

LIVEWIRE ERGOGENICS INC.
Form 10-Q
August 20, 2012

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2012

OR

TRANSITION REPORT UNDER SECTION 13 or 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

LIVEWIRE ERGOGENICS INC.
(Exact name of registrant as specified in its charter)

Nevada
(State or other
jurisdiction of
incorporation or
organization)

333-149158
(commission file no.)

26-1212244
(IRS Employee
Identification No.)

1260 N. Hancock Street, Suite 105, Anaheim, CA 92807
(Current Address of Principal Executive Offices)

Phone number: 714-777-7873
(Issuer Telephone Number)

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, as amended (the "Exchange Act") during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Check one:

Large accelerated filer Accelerated filer Non-accelerated filer

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

The number of shares of Common Stock of the issuer outstanding as of August 14, 2012 was 55,545,101.

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PART I-FINANCIAL INFORMATION

Item 1. Financial Statements

LiveWire Ergogenics, Inc.
Consolidated Balance Sheets

	June 30, 2012 (Unaudited)	December 31, 2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$-	\$31,454
Accounts receivable	36,368	10,188
Inventory, net	90,442	44,979
Prepaid and other current assets	930	12,180
Total current assets	127,740	98,801
Property and Equipment, net	18,332	7,595
Total assets	\$146,072	\$106,396
LIABILITIES AND STOCKHOLDERS DEFICIT		
CURRENT LIABILITIES		
Cash overdraft	\$2,110	\$-
Accounts payable and accrued expenses	78,869	37,138
Accounts payable - Related party	246,259	737,182
Notes payable	84,500	67,400
Advances from stockholders	47,521	47,521
Total liabilities	459,259	889,241
STOCKHOLDERS' DEFICIT		
Preferred stock, \$.0001 par value, 10,000,000 shares authorized, 1,000,000 issued and outstanding at June 30, 2012 and December 31, 2011, respectively	100	100
Common stock, \$.0001 par value, 100,000,000 shares authorized, 55,545,101 and 50,812,599 issued and outstanding at June 30, 2012 and December 31, 2011, respectively	5,554	5,081
Subscription Receivable	(54,500)	-
Additional paid-in-capital	1,469,157	194,166
Accumulated Deficit	(1,733,498)	(982,192)
Total stockholders' deficit	(313,187)	(782,845)

\$146,072	\$106,396
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The accompanying notes to the unaudited financial statements are an integral part of these statements.

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LiveWire Ergogenics, Inc.				
Consolidated Statements of Operations				
(Unaudited)				
	For the six months ended June 30, 2012	2011	For the three months ended June 30, 2012	2011
Income				
Sales	\$ 109,146	\$ 369,680	\$ 65,018	\$ 347,118
Cost of goods sold	78,023	192,501	31,981	169,602
Gross Profit (Loss)	31,123	177,179	33,037	177,516
Expenses				
Selling Costs	57,633	10,904	34,874	5,262
General and Administrative Costs	724,267	97,240	501,157	63,366
Total Expenses	781,900	108,144	536,031	68,628
Other Expenses				
Interest Expense	529	915	200	663
Net (Loss) Income	\$(751,306)	\$ 68,120	\$(503,194)	\$ 108,225
Basic and diluted loss per share				
	\$(0.01)	\$ 0.00	\$(0.01)	\$ 0.00
Weighted average shares				
outstanding - basic and diluted	50,986,129	30,000,000	53,645,767	30,000,000

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

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LiveWire Ergogenics, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

	For the six months ended June 30,	
	2012	2011
Cash Flows From Operating Activities:		
Net (loss) income	\$(751,306)	\$68,120
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation	2,405	1,620
Common stock issued for services	258,650	-
Change in operating assets and liabilities:		
Accounts Receivable	(26,180)	(111,922)
Inventory	(45,464)	(50,341)
Prepaid and other assets	11,250	-
Accounts payable and accrued expenses	49,357	31,303
Accounts Payable - Related Party	113,866	-
Net cash used in operating activities	(387,422)	(61,220)
Cash Flows From Investing Activities		
Purchase of equipment	(16,700)	-
Sale of equipment	3,558	-
Net cash used in investing activities	(13,142)	-
Cash Flows From Financing Activities		
Cash overdraft	2,110	-
Proceeds from notes payable	52,100	-
Proceeds from shareholder loan	-	47,590
Shares issued for cash	315,900	-
Proceeds from subscription receivable	9,000	-
Repayment of note payable	(10,000)	-
Capital contributions	-	15,000
Net cash provided by financing activities	369,110	62,590
Net (Decrease) Increase in Cash	(31,454)	1,370
Cash at Beginning of Period	31,454	1,813
Cash at End of Period	\$-	\$3,183
Supplimental Disclosure of Cash Flow Information		
Shares issued for accounts payable	\$(7,625)	\$-
Shares issued for accounts payable - related parties	\$(395,341)	\$-
Shares issued for accrued salaries	\$(209,448)	\$-
Common stock issued for payment of notes payable	\$(25,000)	\$-

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

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LiveWire Ergogenics Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012
(UNAUDITED)

NOTE 1 – BASIS OF PRESENTATION AND NATURE OF OPERATIONS

The Company

LiveWire MC2, LLC (“LVWR”) was organized under the laws of the State of California on January 7, 2008 as a limited liability company. LVWR was formed for the purpose of developing and marketing consumable energy supplements. LVWR adopted December 31 as the fiscal year end.

