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PACIFIC SPIRIT INC
Form 10QSB
August 14, 2006

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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 June 30, 2006

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

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 common shares as of August 6, 2006.

Authorized share capital of the registrant 100,000,000 common shares, par value of \$0.001

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The Company recorded \$nil revenue for the quarter ended June 30, 2006.

PACIFIC SPIRIT INC.
(A Pre-exploration Stage Company)
INTERIM FINANCIAL STATEMENTS
June 30, 2006
(Stated in US Dollars)
(Unaudited)

PACIFIC SPIRIT INC.
(A Pre-exploration Stage Company)
INTERIM BALANCE SHEETS
June 30, 2006 and December 31, 2005
(Stated in US Dollars)
(Unaudited)

	ASSETS -----	June 30, 2006 ----
Current		
Cash		\$ 247 =====
	LIABILITIES -----	
Current		
Bank overdraft		\$ -
Accounts payable and accrued liabilities - Note 4		23,777
Due to related party - Note 4		40,817 -----

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	64,594

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 (2005: 3,820,000) shares outstanding	3,820
Additional paid-in capital	87,180
Deficit accumulated during the pre-exploration stage	(155,347)

	(64,347)

	\$ 247
	=====

SEE ACCOMPANYING NOTES

PACIFIC SPIRIT INC.
(A Pre-exploration Stage Company)
INTERIM STATEMENTS OF OPERATIONS
for the three and six months ended June 30, 2006 and 2005
and for the period May 4, 2001 (Date of Inception) to June 30, 2006
(Stated in US Dollars)
(Unaudited)

	Three Months Ended		Six Mo	
	June 30,		Ju	
	2006	2005	2006	
	-----	-----	-----	
Expenses				
Accounting and audit fees	\$ 2,343	\$ 2,251	\$ 4,593	\$
Administrative services - Note 4	1,500	1,500	3,000	
Bank charges and interest	32	40	111	
Exploration costs	-	655	-	
Incorporation costs	-	-	-	
Legal fees	-	-	-	
Mineral lease advance royalty				
- Note 3	-	10,000	-	
Office and miscellaneous	750	750	1,500	
Transfer agent and listing fees	962	852	2,586	
	-----	-----	-----	

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Loss before other item	(5,587)	(16,048)	(11,790)
Other item			
Interest income	-	-	-
Net loss for the period	\$ (5,587)	\$ (16,048)	\$ (11,790)
Basic loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding	3,820,000	3,820,000	3,820,000

SEE ACCOMPANYING NOTES

PACIFIC SPIRIT INC.
(A Pre-exploration Stage Company)
INTERIM STATEMENTS OF CASH FLOWS
for the six months ended June 30, 2006 and 2005
and for the period May 4, 2001 (Date of Inception) to June 30, 2006
(Stated in US Dollars)
(Unaudited)

	Three-months ended June 30,	
	2006	2005
	----	----
Cash Flows used Operating Activities		
Net loss for the period	\$ (11,790)	\$ (21,206)
Changes in non-cash working capital items related to operations:		
Prepaid expenses	-	400
Accounts payable and accrued liabilities	5,459	8,431
	-----	-----
	(6,331)	(12,375)
	-----	-----
Cash Flows from Financing Activities		
Bank overdraft	-	-
Capital stock issued	-	-
Advance from a related party	6,590	13,775
	-----	-----
	6,590	13,775
	-----	-----
Decrease in cash during the period	259	1,400

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Cash, beginning of the period	-	576
	-----	-----
Cash, end of the period	\$ 259	\$ 1,976
	=====	=====

SEE ACCOMPANYING NOTES

PACIFIC SPIRIT INC.
(A Pre-exploration Stage Company)
INTERIM STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIENCY)
for the period May 4, 2001 (Date of Inception) to June 30, 2006
(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 year ended December 31, 2005	-	-	-
	-----	-----	-----

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Balance as at December 31, 2005	3,820,000	3,820	87,180
Net loss for the three-months ended June 30, 2006	-	-	-
Balance as at June 30, 2006	3,820,000	\$ 3,820	\$ 87,180

SEE ACCOMPANYING NOTES

PACIFIC SPIRIT INC.
(A Pre-exploration Stage Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
June 30, 2006 and 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, which 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, 2005 financial statements.

The results of operations for the period ended June 30, 2006, are not necessarily indicative of the results that can be expected for the year ended December 31, 2006.

Note 2 Continuance of Operations

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next twelve months. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At June 30, 2006 the Company had not yet achieved profitable operations, has accumulated losses of \$155,347 since its inception, has a working capital deficiency of \$64,347 and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and

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repay its liabilities arising from normal business operations when they come due. Management has no formal plan in place to address this concern but considers that the Company will be able to obtain additional funds by equity financing and/or related party advances, however there is no assurance of additional funding being available.

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:

Pacific Spirit Inc.
(A Pre-exploration Stage Company)
Notes to the Interim Financial Statements
June 30, 2006
(Stated in US Dollars)
(Unaudited) - Page 2

Note 3 Commitments (cont'd)

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Mineral Property (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); and
- 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.

