

Edgar Filing: PACIFIC SPIRIT INC - Form 10QSB

PACIFIC SPIRIT INC
Form 10QSB
June 23, 2005

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2005

Transition Report pursuant to 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period _____ to _____

Commission File Number 001-31608

PACIFIC SPIRIT, INC.

(Exact name of small Business Issuer as specified in its charter)

Nevada

98-0349685

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

11640 96A Avenue
Surrey, British Columbia

V3V 2A1

(Address of principal executive offices)

(Postal or Zip Code)

Issuer's telephone number, including area code: 604-760-1400

None

(Former name, former address and former fiscal year, if changed since
last report)

Check whether the issuer (1) 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 issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days Yes No

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 3,820,000 shares of \$0.001 par value common stock outstanding as of June 22, 2005.

PACIFIC SPIRIT INC.

(A Pre-exploration Stage Company)

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INTERIM FINANCIAL STATEMENTS

March 31, 2005

(Stated in US Dollars)

(Unaudited)

PACIFIC SPIRIT INC.
 (A Pre-exploration Stage Company)
 INTERIM BALANCE SHEETS
 March 31, 2005 and December 31, 2004
 (Stated in US Dollars)
 (Unaudited)

	ASSETS -----	March 31, 2005 ----
Current		
Cash		\$ 503
Prepaid expenses		600

		\$ 1,103
		=====
	LIABILITIES -----	
Current		
Accounts payable and accrued liabilities - Note 4		\$ 16,115
Due to related party - Note 4		6,950

		23,065

	STOCKHOLDERS' DEFICIENCY -----	
Preferred stock, \$0.001 par value		
10,000,000 shares authorized, none outstanding		
Common stock, \$0.001 par value		
100,000,000 shares authorized		
3,820,000 (December 31, 2004: 3,820,000) shares outstanding		3,820
Paid-in capital		87,180
Deficit accumulated during the pre-exploration stage		(112,962)

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(21,962)

\$ 1,103
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SEE ACCOMPANYING NOTES

PACIFIC SPIRIT INC.
(A Pre-exploration Stage Company)
INTERIM STATEMENTS OF OPERATIONS
for the three months ended March 31, 2005 and 2004
and for the period May 4, 2001 (Date of Incorporation) to March 31, 2005
(Stated in US Dollars)
(Unaudited)

	Three Months Ended March 31,	
	2005	2004
	----	----
Expenses		
Accounting and audit fees	\$ 2,692	\$ 1,36
Administrative services - Note 4	1,500	
Bank charges and interest	72	4
Exploration costs	-	
Incorporation costs	-	
Legal fees	-	
Mineral lease advance royalty - Note 3	-	2,00
Office and miscellaneous	750	
Transfer agent and filing fees	144	19
	-----	-----
Loss before other item	(5,158)	(3,60
Other item		
Interest income	-	
	-----	-----
Net loss for the period	\$ (5,158)	\$ (3,60
	=====	=====
Basic loss per share	\$ (0.00)	\$ (0.0
	=====	=====
Weighted average number of shares outstanding	3,820,000	3,820,00
	=====	=====

SEE ACCOMPANYING NOTES

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PACIFIC SPIRIT INC.
 (A Pre-exploration Stage Company)
 INTERIM STATEMENTS OF CASH FLOWS
 for the three months ended March 31,
 2005 and 2004 and for the period May 4, 2001
 (Date of Incorporation) to March 31, 2005
 (Stated in US Dollars)
 (Unaudited)

	Three Months Ended March 31,	
	2005	2004
	----	----
Cash Flows used Operating Activities		
Net loss for the period	\$ (5,158)	\$ (3,606)
Changes in non-cash working capital items related to operations:		
Prepaid expenses	200	200
Accounts payable and accrued liabilities	3,611	(103)
	-----	-----
	(1,347)	(3,509)
	-----	-----
Cash Flows from Financing Activities		
Capital stock issued	-	-
Advance from related party	1,274	-
	-----	-----
	1,274	-
	-----	-----
Increase (decrease) in cash during the period	(73)	(3,509)
Cash, beginning of the period	576	12,499
	-----	-----
Cash, end of the period	\$ 503	\$ 8,990
	=====	=====
Supplemental disclosure of cash flow information		
Cash paid for:		
Interest	\$ -	\$ -
	=====	=====
Income taxes	\$ -	\$ -
	=====	=====