On June 30, 2011, LVWR, together with its members, entered into a purchase agreement (the “Purchase Agreement”), for a share exchange with SF Blu Vu, Inc., (“SF Blu”), a public Nevada shell corporation. SF Blu Vu Inc. was formed in Nevada on October 9, 2007 under the name Semper Flowers, Inc. On May 15, 2009 the Company changed its name to SF Blu Vu, Inc. The Purchase Agreement was ultimately completed on August 31, 2011. Under the terms of the purchase agreement (the “Purchase Agreement”), SF Blu issued 30,000,000 of their common shares for 100% of the members’ interest in LVWR. Subsequent to the Purchase Agreement, the members of LVWR owned 60% of common shares of SF Blu, effectively obtaining operational and management control of SF Blu. For accounting purposes, the transaction has been accounted for as a reverse acquisition under the purchase method of business combinations, and accordingly the transaction has been treated as a recapitalization of LVWR, the accounting acquirer in this transaction, with SF Blu (the shell) as the legal acquirer.

Subsequent to the Purchase Agreement the financial statements presented are those of LVWR, as if the Purchase Agreement had been in effect retroactively for all periods presented. Immediately following completion of the Purchase Agreement, LVWR and their stockholders had effective control of SF Blu even though SF Blu had acquired LVWR. For accounting purposes, LVWR will be deemed to be the accounting acquirer in the transaction and, consequently, the transaction will be treated as a recapitalization of LVWR i.e., a capital transaction involving the issuance of shares by SF Blu for the members’ interest in LVWR. Accordingly, the assets, liabilities and results of operations of LVWR, became the historical financial statements of SF Blu at the closing of the Purchase Agreement, and SF Blu’s assets, liabilities and results of operations have been consolidated with those of LVWR commencing as of August 31, 2011, the date the Purchase Agreement closed. SF Blu is considered the accounting acquiree, or legal acquiror, in this transaction. No step-up in basis or intangible assets or goodwill will be recorded in this transaction. As this transaction is being accounted for as a reverse acquisition, all direct costs of the transaction have been charged to additional paid-in capital. All professional fees and other costs associated with transaction have been charged to additional paid-in-capital.

Subsequent to the Purchase Agreement being completed, SF Blu as the legal acquiror and surviving company, together with their controlling stockholders from LVWR changed the name of SF Blu to LiveWire Ergogenics, Inc. (“LiveWire”) on September 20, 2011. Hereafter, SF Blu, LVWR, or LiveWire are referred to as the “Company”, unless specific reference is made to an individual entity.

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LiveWire Ergogenics Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012
(UNAUDITED)

NOTE 1 – BASIS OF PRESENTATION AND NATURE OF OPERATIONS (CONTINUED)

In contemplation, and in connection with the Purchase Agreement, the Company's directors on July 19, 2011 adopted resolutions determining the Designations, Rights and Preferences of the Series A Preferred Stock ("Series A") consisting of One Million (1,000,000) shares. The Series A is senior to the common stock and all other shares of Preferred Stock that may be later authorized. Each outstanding share of Series A has One Thousand (1,000) votes on all matters submitted to the stockholders and votes with the common stock on all matters. The Series A shares vote separately as a class has the right to elect three persons to serve on the board of directors. The shares of Series A (i) do not have a liquidation preference; (ii) do not accrue, earn, or participate in any dividends; (iii) are not subject to redemption by the Corporation; and (iv) each share of Series A has one thousand (1,000) votes per share and votes with the common stock on all matters. As such, the Series A has voting control of the Company and may use its majority control to affect the interests of the Company's common stockholders.

After December 31, 2012, each outstanding share of Series A may be converted, at the option of the owner, into fifty (50) shares of the Company's common stock; provided however, that no conversion shall be permitted unless (i) the Company's common stock is quoted for public trading in the United States or other international securities market and (ii) the Company's market capitalization (i.e., the number of issued and outstanding shares of common stock multiplied by the daily closing price) has exceeded Fifty Million Dollars (\$50,000,000) for 90 consecutive trading days. These provisions, if executed by the holders of the Series A, may significantly dilute the Company's common stockholders after December 31, 2012.

