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PACIFIC SPIRIT INC
Form 10KSB
April 15, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-KSB

For the fiscal year ended December 31, 2002

Commission File No. 001-31546

PACIFIC SPIRIT, INC.
(Name of small business issuer in its charter)

Nevada
(State or other jurisdiction of Incorporation or Organization)

98-0339-560
(I.R.S. Employer Identification Number)

11640-96 A Avenue
Vancouver, B.C., Canada
(604) 760-1400

(Address, including zip code and telephone number,
including area code, of registrant's executive offices)

Securities registered under Section 12(b) of
the Exchange Act:
none

Securities registered under Section 12(g) of
the Exchange Act:
Common Stock
(Title of class)

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 Company was required to file such
reports), and (2) has been subject to such filing requirements for the past 90
days.

Yes y No o

Check if disclosure of delinquent filers in response to Item 405 of
Regulation S-B is not contained in this form, and no disclosure will be
contained, to the best of registrant's knowledge, in definitive proxy or
information statements incorporated by reference in Part III of this Form 10-KSB
or any amendment to this Form 10-KSB.

(Continued on Following Page)

State the aggregate market value of the voting stock held by
non-affiliates, computed by reference to the price at which the stock was sold,
or the average bid and asked prices of such stock, as of a specified date within

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the past 60 days: \$0.10

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of December 31, 2002 there were 3,820,000 shares of the Company's common stock issued and outstanding.

State the issuer's revenues for its most recent fiscal year:
Net loss of \$71.504

Documents Incorporated by Reference:

None

This Form 10-KSB consists of

Exhibit Index is located at Page

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SIGNATURES

PART I

ITEM 1. DESCRIPTION OF BUSINESS.

The following discussion should be read in conjunction with our audited financial statements and notes thereto included herein. In connection with, and because we desire to take advantage of, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, we caution readers regarding certain forward looking statements in the following discussion and elsewhere in

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this report and in any other statement made by, or on our behalf, whether or not in future filings with the Securities and Exchange Commission. Forward looking statements are statements not based on historical information and which relate to future operations, strategies, financial results or other developments. Forward looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward looking statements made by, or our behalf. We disclaim any obligation to update forward looking statements.

History And Organization

Pacific Spirit, Inc. (the "Company") was recently incorporated under the laws of the state of Nevada on May 4, 2001. We have not commenced business operations and we are considered an exploration stage enterprise. To date, our activities have been limited to organizational matters, obtaining a geologist's report and the preparation and filing of the registration statement of which this prospectus is a part. In connection with the organization of our company, the founding shareholder of our company contributed an aggregate of \$25,000 cash in exchange for 2,500,000 shares of common stock. We have no significant assets, and we are totally dependent upon the successful completion of this offering and receipt of the proceeds there from, of which there is no assurance, for the ability to commence our proposed business operations.

Proposed Business

On June 7, 2001, Pacific Spirit acquired a 30 year mineral lease from Nevada Mine Properties II, Inc., the owner of six unpatented lode mineral claims, sometimes referred to as the "Del Oro" property in Nevada. There is no affiliation between Pacific Spirit and the lessor. An unpatented claim is one in which more assessment work is necessary before all mineral rights can be claimed. We are presently in the pre-exploration stage and there is no assurance that a commercially viable mineral deposit exists in our property until exploration is done and a comprehensive evaluation concludes economic and legal feasibility.

Under the terms of the mineral lease, Pacific Spirit may extend the initial term for one additional period of 30 years by giving the owner notice of such extension not less than thirty days prior to the expiration of the initial term or any extension thereof. Pacific Spirit has the exclusive possession of the property for mining purposes during the term of the lease.

If Pacific Spirit fails to comply with any of the provisions of the lease and does not initiate and diligently pursue steps to correct the default within thirty days after notice has been given to it by owner specifying with particularity the nature of the default, then upon the expiration of the thirty-day period, all rights of Pacific Spirit under the lease terminate and all liabilities and obligations of Pacific Spirit except royalties then due

terminate. Any default claimed with respect to the payment of money may be cured by the deposit in escrow of the amount in controversy (not including claimed consequential, special, exemplary, or punitive damages) and giving of notice of the deposit to the owner, the amount to remain in escrow until the controversy is resolved by decision of a court or otherwise. If Pacific Spirit by notice to owner disputes the existence of a default, then the lease shall not terminate

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unless Pacific Spirit does not initiate and diligently pursue steps to correct the default within thirty days after the existence of a default has been determined by decision of a court or otherwise.