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SEE ACCOMPANYING NOTES

PACIFIC SPIRIT INC.
 (A Pre-exploration Stage Company)
 INTERIM STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIENCY)
 for the period May 4, 2001 (Date of Incorporation) to March 31, 2005
 (Stated in US Dollars)
 (Unaudited)

	Common Shares		Additional	
	Number	Par Value	Paid-in Capital	
Capital stock issued for cash - at \$0.01	2,500,000	\$ 2,500	\$ 22,500	\$
Net loss for the period	-	-	-	
Balance as at December 31, 2001	2,500,000	2,500	22,500	
Capital stock issued for cash - at \$0.05	1,320,000	1,320	64,680	
Net loss for the year ended December 31, 2002	-	-	-	
Balance as at December 31, 2002	3,820,000	3,820	87,180	
Net loss for the year ended December 31, 2003	-	-	-	
Balance as at December 31, 2003	3,820,000	3,820	87,180	
Net loss for the year ended December 31, 2004	-	-	-	
Balance as at December 31, 2004	3,820,000	3,820	87,180	
Net loss for the period	-	-	-	
Balance as at March 31, 2005	3,820,000	\$ 3,820	\$ 87,180	\$

SEE ACCOMPANYING NOTES

PACIFIC SPIRIT INC.

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(A Pre-exploration Stage Company)
NOTES TO INTERIM THE FINANCIAL STATEMENTS
March 31, 2005
(Stated in US Dollars)
(Unaudited)

Note 1 Interim Reporting

While information presented in the accompanying interim financial statements is unaudited, it includes all adjustments that are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim period presented. All adjustments are of a normal recurring nature. It is suggested that these interim financial statements be read in conjunction with the company's December 31, 2004 financial statements.

The results of operations for the period ended March 31, 2005, are not necessarily indicative of the results that can be expected for the year ended December 31, 2005.

Note 2 Continuance of Operations

The interim financial statements have been prepared using generally accepted accounting principles in the United States of America applicable for a going concern which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. As at March 31, 2005, the Company has not yet attained profitable operations, has a working capital deficiency of \$21,962 and has accumulated losses of \$112,962 since its commencement. Its ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due. The outcome of these matters cannot be predicted with any certainty at this time and raise substantial doubt that the Company will be able to continue as a going concern. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the company be unable to continue as a going concern. The Company anticipates that additional funding will be in the form of equity financing from the sale of common shares. The Company may also seek to obtain short-term loans from the directors of the company. There are no current arrangements in place for equity funding or short-term loans.

Note 3 Commitments

Mineral Property

By a lease agreement effective June 1, 2001 and amended June 25, 2002, November 25, 2002, January 9, 2004 and April 11, 2005, the Company was granted the exclusive right to explore and mine the Del Oro and NP Claims located in Pershing County of the State of Nevada. The term of this lease is for 30 years, renewable for an additional 30 years so long as the conditions of the lease are met. Minimum payments and performance commitments are as follows:

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Notes to the Interim Financial Statements
March 31, 2005
(Stated in US Dollars)
(Unaudited) - Page 2

Note 3 Commitments - (cont'd)

Minimum Advance Royalty Payments:

The owner shall be paid a royalty of 4% of the net smelter returns from all production. In respect to this royalty, the Company is required to pay minimum advance royalty payments of the following:

- \$5,000 upon execution (paid) and \$4,500 (paid) for extension of the agreement;
- \$2,000 upon execution of the amended agreement dated January 9, 2004 (paid);
- \$5,000 on July 9, 2004 (paid);
- \$5,000 on April 12, 2005 (paid subsequent to March 31, 2005);
- each January 9 thereafter, a payment of \$50,000 plus an annual increase or decrease equivalent to the date of inflation designated by the Consumer Price Index for that year with the execution year as the base year.

In addition, the Company is required to fund exploration expenditures of \$5,000 by April 12, 2005 (paid subsequent to March 31, 2005).

As per the lease agreement, the landlord must give written default notice to the Company and the Company then has 15 days to cure the default or the lease can be terminated. No notice has been received due to current negotiations.

The Company can reduce the net smelter return royalty to 0.5% by payment of a buy-out price of \$5,000,000. Advance royalty payments made to the date of the buy-out will be applied to reduce the buy-out price.