On July 19, 2011, the Company issued 1,000,000 shares of the newly created Series A to Weed & Co. LLP, ("Weed & Co") or its designee, in exchange for a \$100,000 reduction of the outstanding accounts payable, being the equivalent of One Cent (\$0.1) per share of Series A. Weed & Co., had provided legal services to SF Blu as a shell prior to the Purchase Agreement, and to the Company subsequent to the Purchase Agreement. Subsequent to the issuance of the Series A, Weed & Co assigned the Series A to a third party. On July 21, 2011 in connection with this Series A issuance, a Contingent Option Agreement ("Contingent Option") was entered into between the two primary members of LVWR and the holder of the issued Series A. Under the terms of this Contingent Option the holder of the Series A is not allowed to transfer, sell or borrow against the Series A shares. Under the Contingent Option the two members of LVWR could purchase the issued Series A under the following circumstances:

- Provided that LVWR becomes a subsidiary of a public entity any time prior to December 31, 2012, the two members of LVWR could purchase the Series A for \$400,000.
- Provided that LVWR becomes a subsidiary of a public entity, and that entity has not secured an investment of \$350,000 prior to December 31, 2011 or March 31, 2012, the two members of LVWR could purchase the Series A for \$2.
- Provided that LVWR becomes a subsidiary of a public entity, and that entity has not secured an investment of \$600,000 prior to June 30, 2012, the two members of LVWR could purchase the Series A for \$2.
- Provided that LVWR becomes a subsidiary of a public entity, and that entity has not secured an investment of \$850,000 prior to December 31, 2012, the two members of LVWR could purchase the Series A for \$2.

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LiveWire Ergogenics Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012
(UNAUDITED)

NOTE 1 – BASIS OF PRESENTATION AND NATURE OF OPERATIONS (CONTINUED)

- Provided that LVWR becomes a subsidiary of a public entity, and that entity reports cumulative gross revenue of \$600,000 by June 30, 2012, the two members of LVWR could purchase the Series A for \$2.
- Provided that LVWR becomes a subsidiary of a public entity, and that entity reports cumulative gross revenue of \$1,500,000 by December 31, 2012, the two members of LVWR could purchase the Series A for \$2.
- Provided that LVWR becomes a subsidiary of a public entity, and that entity secures funding in excess of \$200,000 through the efforts of the two members, then the two members of LVWR could purchase the Series A for \$2.

Based on the above noted terms of the Contingent Option the Company accounted for the issued Series A, similar to that of the 30,000,000 shares of common stock issued with the Purchase Agreement, as the terms of the Contingent Option are effectively made to ensure that the Series A, and any benefit there under, would ultimately reside with the LVWR members. Accordingly, the Series A are treated as having been issued by the accounting acquirer, or LVWR, since inception for all periods presented.

In March 2012, Bill Hodson and Brad Nichols exercised their rights under the Contingent Option Agreement dated July 21, 2011 with Rick Darnell. Based upon the Agreement and fulfillment of contingencies in the Agreement, Bill Hodson and Brad Nichols each acquired 500,000 shares of the Series A from Rick Darnell for \$2.00.

Interim Financial Statements

These unaudited financial statements as of and for the three and six months ended June 30, 2012 and 2011 reflect all adjustments which, in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows for the periods presented in accordance with the accounting principles generally accepted in the United States of America. All adjustments are of a normal recurring nature.

These interim financial statements should be read in conjunction with LVWR's financial statements and notes thereto for the years ended December 31, 2011 and 2010 included in the Company's Form 10-K filed with the United States Securities and Exchange Commission on April 16, 2012. The Company assumes that the users of the interim financial information herein have read, or have access to, the audited financial statements for the preceding period, and that the adequacy of additional disclosure needed for a fair presentation may be determined in that context. The results of operations for the three and six month periods ended June 30, 2012 are not necessarily indicative of results for the entire year ending December 31, 2012.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Advertising

Advertising is expensed as incurred and is included in selling costs on the accompanying statements of operations. Advertising and marketing expense for the six months ended March 31, 2012 and 2011 was \$57,633 and \$10,904,

respectively.

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LiveWire Ergogenics Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012
(UNAUDITED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are presented net of an allowance for doubtful accounts. The Company maintains allowances for doubtful accounts for estimated losses. The Company reviews the accounts receivable on a periodic basis and makes general and specific allowances when there is doubt as to the collectability of individual balances. In evaluating the collectability of individual receivable balances, the Company considers many factors, including the age of the balance, a customer's historical payment history, its current credit-worthiness and current economic trends. Accounts are written off after exhaustive efforts at collection. At June 30, 2012 and December 31, 2011, the Company has established, based on a review of its outstanding balances, an allowance for doubtful accounts in the amount of \$17,470 and \$6,732, respectively.

Basis of Accounting

These financial statements have been prepared using the basis of accounting generally accepted in the United States of America. Under this basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

Cash and Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less and money market accounts to be cash equivalents. There were no cash equivalents at June 30, 2012 and at December 31, 2011.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

Inventory

Inventory is stated at the lower of cost or market value. Inventory consists primarily of finished goods and packaging materials and production supplies, i.e., packaged consumable energy supplements, manufactured under contract, and the wrappers and containers they are sold in. A periodic inventory system is maintained by 100% count. Inventory is replaced periodically to maintain the optimum stock on hand available for immediate shipment.

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LiveWire Ergogenics Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012
(UNAUDITED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments

The Financial Accounting Standards Board issued ASC (Accounting Standards Codification) 820-10 (SFAS No. 157), "Fair Value Measurements and Disclosures" for financial assets and liabilities. ASC 820-10 provides a framework for measuring fair value and requires expanded disclosures regarding fair value measurements. FASB ASC 820-10 defines fair value as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. FASB ASC 820-10 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs, where available. The following summarizes the three levels of inputs required by the standard that the Company uses to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The carrying amounts of the Company's financial instruments as of June 30, 2012 and December 31, 2011 reflect:

Cash: Level One measurement based on bank reporting.