Under the terms of the lease, Pacific Spirit is obligated to pay royalties of 4% of the net returns from all minerals sold or processed. In addition, Pacific Spirit must pay a minimum annual royalty, of which the first payment of \$5,000 has already been made.

Our business activities to date have been restricted to obtaining a report from our mining engineer, Sam S. Arentz, III, and preparing this offering. According to Mr. Arentz's report, the six Del Oro claims were staked in 1986 by wx syndicate who completed 12 shallow air track drill holes which returned gold assays in the amount of 0.019 Ounces per ton over 10 feet to 0.010 Ounces per ton over 50 feet.

In 1992, Equinox Resources assumed the operations of the wx Syndicate. The Del Oro claims were leased in 1993 to Cameco U. S., Inc. which conducted magnetic surveys, rock and limited soil sampling and then drilled 4,610 feet in eleven reverse circulation drill holes. This drilling returned anomalous gold assays to 0.012 ounces per ton over 25 feet north of the present claim position. Cameco surrendered their lease in 1994 to Nevada Mine Properties, Inc. (a subsidiary of Hecla Mining Co.). Subsequently Nevada Mine Properties quit-claimed the property to Nevada Mine Properties II, Inc. (no association with Hecla).

In 1995 Newhawk Gold Mines LTD. Acquired a land position in the area which included a lease on the Del Oro Property. A regional soil grid survey in 1996 resulted in a three-hole 1,850 foot reverse circulation drill program testing the roots beneath the previously drilled air track targets. Drill intercepts returned 0.017 ounces per ton of gold over 15 feet. The leased property has been maintained by Nevada Mine Properties II, Inc. Since 1998. In June 2001, Pacific Spirit Inc. leased the six claims from Nevada Mine Properties II, Inc.

Mr. Arentz recommends a two phase program to explore the Del Oro Property. Phase 1 includes additional claim staking followed by geologic mapping and rock chip and soil sampling. A five hole, 2,500 foot reverse circulation drill program is proposed for phase 1. If drilling intersects gold values in the 0.05 To 0.10 Ounces per ton range over thicknesses of tens of feet, then consideration would be given toward a phase 2 effort which would include an additional 5000 feet of reverse circulation drilling.

PHASE 1 - PROPOSED BUDGET

	ESTIMATED COSTS (US\$)
Claim Acquisition	2,000.
Rock and Soil Sampling and Assays	2,500.
Geologic Mapping	3,000.
Drilling + Assays (2,500' @ \$15 / Ft)	37,500.
Reclamation	5,000.
Report Preparation	3,000.

	53,000.

PHASE 2 - PROPOSED BUDGET

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	ESTIMATED COSTS (US\$)

Drilling + Assays (5000' @ \$15 / Ft)	75,000.
Reclamation	5,000.
Report Preparation	3,000.

	83,000.

Location and Access

The Del Oro Property is Located in Sections 29, 30, and 31, Township 31 North, Range 38 East, MDB&M, Pershing county, Nevada. The claims are situated in the Goldbanks Mining District approximately 28 miles south of Winnemucca, Nevada. Access from Winnemucca is south along the Grass Valley paved / gravel road for approximately 22 miles, turning southwest onto a dirt road toward the east range about one mile north of Leach Hot Springs. The dirt road runs generally down-slope toward the southwest for approximately four miles, then changes to a south-southeast direction and begins upslope for approximately three miles here the road enters unnamed drainage and continues approximately two and one half miles southwest onto the north side line of the claims.

Our Proposed Exploration Program

We must conduct exploration to determine what amount of minerals, if any, exist on our properties, and if any minerals which are found can be economically extracted and profitably processed. Our exploration program is designed to economically explore and evaluate our claims.

We do not claim to have any minerals or reserves whatsoever at this time on any of our claims. We intend to implement an exploration program and to proceed in the following two phases:

Phase 1 will begin with research of the available geologic literature, personal interviews with geologists, mining engineers and others familiar with the prospect sites.