Performance Commitment:

In the event that the Company terminates the lease after June 1 of any year, it is required to pay all federal and state mining claim maintenance fees for the next assessment year. The Company is required to perform reclamation work on the property as required by federal, state and local law for disturbances resulting from the Company's activities on the property.

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Notes to the Interim Financial Statements
March 31, 2005
(Stated in US Dollars)
(Unaudited) - Page 3

Note 4 Related Party Transactions -----

The Company was charged the following by a director of the Company:

	Three Months Ended March 31,			
	2005	2004		
	----	----		
Administrative services	\$ 1,500	\$ -	\$	\$
	=====	=====		==

These charges were measured by the exchange amount which is the amount agreed upon by the transacting parties.

Included in accounts payable at March 31, 2005 is \$4,500 (December 31, 2004: \$3,000) consisting of unpaid management fees due to a director of the Company.

The amount due to related party, a director of the Company, consists of unpaid advances. The amount due is unsecured, non-interest bearing and has no specific terms for repayment.

Item 2. Management's Discussion and Analysis or Plan of Operation

Forward Looking Statements -----

This quarterly report contains forward-looking statements that involve risks and uncertainties. We use words such as anticipate, believe, plan, expect, future, intend and similar expressions to identify such forward-looking statements. You should not place too much reliance on these forward-looking statements. Our actual results are likely to differ materially from those anticipated in these forward-looking statements for many reasons, including the risks faced by us described in this Risk Factors section and elsewhere in this quarterly report.

Plan of Operation -----

Our plan of operation for the twelve months following the date of this report is to complete the recommended phase one exploration program on the Del Oro Property in which we hold a leasehold interest. We still anticipate that this program will cost us \$53,000.

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In April 2005, we amended our mineral claims agreement regarding the Del Oro Property located in Pershing County Nevada. We paid the lessor of the property \$5,000 advance royalty on April 12, 2005 and paid \$5,000 on April 12, 2005 for exploration expenditures.

In addition, we anticipate spending \$12,000 on professional fees and \$15,000 on administrative expenses.

Total expenditures over the next 12 months are therefore expected to be \$90,000. Our cash on hand at March 31, 2005 was \$503. Accordingly, we will need to raise additional funds in order to complete the recommended exploration program on the Del Oro Property and meet our other expected expenses. We do not currently have any arrangements for raising additional funding.

Results of Operations for the first quarter ended March 31, 2005

We incurred a net loss of \$5,158 for the three-month period ended March 31, 2005, as compared to a loss of \$3,606 in the same period in 2004. The difference in net loss was primarily due to an increase in accounting and audit fees, office expenses, and administrative services expense and office expenses, and decrease in resource costs as per lease agreement. As per management agreement dated July 1, 2004, the president started to charge the Company \$500 per month for administrative services (\$1,500 per the period January - March, 2005). The Company also incurred \$250 per month for office rent, telephone expenses, and general miscellaneous office expenses (\$750 per the period January - March, 2005) related to the use of the Vancouver office. In the comparative period, the president did not charge the Company for such expenses. During the three-month period ended March 31, 2005, we incurred transfer agent and filing fees of \$144 (2004: \$199) and accounting and audit fees of \$2,692 (2004: \$1,360) in order to bring all outstanding SEC filings current. We incurred no resource property costs during this period (2004: \$2,000). At the end of the first quarter, we had cash on hand of \$503. Our liabilities at the same date totalled \$23,065, and consisted of accounts payable of \$16,115 and \$6,950 due to a related party.

Item 3. Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, within the 90 days prior to the filing date of this report, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of the Company's management, including the Company's President, the Chief Executive Officer, and the Chief Financial Officer.

Based upon that evaluation, the Company concluded that the disclosure controls and procedures are effective. There have been no significant changes in the Company's internal controls or in other factors, which could significantly affect internal controls subsequent to the date the Company carried out its evaluation.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

The Company is not a party to any pending legal proceeding. Management is not aware of any threatened litigation, claims or assessments.

Item 2. Changes in Securities

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None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

None.

Item 6. Exhibits and Report on Form 8-K

31.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

There were no reports filed on Form 8-K during the three-month period ended March 31, 2005.

SIGNATURES

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

Pacific Spirit, Inc.

/s/ Peter Sotola

Peter Sotola
President, Secretary, Treasurer
Chief Executive Officer and Director
(Principal Executive Officer,
Principal Financial Officer and
Principal Accounting Officer)
Dated: June 22, 2005