Income Taxes

Prior to the Purchase Agreement LVWR was taxed as a limited liability company, which is a 'pass through entity' for tax purposes. Taxable income flowed through to its members, and income taxes were not levied at the company level. Subsequent to the reverse merger LVWR became a subsidiary of the SF Blu and is taxed at the Company's marginal corporate rate. The Company accounts for income taxes under the provisions of ASC Section 740-10-30, which is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in their financial statements or tax returns.

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LiveWire Ergogenics Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012
(UNAUDITED)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of Revenue

Sales are recorded at the time title of goods sold passes to customers, which based on shipping terms which generally occurs when the product is shipped to the customer and collectability is reasonably assured. Based on prior experience, the Company reasonably estimates its sales returns and warranty reserves. Sales are presented net of discounts and allowances. Discounts and allowances are determined when a sale is negotiated. The Company does not grant price adjustments after a sale is complete. The Company warrants its products sold on the internet with a right of exchange by means of an approved Return Merchandise Authorization (RMA). Returns of unused merchandise are similarly authorized. Warranty and return policy for product sold through retail distribution channels is negotiated with each customer.

The Company's revenue is primarily derived from sales of their consumable energy supplement products through distributors who distribute their products to retailers. The Company also sells their products directly to consumers; this is normally done through internet sales. This portion of their sales is minimal.

Shipping costs

Shipping costs are included in cost of goods sold and totaled \$13,846 and \$6,760 for the six months ended June 30, 2012 and 2011, respectively.

Net Loss Per Share

Basic net loss per share is based on the weighted average number of common and common equivalent shares outstanding. Potential common shares include the Series A Preferred Stock which are convertible into common shares. The Series A Preferred Stock are not included in the computation of fully diluted per share results as their effect would be anti-dilutive.

Recent Accounting Pronouncements

A variety of accounting standards have been issued or proposed by FASB that do not require adoption until a future date. We regularly review all new pronouncements that have been issued since the filing of our Form 10-K for the year ended December 31, 2011 to determine their impact, if any, on our financial statements. The Company does not expect the adoption of any of these standards to have a material impact once adopted.

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LiveWire Ergogenics Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012
(UNAUDITED)

NOTE 3 – GOING CONCERN

Going Concern

The Company's financial statements are prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has a net loss of \$751,306 for the six months ended June 30, 2012, and has an accumulated deficit of \$1,733,498 as of June 30, 2012. The Company has not yet established an adequate ongoing source of revenues sufficient to cover its operating costs and to 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 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 development of operations.

In order to continue as a going concern, develop a reliable source of revenues, and achieve a profitable level of operations the Company will need, among other things, additional capital resources. Management's plans to continue as a going concern include raising additional capital through increased sales of product and by sale of common shares. However, management cannot provide any assurances that the Company will be successful in accomplishing any of its plans. The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE 4 – PROPERTY AND EQUIPMENT

	June 30, 2012 (UNAUDITED)	December 31, 2011
Equipment (Automobiles)	\$ 26,338	\$ 13,196
Accumulated depreciation	(8,006)	(5,601)
Total	\$ 18,332	\$ 7,595

Equipment is stated at cost less accumulated depreciation and depreciated using straight line methods over the estimated useful lives of the related assets ranging from three to five years. Maintenance and repairs are expensed currently. The cost of normal maintenance and repairs is charged to operations as incurred. Major overhaul that extends the useful life of existing assets is capitalized. When equipment is retired or disposed, the costs and related accumulated depreciation are eliminated and the resulting profit or loss is recognized in income.

Depreciation expense amounted to \$2,405 and \$1,620 for the six months ended June 30, 2012 and 2011 respectively.

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LiveWire Ergogenics Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012
(UNAUDITED)

NOTE 5 – INVENTORY

	June 30, 2012 (UNAUDITED)	December 31, 2011
Finished Goods	\$ 964	\$ 5,551
Packaging materials and production supplies	94,478	44,428
	95,442	49,979
Reserve on inventory	(5,000)	(5,000)
	\$ 90,442	\$ 44,979

NOTE 6 – RELATED PARTY TRANSACTIONS AND LOANS FROM STOCKHOLDERS

During the six months ended June 30, 2012, the Company incurred \$60,000 in legal fees payable to a related party Weed & Co, LLP. This company is controlled by Richard Weed, an officer of the Company.

The Company incurred \$9,000 during the six months ended June 30, 2012, payable to Richard Weed for his services to SF Blu as an officer.

\$160,500 in accounts payable - related parties due to Weed & Co. was settled during the quarter ended March 31, 2012 with the issuance of 535,000 shares of the Company's common stock and 535,000 Class A warrants. These warrants are exercisable at \$1 per share and expire January 31, 2016.