When research is completed, our initial work will be augmented with geologic mapping, geophysical testing and geo-chemical testing of our claims. When available, existing workings, like trenches, prospect pits, shafts or tunnels will be examined. If an apparent mineralized zone is identified and narrowed down to a specific area by the studies, we will begin drilling the area.

Once drilling is performed samples are taken and then analyzed for economically potential minerals that are known to have occurred in the area. Careful interpretation of this available data collected from the various tests aid in determining whether or not the prospect has current economic potential and whether further exploration is warranted. Phase 1 will take about three months and cost up to \$53,000.

Phase 2 involves an initial examination of the underground characteristics of the mineralization structure that was identified by Phase 1 of exploration. Phase 2 is aimed at identifying any mineral deposits of potential economic importance. The methods employed are

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- more extensive drilling
- more advanced geophysical work

Drilling identifies the continuity and extent of mineralization, if any, below the surface. After a thorough analysis of the data collected in Phase

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2, we will decide if the property warrants a Phase 3 study. Phase 2 will take about six months and cost up to \$83,000. We do not intend to interest other companies in the property if we find mineralized materials.

Competitive Factors

The mineral industry is fragmented. We compete with other exploration companies looking for a variety of mineral reserves. We may be one of the smallest exploration companies in existence. Although we will be competing with other exploration companies, there is no competition for the exploration or removal of minerals from our property. Readily available markets exist in North America and around the world for the sale of minerals. Therefore, we intend to explore mining claims to the production point in which major mining production companies would seriously consider pursuing the property as a valuable and significant acquisition.

Regulations

Our exploration activities will be subject to the Federal Land Policy And Management Act of 1976 in addition to surface management regulations issued in 1980 by the Bureau of Land Management in the Code of Federal Regulations. These statutes and regulations are designed to protect public lands from unnecessary or undue degradation and to ensure that areas disturbed during the search for and extraction of mineral resources are reclaimed. BLM rules and regulations governing mining on federal lands include the preparation of a Draft Environmental Impact Statement, public hearings and approval of a final Environmental Impact Statement. The final Environmental Impact Statement will address county and state needs and requirements and covers issues and permit requirements concerning air quality, heritage resources, geology, energy, noise, soils, surface and ground water, wetlands, use of hazardous chemicals, vegetation, wildlife, recreation, land use, socioeconomic impact, scenic resources, health and welfare, transportation and reclamation. Bonding requirements for our exploration activities are developed from the final Environmental Impact Statement.

We will follow these procedures for exploration and, if development is warranted on the property, will file final plans of operation before we start any mining operations. We anticipate no discharge of water into active stream, creek, river, lake or any other body of water regulated by environmental law or regulation. No endangered species will be disturbed. Restoration of the disturbed land will be completed according to law. All holes, pits and shafts will be sealed upon abandonment of the property. It is difficult to estimate the cost of compliance with the environmental law since the full nature and extent of our proposed activities cannot be determined until we start our operations and know what that will involve from an environmental standpoint.

The initial drill program outlined in Phase I will be conducted on BLM lands. The BLM will require the submittal of a plan of operation which would be used as the basis for the bonding requirement, water permit and reclamation program. The reclamation program could include both surface reclamation and drill hole plugging and abandonment. The amount of the bonding would be based upon an estimate by the BLM related to the cost of reclamation if done by an independent contractor. It is estimated the bonding requirement would be \$5000.00. The water permit and fee is included in the reclamation cost which is

estimated to be \$1000.00.

The estimate for Phase II reclamation and bonding is based on the

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assumption that we have completed the Phase I reclamation and that the \$5000.00 Phase I bond is still in place. Based upon this assumption, it is estimated that an additional bond of \$5,000.00 would be required for Phase II for a total bonding requirement of \$10,000.00.

Following the completion of a feasibility study at the completion of Phase II, we would be subjected to the BLM rules and regulations governing mining on federal lands including a draft environmental impact statement or EIS, public hearings and a final EIS. The final EIS would address county and state needs and requirements and would cover issues and permit requirements concerning: air quality, heritage resources, geology, energy, noise, soils, surface and ground water, wetlands, use of hazardous chemicals, vegetation, wildlife, recreation, land use, socioeconomic impact, scenic resources, health and welfare, transportation and reclamation. Bonding requirements for mining are developed from the final EIS. A draft EIS would be submitted following a feasibility study that could only be performed at the completion of Phase II of the exploration plans. It is impossible to know at this time how long it would take to obtain a final EIS because we can not yet say what the feasibility study will reveal.

