 5 of our financial statements.

The decrease in expenses is also contributable to fewer travel and meeting expenses with investors, a decrease in utilities and fewer purchases of office supplies this quarter. Additionally, we experienced a decrease in interest expense of $93,687 and a decrease in interest income of $43,971 as of September 30, 2008 compared to September 30, 2007 due to loan origination costs

being fully amortized as of September 30, 2007. Furthermore, the Diversified

Lending promissory note also holds an anti-dilution clause where the Company is required to issue additional shares of its common stock to the debt holder so that Diversified Lending maintains a 4% ownership in the Company. As of September 30, 2008, there were no additional shares to be issued. Interest expenses relating to the anti-dilution clause was $0 and $26,259 as of September 30, 2008 and 2007, respectively.

Although there was a general decrease in interest expense for the third quarter of 2008, we did experience an increase in interest expense of $12,500 relating to the accrued interest on the Diversified note payable as of September 30, 2008 compared to September 30, 2007. As stated in Note 5 of our financial statements, this increase is due to an increase in the interest rate due to the default on the loan. As of April 1, 2008, we began accruing interest at a rate of 18% up from 14% in accordance with the agreement.

All other costs in the third quarter of 2008 remained relatively consistent compared to September 30, 2007.

RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008 ("2008") COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 2007 ("2007")

Results of operations consist of the following:

	September 30, 2008	September 30, 2007	$ Change	% Chang
Revenue	$ -	$ -	$ -	- %
General and administrative expenses	647,208	1,404,922	(757,714)	(54)%
Operating loss	$(647,208)	$(1,404,922)	$ 757,714	(54)%

The decrease in general and administrative expenses of 54% is due primarily to the decrease in professional and consulting fees as well as loan fees.

Professional fees decreased to $512,288 as of September 30, 2008 compared to $1,238,434 as of September 30, 2007. The decrease is due to the engagement of fewer consultants used to acquire the real estate needed in connection with the project. As of September 30, 2008, we have settled on locations for the project and have no current need to reengage the consultants at this time. The decrease is also a result of the non-recurring nullification fee expense of $375,000 due to the cancelled Western Architectural merger in the first quarter of 2007 as stated in Note 3 of our financial statements. In August 2002, we entered into an agreement with an unrelated third party and recorded, but never paid, a consulting fee of $100,000 as the agreement was never finalized due to lack of perform from the third party. During the third quarter of 2008, the statute of limitations on the written contract expired allowing us to reverse the $100,000 consulting expense as stated in Note 6 of our financial statements. Additionally, a non-recurring loan fee of $18,750 was recognized in the third quarter of 2007 for the extension of the Diversified Lending note payable as stated in Note 5 of our financial statements.

We have experienced a decrease in utilities and travel and meeting expenses in 2008 compared to September 30, 2007. As we continue to seek further investment opportunities, total project costs of $28,973 as of September 30, 2008 increased compared to $20,798 as of September 30, 2007.

Additionally, a decrease in both interest income and expense was realized as of September 30, 2008 compared to September 30, 2007. Interest expense decreased due to loan origination costs of $270,000 that were fully amortized and recognized as interest expense as of September 30, 2007. Interest income decreased $43,884 as of September 30, 2008 compared to September 30, 2007 due to the expiration of the Diversified Lending note payable in the first quarter of 2008. Prior to the expiration of the note, we were recognizing $14,583 per month of interest income and expense for the interest paid for by Western Architectural. Six months of interest income and expense of $87,500 was recognized in 2007 compared to three months of $43,750 in 2008.

Although interest expense has decreased in the nine months ending September 30, 2008, we did experience an increase in interest expense of $25,000 relating to the accrued interest on the Diversified note payable as of September 30, 2008 compared to September 30, 2007. As stated in Note 5, this increase is due to an increase in the interest rate due to the default on the loan. As of April 1, 2008, we began accruing interest at a rate of 18% up from 14% in accordance with the agreement.

All other costs in the third quarter of 2008 remained relatively consistent when compared to September 30, 2007.