\$234,841 in accounts payable – related parties, due to an entity controlled by the Company's controlling shareholders, was converted into 782,803 shares of the Company's common stock and 782,803 Class A warrants. These warrants are exercisable at \$1 per share and expire January 31, 2016.

Stockholders advance loans to the Company from time to time to provide financing for operations.

	June 30, 2012 (UNAUDITED)	December 31, 2011
Advances from stockholders	\$ 47,521	\$ 47,521

Advances from stockholders carry no interest, have no terms of repayment or maturity, and are payable on demand.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

On July 1, 2011 the Company entered into an agreement with a stockholder whereby the stockholder would provide legal services at a monthly rate of \$10,000. The term of the agreement is one year.

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LiveWire Ergogenics Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012
(UNAUDITED)

NOTE 7 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

On July 20, 2011 the Company entered into two employment agreements. The agreements have a five year term and may be terminated upon mutual agreement. The salary associated with each of the agreements is \$260,000 annually, A portion of which will be paid in cash and a portion of which will be deferred until the Company achieves certain levels of sales and or enters into a merger, purchase or sale agreement and or if the Company is sold. The Company has not accrued the deferred salary components as there can be no assurance that any of the triggering events for payment of the deferral will be achieved.

During the six months ended June 30, 2012, a total of \$209,343, due under these employment agreements, were converted into 1,047,240 shares of the Company's common stock and Class A warrants to purchase 1,047,240 shares of the Company's common stock at \$1 per shares. These warrants expire on January 31, 2016.

NOTE 8 – NOTES PAYABLE

On September 9, 2011 the Company entered into an unsecured \$10,000 note payable that is payable on demand and bears interest at 6% per year until repaid in full.

On October 15, 2011 the Company entered into an unsecured \$15,000 note payable that is payable on demand and bears interest at 6% per year until repaid in full.

On November 17, 2011 the Company entered into an unsecured \$2,000 note payable that is payable on demand and bears interest at 6% per year until repaid in full.

On December 22, 2011 the Company entered into an unsecured \$15,000 note payable that is payable on demand and bears interest at 6% per year until repaid in full.

On December 30, 2011 the Company entered into an unsecured \$25,000 note payable that is payable on demand and bears interest at 6% per year until repaid in full. In February 2012, this note was fully converted into 125,000 shares at \$0.20 per share.

On January 20, 2012 the Company entered into an unsecured \$10,000 note payable that is payable on demand and bears interest at 6% per year until repaid in full. On May 22, 2012, the Company repaid the \$10,000 note in full including accrued interest of \$196.

On April 10, 2012, the Company entered into an unsecured \$25,000 note payable that is payable on demand and bears interest at 6% per year until repaid in full.

On May 9, 2012 the Company entered into a non-interest bearing unsecured \$12,600 note payable that is payable on demand.

On June 19, 2012 the Company entered into a non-interest bearing unsecured \$4,500 note payable that is payable on demand.

On December 22, 2011 the Company entered into an unsecured \$15,000 note payable that is payable on demand and bears interest at 6% per year until repaid in full.

During the six months ended June 30, 2012, the Company recorded accrued interest of \$798 related to notes payable.

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LiveWire Ergogenics Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012
(UNAUDITED)

NOTE 9 – STOCKHOLDERS’ DEFICIT

Common Stock

As a result of the reverse merger, the shares of the Company outstanding prior to the closing of the Purchase Agreement are treated as having been issued as of that date, whereas the shares issued in connection with the purchase Agreement are treated as having been issued since inception for all periods presented.

Prior to the Purchase Agreement the Company had 19,933,529 outstanding shares of common stock. Of which 15,000,000 common shares were sold on May 16, 2011 at the par value of \$0.001 per share for total proceeds of \$15,000.

In December 2011, 879,070 shares of common stock were issued to satisfy \$174,500 of notes payable.

In February 2012, the Company issued 125,000 shares to satisfy \$25,000 of notes payable.

In March 2012, the Company issued 1,317,803 shares of common stock and 1,317,803 class A warrants to satisfy \$395,341 in accounts payable due to related parties. These warrants are exercisable at \$1 per share and expire January 31, 2016.

Also in March 2012, the Company issued 1,047,240 shares of common stock and 1,047,240 class A warrants to satisfy \$209,448 in accrued salaries owed to two officers of the Company. These warrants are exercisable at \$1 per share and expire January 31, 2016.

During the six months ended June 30, 2012 the Company issued 1,053,001 shares of common stock and 1,053,001 Class A warrants related to a stock purchase agreement for \$315,900. These warrants are exercisable at \$1 per share and expire January 31, 2016.

The value relating to 211,667 shares, which total \$63,500, have been recorded as subscription receivable. In April 2012, \$9,000 was paid and the balance at June 30, 2012 is \$54,500.

During the six months ended June 30, 2012, the Company issued 33,125 shares of common stock to satisfy an accounts payable balance amounting to \$7,625.

During the six months ended June 30, 2012, the Company issued 944,666 shares of common stock for services valued at \$258,650 as payment for compensation to consultants and employees.