We are in compliance with all laws and will continue to comply with the laws in the future. We believe that compliance with the laws will not adversely affect our business operations. Pacific Spirit anticipates that it will be required to post bonds in the event the expanded work programs involve extensive surface disturbance.

Employees

Initially, we intend to use the services of subcontractors for manual labor exploration work on our properties. Pacific Spirit will consider hiring technical consultants as funds from this offering and additional offerings or revenues from operations in the future permit. At present, our only employee is Mr. Solota.

Employees

Initially, we intend to use the services of subcontractors for manual labor exploration work on our properties. Pacific Spirit will consider hiring technical consultants as funds from this offering and additional offerings or revenues from operations in the future permit. At present, our only employee is Mr. Sotola.

Employees and Employment Agreements

At present, we have no employees, other than Mr. Peter Sotola, our president and sole director who has received no compensation for his services. Mr. Sotola does not have an employment agreement with us. We presently do not have pension, health, annuity, insurance, stock options, profit sharing or similar benefit plans; however, we may adopt plans in the future. There are presently no personal benefits available to any employees.

ITEM 2. DESCRIPTION OF PROPERTY

On June 7, 2001, Pacific Spirit acquired a 30 year mineral lease from Nevada Mine Properties II, Inc., the owner of six unpatented lode mineral claims, sometimes referred to as the "Del Oro" property in Nevada. There is no

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affiliation between Pacific Spirit and the lessor. An unpatented claim is one in which more assessment work is necessary before all mineral rights can be claimed. We are presently in the pre-exploration stage and there is no assurance that a commercially viable mineral deposit exists in our property until exploration is done and a comprehensive evaluation concludes economic and legal feasibility.

Under the terms of the mineral lease, Pacific Spirit may extend the initial term for one additional period of 30 years by giving the owner notice of such extension not less than thirty days prior to the expiration of the initial term or any extension thereof. Pacific Spirit has the exclusive possession of the property for mining purposes during the term of the lease.

If Pacific Spirit fails to comply with any of the provisions of the lease and does not initiate and diligently pursue steps to correct the default within thirty days after notice has been given to it by owner specifying with particularity the nature of the default, then upon the expiration of the thirty-day period, all rights of Pacific Spirit under the lease terminate and all liabilities and obligations of Pacific Spirit except royalties then due terminate. Any default claimed with respect to the payment of money may be cured by the deposit in escrow of the amount in controversy (not including claimed consequential, special, exemplary, or punitive damages) and giving of notice of the deposit to the owner, the amount to remain in escrow until the controversy is resolved by decision of a court or otherwise. If Pacific Spirit by notice to owner disputes the existence of a default, then the lease shall not terminate unless Pacific Spirit does not initiate and diligently pursue steps to correct the default within thirty days after the existence of a default has been determined by decision of a court or otherwise.

Under the terms of the lease, Pacific Spirit is obligated to pay royalties of 4% of the net returns from all minerals sold or processed. In addition, Pacific Spirit must pay a minimum annual royalty, of which the first payment of \$5,000 has already been made.

ITEM 3. LEGAL PROCEEDINGS

There are no material legal proceedings to which we (or any of our officers and directors in their capacities as such) is a party or to which our property is subject and no such material proceedings is known by our management to be contemplated.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

(a) Market Information. The Company has applied to quote its securities on the Over-The-Counter Bulletin Board (OTCBB)

(b) Holders. There are 30 shareholders of our common stock.

(c) Dividends. We have not paid any dividends on our common stock since inception. We do not foresee that we will have the ability to pay a dividend on our common stock in the fiscal year ending December 31, 2002.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS

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OF OPERATIONS

The following discussion should be read in conjunction with our audited financial statements and notes thereto included herein. In connection with, and because we desire to take advantage of, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, we caution readers regarding certain forward looking statements in the following discussion and elsewhere in this report and in any other statement made by, or on our behalf, whether or not in future filings with the Securities and Exchange Commission. Forward looking statements are statements not based on historical information and which relate to future operations, strategies, financial results or other developments. Forward looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward looking statements made by, or on our behalf. We disclaim any obligation to update forward looking statements.

We are a start-up, exploration stage company and have not yet generated or realized any revenues from our business operations.