LIQUIDITY AND CAPITAL RESOURCES

We plan to focus primarily on the development of the Observation Wheel in Las Vegas the next twelve months.

	September 30, 2008	December 31, 2007	$ Change	%
Cash	$ 5,591	$ 42,076	$ (36,485)	
Accounts payable and accrued expenses	$2,654,308	$2,377,508	$ 276,800	
Total current liabilities	$5,667,547	$5,235,747	$ 431,800	
Cash proceeds from the sale of common stock	$ 135,000	$ 390,000	$(255,000)	

We have financed our operations during the year primarily through the use of cash on hand and the aging of our payables.

As of September 30, 2008, we had total current liabilities of $5,667,547 compared to $5,235,747 as of December 31, 2007. The increase in total current liabilities is primarily due to an increase in Due to Related Parties and Accrued Interest. There was a $160,000 increase in Due to Related Parties as of September 30, 2008 compared to December 31, 2007. These items increased as our lack of cash has resulted in longer aging of payables to our related parties and need for additional cash infusion from our related parties. Additionally, there was a $188,677 increase in accrued interest as of September 30, 2008 compared to December 31, 2007. As stated in Note 5, this increase is primarily due to accrued interest of $112,500 relating to the expiration of the Diversified Lending, Inc. note payable. As of April 1, 2008, we began accruing interest at a rate of 18% or $56,250 per quarter in accordance with the agreement on the defaulted note.

We had no long term liabilities as of September 30, 2008.

Cash decreased 87% as of September 30, 2008 due to payment of some of our payables throughout the first nine months of 2008. Additionally, our accounts payable decreased by approximately $80,000 as of September 30, 2008 compared to September 30, 2007 primarily due to the statute of limitations expiration in the third quarter of 2008 on a $100,000 expense recorded relating to an agreement that was never finalized or paid as stated in Note 6 of our financial statements.

We issued 3,625,000 shares of common stock for $135,000 cash in the first three quarters of 2008. In the third quarter of 2008, we received $20,000 for the purchase of common stock, however the sale is yet to be finalized and no shares were issued as of September 30, 2008.

We had $5,591 cash on hand as of September 30, 2008 compared to $42,076 as of December 31, 2007. We will continue to need additional cash during the following twelve months and these needs will coincide with the cash demands resulting from our general operations and implementing our business plan. There is no assurance that we will be able to obtain additional capital as required, or obtain the capital on acceptable terms and conditions.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 4T. CONTROLS AND PROCEDURES.

(a) Evaluation of Disclosure Controls and Procedures

Based on the management's evaluation (with the participation of our President and Principle Financial Officer), our President and Principle Financial Officer has concluded that as of September 30, 2008, our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange of 1934 (the "Exchange Act") are effective to provide reasonable assurance that the information required to be disclosed in this quarterly report on Form 10-Q is recorded, processed, summarized and reported within the time period specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to the Company's management, including the Chief Executive Officer and Principle Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

(b) Internal control over financial reporting

Management's quarterly report on internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Our internal control over financial reporting should include those policies and procedures that:

o pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
o provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable GAAP, and that receipts and expenditures are being made only in accordance with authorizations of management and the Board of Directors; and
o provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Under the supervision and with the participation of our management, our Chief Executive Officer and Principle Financial Officer, we have evaluated the effectiveness of our internal control over financial reporting and preparation of our quarterly financial statements as of September 30, 2008 and believe they are effective. While we believe the present control design and procedures are effective, future events affecting our business may cause the Company to modify its controls and procedures.

Attestation report of the registered public accounting firm

This quarterly report does not include an attestation report of the company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the company to provide only management's report in this quarterly report.

Changes in Internal Controls

Based on the evaluation as of September 30, 2008, our Chief Executive Officer and Principle Financial Officer has concluded that there were no significant changes in our internal controls over financial reporting or in any other areas that could significantly affect our internal controls subsequent to the date of his most recent evaluation and there were no corrective actions during the quarter with regard to significant deficiencies or material weaknesses.