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LiveWire Ergogenics Inc.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012
(UNAUDITED)

NOTE 9 – STOCKHOLDERS’ DEFICIT (CONTINUED)

Preferred Stock

As noted earlier in contemplation, and in connection with the Purchase Agreement, the Company issued 1,000,000 shares of Series A Preferred Stock (“Series A”).

In addition to any other rights and privileges of Series A as previously noted, the Company shall not, without first obtaining the affirmative vote or written consent of the holders of ninety percent (90%) of the outstanding shares of Series A, do any of the following:

- take any action which would either alter, change or affect the rights, preferences, privileges or restrictions of the Series A or increase the number of shares of such series authorized hereby or designate any other series of Preferred Stock;
- increase the size of any equity incentive plan(s) or arrangements;
- make fundamental changes to the business of the Company;
- make any changes to the terms of the Series A or to the Company’s Articles of Incorporation or Bylaws, including by designation of any stock;
- create any new class of shares having preferences over or being on a parity with the Series A as to dividends or assets, unless the purpose of creation of such class is, and the proceeds to be derived from the sale and issuance thereof are to be used for, the retirement of all Series A then outstanding;
- make any change in the number of authorized directors, currently five (5);
- repurchase any of the Company's Common Stock;
- sell, convey or otherwise dispose of, or create or incur any mortgage, lien, charge or encumbrance on or security interest in or pledge of, or sell and leaseback, all or substantially all of the property or business of the Company or more than 50% of the stock of the Company;
- make any payment of dividends or other distributions or any redemption or repurchase of stock or options or warrants to purchase stock of the Company; or
- make any sales of additional Preferred Stock.

In March 2012, Bill Hodson and Brad Nichols exercised their rights under the Contingent Option Agreement dated July 21, 2011 with Rick Darnell. Based upon the Agreement and fulfillment of contingencies in the Agreement, Bill Hodson and Brad Nichols each acquired 500,000 shares of the Series A from Rick Darnell for \$2.00.

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

The following discussion and analysis should be read in conjunction with the accompanying financial statements and related notes included elsewhere in this report. It contains forward-looking statements that reflect our future plans, estimates, beliefs and expected performance. The forward-looking statements are dependent upon events, risks and uncertainties that may be outside our control. Our actual results could differ materially from those discussed in these forward-looking statements.

Factors that could cause or contribute to such differences include, but are not limited to, market prices for natural gas and oil, economic and competitive conditions, capital expenditures and other uncertainties, as well as those factors discussed below, all of which are difficult to predict and which expressly qualify all subsequent oral and written forward-looking statements attributable to us or persons acting on our behalf. In light of these risks, uncertainties and assumptions, the forward-looking events discussed may not occur. We do not have any intention or obligation to update forward-looking statements included in this report after the date of this report, except as required by law.

INTRODUCTION

The following discussion and analysis summarizes the significant factors affecting: (i) our plan of operations for the six months ended June 30, 2012. This discussion and analysis should be read in conjunction with our consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended December 31, 2011.

EXECUTIVE SUMMARY

We are engaged in the sale and marketing of energy chew products. Our product delivers a blend of ingredients that provides an energy boost similar to an energy drink, such as Red Bull or 5-Hour Energy, but is about the size of a Starburst candy. The product is not a gum; it dissolves quickly and is an alternative to drinks or shots.

Results of Operations

The financial information with respect to the six and three months ended June 30, 2012 and 2011 that is discussed below is unaudited. In the opinion of management, such information contains all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of the results for such periods. The results of operations for interim periods are not necessarily indicative of the results of operations for the full fiscal years.

Company Overview for the six months ended June 30, 2012 and 2011

During the six months ended June 30, 2012, we incurred a net loss of \$751,306. During the six months ended June 30, 2011, we incurred net income of \$68,120.

Comparison of the results of operations for the six months ended June 30, 2012 and 2011

Sales. During the six months ended June 30, 2012, sales of our products amounted to \$109,146, as compared to \$369,680 respectively, in the corresponding 2011 periods. Decreases in our sales in the 2012 periods, result from the loss of a customer responsible for \$277,390 of sales during the six month period ended June 30, 2011.

Costs and Expenses

General and Administrative. During the six months ended June 30, 2012, general and administrative expenses amounted to \$724,267, as compared to \$97,240 respectively, in the corresponding 2011 period. The increase in

general and administrative expenses in 2012 results from increases in salaries, legal expenses, contract labor and office expenses.

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Company Overview for the three months ended June 30, 2012 and 2011

During the three months ended June 30, 2012, we incurred a net loss of \$503,194. During the three months ended June 30, 2011, we achieved net income of \$108,225.

Comparison of the results of operations for the three months ended June 30, 2012 and 2011

Sales. During the three months ended June 30, 2012, sales of our products amounted to \$65,018, as compared to \$347,118 respectively, in the corresponding 2011 periods. Decreases in our sales in the 2012 periods, result from the loss of a customer responsible for \$277,390 of sales during the three month period ended June 30, 2011.

Costs and Expenses

General and Administrative. During the three months ended June 30, 2012, general and administrative expenses amounted to \$501,157, as compared to \$63,366 respectively, in the corresponding 2011 period. The increase in general and administrative expenses in 2012 results from increases in salaries, legal expenses, contract labor and office expenses.