Our auditors have issued a going concern opinion. This means that our auditors believe there is doubt that we can continue as an on-going business for the next twelve months unless we obtain additional capital to pay our bills. This is because we have not generated any revenues and no revenues are anticipated until we begin removing and selling minerals. Accordingly, we must raise cash from sources other than the sale of minerals found on our property. Our only other source for cash at this time is investments by others in our company. We must raise cash to implement our project and stay in business.

To meet our need for cash we are attempting to raise money from this offering. There is no assurance that we will be able to raise enough money through this offering to stay in business. Whatever money we do raise will be applied first to exploration and then if reserves are found, to development, if warranted. If we do not raise all of the money we need from this offering, we will have to find alternative sources, like a second public offering, a private placement of securities, or loans from our officers or others. At the present time, we have not made any arrangements to raise additional cash, other than through this offering. If we need additional cash and cannot raise it, we will either have to suspend operations until we do raise the cash, or cease operations entirely.

We will be conducting research in connection with the exploration of our property. We are not going to buy or sell any plant or significant equipment. We

do not expect a change in our number of employees.

Limited Operating History; Need for Additional Capital

There is no historical financial information about our company upon which to base an evaluation of our performance. We are an exploration stage company and have not generated any revenues from operations. We cannot guarantee we will be successful in our business operations. Our business is subject to risks inherent in the establishment of a new business enterprise, including limited capital resources, possible delays in the exploration of our properties, and possible cost overruns due to price and cost increases in services.

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To become profitable and competitive, we must conduct research and exploration of our properties. We are seeking equity financing to provide for the capital required to implement our research and exploration phases.

We have no assurance that future financing will be available to us on acceptable terms. If financing is not available on satisfactory terms, we may be unable to continue, or expand our operations. Equity financing could result in additional dilution to existing shareholders.

Results of Operations

From Inception on May 4, 2001

On June 7, 2001 we acquired our first interest in un-patented lode mineral claims. At this time we have not yet commenced the research and/or exploration stage of our operations on that property. We have paid \$5,000 for a mining lease. As of December 31, 2002, the date of our latest audited financial statements, we have experienced operating losses of \$71,504.

Plan of Operations

Since inception, we have used our common stock to raise money for our property acquisition, for corporate expenses and to repay outstanding indebtedness. Net cash provided by financing activities from inception on May 4, 2001 to May 31, 2001 was \$25,000 as a result of proceeds received from our president and sole director. Our business activities to date have been restricted to obtaining a mining engineer's report and preparing this offering.

Pacific Spirit 's plan of operations for the next twelve months is to undertake Phase I of the drilling and exploration program. Phase I is estimated to be cost \$53,000.00 and therefore can not be completed unless more than 75% of the offering is sold. If only 50% of the offering is sold, we will be able to make an annual royalty payment, obtain permits, bonds and conduct land preparation along with surveying, drill site location and some drilling, but we will not be able to complete our exploration program or analyze the results. If only 25% of our offering is sold, we will be able to pay the offering expenses only. If less than 25% of the offering is sold we will become indebted for offering expenses and we may have to cease operations entirely. We have no plan to engage in any alternative business if Pacific Spirit ceases or suspends operations as a result of not having enough money to complete any phase of the exploration program.

Phase I will involve drilling five holes to investigate the extent of mineralization of the claims which will include additional claim staking followed by geologic mapping and rock chip and soil sampling. Claim staking is estimated to cost \$2,000. Geological mapping, rock chip and soil sampling will cost approximately \$5,500. Drilling expenses are expected to about \$37,500 and reclamation about \$5,000. Expenses associated with the geologist's report for

Phase I are anticipated to be approximately \$3,000.

Liquidity and Capital Resources

As of the date of this registration statement, we have yet to generate any revenues from our business operations. Since our inception, Mr. Sotola has paid \$25,000 in cash in exchange for 2,500,000 shares of common stock. This money has been utilized for organizational and start-up costs and as operating

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capital. As of December 31, 2002 we had sustained operating losses \$71,504.

We will not be able to conduct meaningful business operations unless we sell at least 50% of this offering. In addition, unless more than 75% of the offering is sold, we will not be able to complete Phase I. Assuming sufficient funds are raised in this offering to complete Phase I, we will be able to evaluate within the next 12 months whether to proceed with Phase II. Should we decide to proceed with Phase II, we will be required to raise an additional \$83,000.00 in addition to offering expenses.