PART II

OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

There have been no material changes from the Risk Factors described in our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2007.

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

In March 2008, the Company issued 1,000,000 shares of common stock for $50,000 cash or $0.05 per share.

In April 2008, the Company issued 625,000 shares of common stock for $25,000 cash or $0.04 per share.

In April 2008, the Company issued 2,375,000 shares of common stock for professional services rendered for total compensation of $98,000 or $0.04 per share.

In May 2008, the Company issued 1,000,000 shares of common stock for $30,000 cash or $0.03 per share.

In June 2008, the Company issued 1,000,000 shares of common stock for $30,000 cash of $0.03 per share.

In June 2008, the Company issued 5,200,000 shares of common stock for professional services and interest expense for $260,000 or $0.05 per share.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

Line of Credit

On November 19, 2002, the Company entered into a line of credit financing agreement which entitled the Company to borrow from a creditor up to an aggregate of $2,500,000. Advances under this line of credit are based on achievement of certain milestones pursuant to the agreement. Upon the receipt of funds, the Company was required to issue up to 1,500,000 shares of its common stock on a pro rata basis.

The Company borrowed $605,000 against this line of credit and issued 1,500,000 shares. The balance payable under this line of credit was due on April 15, 2003 and was secured by all of the Company's assets.

The original line of credit bore interest at the rate of 12% per annum. This line of credit has expired and no principal or accrued interest has been paid back. Consequently, during the year ended December 31, 2003, the Company agreed to pay 100% interest related to this line of credit. As of September 30, 2008, interest of $605,000 has been accrued and included in accrued expenses in the accompanying consolidated financial statements.

As of September 30, 2008 and 2007, the total obligation including loans of $605,000, and accrued interest of $605,000, amounted to $1,210,000. The debt holder has agreed to be repaid from those funds received by the Company at its next project funding. If the Company does not receive significant project funding it will not be able to repay the debt. As collateral for the Loan and Security Agreement the debt holder filed a UCC-1 against the assets and intellectual property of the Company giving the debt holder the right to institute foreclosure proceedings against the Company. Foreclosure proceedings could be instituted at any time if the debt holder believes that he will not be repaid. As of the date of these financial statements the debt holder has not indicated any intentions to institute foreclosure proceedings.

Diversified Lending

On September 5, 2006, the Company entered into a note payable with Diversified Lending Group, Inc. for $1,250,000. The Company is a joint tenant with Western in this debt which bears interest of 14% (unless in default then 18%) and is due within one year from the date of the note. As of December 31, 2007, Western paid directly to Diversified Lending Group, Inc. six months of interest for the original loan. We have accounted for this as both interest income and interest expense of $87,500.

As stated in the agreement, the Company could extend the Maturity Date of the loan one time for a period of six months, which the Company exercised for a fee of 3% of the loan amount or $37,500 (Western Architecture paid to the Company $18,750 as their part of the loan extension). As of June 30, 2008, management is negotiating with the note holder to extend the terms of the note. Although management has ongoing negotiations to extend the terms of the agreement, technically per the agreement we are in default. Interest of $112,500 at 18% has been accrued through September 30, 2008.

ITEM 4 - SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

None.

ITEM 5 - OTHER INFORMATION

(1) Committees and financial reviews.

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

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

ITEM 6 - EXHIBITS

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

31.1 Certification by Chief Executive and Financial Officer pursuant to Sarbanes Oxley Section 302.

32.1 Certification by Chief Executive and Financial Officer pursuant to 18 U.S.C. Section 1350.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VOYAGER ENTERTAINMENT INTERNATIONAL, INC.
(Registrant)

Dated November 12, 2008

By: /s/ Richard Hannigan
Richard Hannigan,
President/Director

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

By: /s/ Richard Hannigan

Richard Hannigan, Sr.
President/CEO/Director
November 12, 2008

By: /s/ Myong Hannigan

Myong Hannigan
Secretary/Treasurer/Director
November 12, 2008

By: /s/ Tracy Jones

Tracy Jones
COO/Director
November 12, 2008