Going Concern

We have an accumulated deficit of \$1,733,498 and our current liabilities exceeded our current assets by \$331,519 as of June 30, 2012. We may require additional funding to sustain our operations and satisfy our contractual obligations for our planned operations. Our ability to establish the Company as a going concern is may be dependent upon our ability to obtain additional funding in order to finance our planned operations.

Plan of Operation

For the remainder of fiscal 2012, we will focus on attempting to continue increase our revenue through the sale of our products which we hope to achieve through increased market penetration.

Liquidity and Capital Resources

During the six months ended June 30, 2012, our cash flows from operations were not sufficient for us to meet our operating commitments. Our cash flows from operations continue to be, and are expected to continue to be, insufficient to meet our operating commitments throughout the remainder of the fiscal year ending December 31, 2012.

Working Capital. As of June 30, 2012, we had a working capital deficit of \$331,519 and cash of \$0, while at June 30, 2011 we had a working capital deficit of \$790,440 and cash of \$31,454. The decrease in our working capital deficit is primarily attributable to the issuance of shares to satisfy various accounts payable and accrued expenses and notes payable.

Cash Flow. Net cash used in or provided by operating, investing and financing activities for the six months ended June 30, 2012 and 2011 were as follows:

Six Months Ended	
June 30,	
2012	2011

Net cash used in operating activities	\$ (387,422)	\$ (61,220)
Net cash used in investing activities	\$ (13,142)	\$ -
Net cash provided by financing activities	\$369,110	\$ 62,590

Net Cash Used in Operating Activities. The changes in net cash used in operating activities are attributable to our net income adjusted for non-cash charges as presented in the consolidated statements of cash flows and changes in working capital as discussed above.

Net Cash Used in Investing Activities. Net cash used in investing activities for the six months ended June 30, 2012 was related to the sale of an automobile for \$3,558 and the purchase of a vehicle for \$16,700.

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Net Cash Provided by Financing Activities. Net cash provided by financing activities relates primarily to cash received from sales of our common stock and issuance and payment of our notes payable.

Off-Balance Sheet Arrangements

We do not have off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Our consolidated financial statements have been prepared by management in accordance with U.S. GAAP.

Recently Issued Accounting Pronouncements

The Company has evaluated recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA and the SEC and we have not identified any that would have a material impact on the Company's financial position, or statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a "smaller reporting company" as defined by Item 10 of Regulation S-K, the Company is not required to provide information required by this Item.

Item 4. Controls and Procedures

Our Principal Executive Officer and Principal Accounting Officer have carried out an evaluation of the effectiveness of our disclosure, controls and procedures. Based upon that evaluation, our Principal Executive Officer and Principal Accounting Officer concluded that as of the end of the period covered by this report, our disclosures, controls and procedures are not effective to ensure that information required to be disclosed in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. During the most recently completed three months ended June 30, 2012, there has been no significant change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

We do not have an independent body to oversee our internal controls over financial reporting and lack segregation of duties due to the limited nature and resources of the Company.

In light of these material weaknesses, we performed additional analysis and procedures in order to conclude that our financial statements included in this report were fairly stated in accordance with accounting principles generally accepted in the United States. Accordingly, we believe that despite our material weaknesses, our financial statements included in this report are fairly stated, in all material respects, in accordance with United States generally accepted accounting principles.

We plan to rectify these weaknesses by implementing an independent board of directors and hiring additional accounting personnel once we have additional resources to do so. We have also hired a new financial consultant who possesses additional financial reporting experience to assist the Company in future filings.

CHANGES IN INTERNAL CONTROLS

Our management, with the participation the Principal Executive Officer and Principal Accounting Officer performed an evaluation as to whether any change in our internal controls over financial reporting occurred during the Quarter ended June 30, 2012. Based on that evaluation, the Company's Principal Executive Officer and Principal Accounting Officer concluded that no change occurred in the Company's internal controls over financial reporting during the Quarter ended June 30, 2012 that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

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PART II-OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1a. Risk Factors.

As a “smaller reporting company” as defined by Item 10 of Regulation S-K, the Company is not required to provide information required by this Item.

Item 2 Unregistered Sales of Equity Securities and Use Of Proceeds

On April 16, 2012, the Company sold Units (65,000 shares of common stock and 65,000 common stock purchase warrants) for \$19,500 under Subscription Agreements with 4 accredited investors. There was no underwriter, no underwriting discounts or commissions, no general solicitation, no advertisement, and resale restrictions were imposed by placing a Rule 144 legend on the certificates. The person who received securities has such knowledge in business and financial matters that he is capable of evaluating the merits and risks of the transaction. This transaction was exempt from registration under the Securities Act of 1933, based upon Section 4(2) for transactions by the issuer not involving any public offering.