The advance royalty payment of \$50,000 due January 9, 2006 has not been made. 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. On March 10, 2006 the Company received a termination notice dated February 18, 2006. All attempts by the Company to negotiate an amendment to the agreement failed.

Note 4 Related Party Transactions

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

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
	----	----	----	----
Administrative services	\$ 1,500	\$ 1,500	\$ 3,000	\$ 3,000
	=====	=====	=====	=====

The amount due to related party, a director of the Company, consists of unpaid advances and management fees. 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.

Pacific Spirit Inc. was incorporated under the laws of the state of Nevada. Our Company's fiscal year end is December 31.

There is no public market for our common shares and our common shares are not posted for trading or listed on any trading market.

We currently have no revenue from operations. We are in a start-up phase with our existing assets and we have no significant assets, tangible or intangible. There can be no assurance that we will generate revenues in the future, or that we will be able to operate profitably in the future, if at all. We have incurred net losses in each fiscal year since inception of our operations. We have never declared bankruptcy, have never been in receivership, and never been involved in any legal action or proceedings. Since becoming incorporated, we have not made any significant purchase or sale of assets, nor have we been involved in any mergers, acquisitions or consolidations.

Our business plan is currently on hold due to a lack of cash resources and the termination of the lease on March 5, 2006 (15 days from the date of the letter), 2006 over a group of mining claims, which served as our only significant business activity for future operations. We had been planning to develop a company focused on exploration and development of mining claims showing promising gold prospects. We currently have a negative working capital balance in excess of \$64,000 and only \$247 in cash.

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There is no assurance that we be successful in obtaining any financing, or on terms that are acceptable to our company. We are actively seeking debt and equity financing to ensure our survivability. We are also actively seeking suitable merger partners and business opportunities, which may enable us to obtain financing or recover value for our stockholders.

Plan of Operation

Our immediate plan of operation is to identify and obtain financing to survive. As of June 30, 2006, our working capital balance is a negative balance of \$(64,347), which means our liabilities exceed our cash resources and ability to pay by that amount. Our ongoing survival is wholly dependent on funding from our officers and directors, and the identification and successful completion of additional long-term or permanent equity financing, the support of creditors and shareholders, and, ultimately, the achievement of profitable operations. There can be no assurances that we will be successful. We have already reduced operations, and in conjunction with our financing activities, we are also actively seeking viable merger/business partners as an alternative to liquidation.

Our ability to succeed is uncertain.

Management Discussion and Analysis

At June 30, 2006, we had negative working capital of \$(64,347), compared to negative working capital of \$(52,557) for beginning of the fiscal year. At June 30, 2006, our total assets were \$247, which consisted solely of cash. Assets were \$nil at the beginning of the year.

At June 30, 2006, our total current liabilities increased to \$64,594 from \$52,557 at December 31, 2005.

We have not had revenues from inception. Our business plan and limited operations are on hold due to a lack of cash and our negative working capital balance. Our survival is dependent on funding from sales of securities and, as necessary, or from shareholder loans. Our President has lent our company \$40,817 to continue our operations and maintain our statutory corporate and reporting requirements. We are actively seeking additional financing and/or new business partners to ensure our survival. There is no assurance that we will be successful in raising the required amounts, or on terms acceptable to our company.

We do not anticipate conducting any research and development directly, or hiring additional employees in the next 12 months.

Results of Operations for the six months ended June 30, 2006

We incurred a net loss of \$11,790 for the six-month period ended June 30, 2006, as compared to a loss of \$21,206 in the same period in 2005. The difference in net loss of \$9,416 was primarily due to the company's failure to make the required property payments (2006 - \$Nil; 2005 - \$10,000). As per management agreement dated July 1, 2004, the president started to charge the Company \$500 per month for administrative services (\$3,000 for the period). The Company also incurred \$250 per month for office rent, telephone expenses, and general miscellaneous office expenses (\$1,500 for the period) related to the use of the Vancouver office. During the six-month period ended June 30, 2006, we incurred transfer agent and filing fees of \$2,586 (2005: \$996) and accounting and audit

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fees of \$4,593 (2005: \$4,943) in order to keep SEC filings current.

We have utilized all of our cash resources for our operations to date and currently have no further resources to continue our operations.

Item 3. Controls and Procedures

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of our sole officer and director of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act). Based upon this evaluation, our sole officer and director concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms.

There has been no change in our internal control over financial reporting during the current quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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 and use of Proceeds

None.

Item 3. Defaults upon Senior Securities

None.

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

None.

Item 5. Other Information

Mr. Sotola our sole Officer and Director, continues to advance funds to our company for working capital purposes (2004 - \$8,676; 2005 - \$25,551; 2006 - \$6,590). The loan is unsecured, has no stated repayment terms, and bears no interest. As of the date hereof, there is \$40,817 due to Mr. Sotola.

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 302 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

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Notice of Termination of Lease Agreement with J. Prochnau & Co over the Nevada Mine Properties II.

There were no reports filed on Form 8-K during the six-month period ended June 30, 2006.

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: August 11, 2006