On April 16, 2012, the Company reached agreements to satisfy amounts due to 3 creditors for accounts payable for amounts due and owing equal to \$5,000 by issuing 20,000 shares of common stock and 20,000 common stock purchase warrants. The Company uses fair value as the measurement objective in accounting for all share-based payments. Due to limited trading in the Company’s common stock, the Company does not believe observable market prices of identical equity were available. As such, the Company used \$.25 per share (based upon the agreement with the 3 creditors) to record the transaction in a manner consistent with fair value as the measurement objective in accounting for all share-based payments. There was no underwriter, no underwriting discounts or commissions, no general solicitation, no advertisement, and resale restrictions were imposed by placing a Rule 144 legend on the certificates. The person who received securities has such knowledge in business and financial matters that he is capable of evaluating the merits and risks of the transaction. This transaction was exempt from registration under the Securities Act of 1933, based upon Section 4(2) for transactions by the issuer not involving any public offering.

On April 16, 2012, the Company issued shares and warrants to eight persons who are consultants and advisors to the Company as bonus compensation. The Company recorded compensation expense of \$123,750 by issuing 495,000 shares of common stock and 495,000 common stock purchase warrants. The Company uses fair value as the measurement objective in accounting for all share-based payments. Due to limited trading in the Company’s common stock, it is different for management to value the shares issued as compensation. Nonetheless, based upon the closing bid price of \$0.25 per share on April 13, 2012 and recent sales of Units cash at the equivalent of \$0.29 per share, management expensed the shares issued as compensation at \$0.25 per share. There was no underwriter, no underwriting discounts or commissions, no general solicitation, no advertisement, and resale restrictions were imposed by placing a Rule 144 legend on the certificates. The person who received securities has such knowledge in business and financial matters that he is capable of evaluating the merits and risks of the transaction. This transaction was exempt from registration under the Securities Act of 1933, based upon Section 4(2) for transactions by the issuer not involving any public offering.

On May 2, 2012, the Company sold Units (105,000 shares of common stock and 105,000 common stock purchase warrants) for \$31,500 under Subscription Agreements with 11 accredited investors. There was no underwriter, no

underwriting discounts or commissions, no general solicitation, no advertisement, and resale restrictions were imposed by placing a Rule 144 legend on the certificates. The person who received securities has such knowledge in business and financial matters that he is capable of evaluating the merits and risks of the transaction. This transaction was exempt from registration under the Securities Act of 1933, based upon Section 4(2) for transactions by the issuer not involving any public offering.

On May 24, 2012, the Company sold Units (650,000 shares of common stock and 650,000 common stock purchase warrants) for \$195,500 under Subscription Agreements with 6 accredited investors. There was no underwriter, no underwriting discounts or commissions, no general solicitation, no advertisement, and resale restrictions were imposed by placing a Rule 144 legend on the certificates. The person who received securities has such knowledge in business and financial matters that he is capable of evaluating the merits and risks of the transaction. This transaction was exempt from registration under the Securities Act of 1933, based upon Section 4(2) for transactions by the issuer not involving any public offering.

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On June 28, 2012, the Company issued shares and warrants to six persons who are consultants and advisors to the Company as bonus compensation. The Company recorded compensation expense of \$134,900 by issuing 449,666 shares of common stock and 449,666 common stock purchase warrants. The Company uses fair value as the measurement objective in accounting for all share-based payments. Due to limited trading in the Company's common stock, the Company does not believe observable market prices of identical equity were available. As such, the Company used the equivalent of the Unit price (\$2,900 (\$0.29/share) for the shares of common stock and \$100 (\$0.01/warrant) for the common stock purchase warrants) to record the transaction in a manner consistent with fair value as the measurement objective in accounting for all share-based payments. There was no underwriter, no underwriting discounts or commissions, no general solicitation, no advertisement, and resale restrictions were imposed by placing a Rule 144 legend on the certificates. The person who received securities has such knowledge in business and financial matters that he is capable of evaluating the merits and risks of the transaction. This transaction was exempt from registration under the Securities Act of 1933, based upon Section 4(2) for transactions by the issuer not involving any public offering.

On June 28, 2012, the Company sold Units (144,668 shares of common stock and 144,668 common stock purchase warrants) for \$43,400 under Subscription Agreements with 8 accredited investors. There was no underwriter, no underwriting discounts or commissions, no general solicitation, no advertisement, and resale restrictions were imposed by placing a Rule 144 legend on the certificates. The person who received securities has such knowledge in business and financial matters that he is capable of evaluating the merits and risks of the transaction. This transaction was exempt from registration under the Securities Act of 1933, based upon Section 4(2) for transactions by the issuer not involving any public offering.

Item 3. Defaults Upon Senior Securities

None.

Item 4. [Reserved]

Item 5. Exhibits

Exhibit No.	Exhibit
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<u>31.1</u>	<u>Rule 13a-14(a)/15d-14(a) certification of Certificate of Chief Executive Officer and Principal Financial Officer</u>
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<u>32.1</u>	<u>Section 1350 Certification of Chief Executive Officer and Principal Financial Officer</u>
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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.

LIVEWIRE ERGOGENICS, INC.

August 20, 2012

By: /s/ Bill Hodson
Bill Hodson
Chief Executive Officer, Treasurer,
Principal Accounting Officer