According to the terms of our mineral lease, we are obligated by June 7, 2002 to pay a minimum royalty of \$8,000 followed by annual minimum royalty payments thereafter of \$16,000 in 2003, \$24,000 in 2004, \$50,000 in 2005 and \$50,000 every year thereafter. We will be required to renegotiate the terms of the mineral lease in the event we are unable to raise sufficient funds in time to meet these obligations.

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ITEM 7. FINANCIAL STATEMENTS

PACIFIC SPIRIT, INC. INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditors' Report

Consolidated balance sheets as of December 31, 2002 and 2001

Consolidated statements of operations for the years ended December 31, 2001 and 2000

Consolidated statements of stockholders' deficit for the years ended December 31, 2001 and 2000

Consolidated statements of cash flows for the years ended December 31, 2001 and 2000

Notes to consolidated financial statements

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PACIFIC SPIRIT, INC. REPORT AND FINANCIAL STATEMENTS

December 31, 2002 and 2001

(Stated in US Dollars)

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[LETTERHEAD OF AMISANO HANSON]

INDEPENDENT AUDITORS' REPORT

To the Stockholders,

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Pacific Spirit Inc.

We have audited the accompanying balance sheets of Pacific Spirit Inc. (A Pre-exploration Stage Company) as of December 31, 2002 and 2001 and the related statements of operations, cash flows and stockholders' deficiency for the year ended December 31, 2002 and the period May 4, 2001 (Date of Incorporation) to December 31, 2001 and the period May 4, 2001 (Date of Incorporation) to December 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these financial statements referred to above present fairly, in all material respects, the financial position of Pacific Spirit Inc. as of December 31, 2002 and 2001 and the results of its operations and its cash flows for the year ended December 31, 2002, the period May 4, 2001 (Date of Incorporation) to December 31, 2001 and the period May 4, 2001 (Date of Incorporation) to December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements referred to above have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company is in the exploration stage, and has no established source of revenue and is dependent on its ability to raise capital from shareholders or other sources to sustain operations. These factors, along with other matters as set forth in Note 1, raise substantial doubt that the Company will be able to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Vancouver, Canada
February 26, 2003

"AMISANO HANSON"
Chartered Accountants

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PACIFIC SPIRIT INC.
(A Pre-exploration Stage Company)
BALANCE SHEETS
December 31, 2002 and 2001
(Stated in US Dollars)

ASSETS

2002

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Current			
Cash	\$		27,983
		LIABILITIES	
Current			
Accounts payable	\$		8,487
Advance from a director			-
			8,487
		STOCKHOLDERS' EQUITY (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 shares issued (2001: 2,500,000)			3,820
Paid in capital			87,180
Deficit accumulated during the pre-exploration stage	(71,504)
			19,496
	\$		27,983
Nature and Continuanace of Operations - Note 1			
Commitments - Note 5			

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PACIFIC SPIRIT INC. (A Pre-exploration Stage Company) STATEMENTS OF OPERATIONS for the year ended December 31, 2002, for the period May 4, 2001 (Date of Incorporation) to December 31, 2001 and the period May 4, 2001 (Date of Incorporation) to December 31, 2002 (Stated in US Dollars) -----

	Year ended December 31, 2002 ----	May 4, 2001 (Date of Incorporation) t December 31, 2001 ----
Expenses		
Administrative services	\$ 10,000	\$ 7,000
Audit fees	8,451	4,480
Bank charges	267	150
Exploration costs	758	980

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Incorporation costs		-		90
Legal fees		6,953		21,53
Mineral lease advance royalty - Note 5 (a)		3,000		5,00
Office		34		25
Transfer agent fees		1,805		
Loss before other item	(31,268)	(40,31
Other item:				
Interest income		19		5
Net loss for the period	\$ (31,249)	\$ (40,25
Basic loss per share	\$ (0.01)	\$ (0.03
Weighted average number of shares outstanding		2,720,000		1,554,79

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PACIFIC SPIRIT INC. (A Pre-exploration Stage Company) STATEMENTS OF CASH FLOWS for the year ended December 31, 2002, for the period May 4, 2001 (Date of Incorporation) to December 31, 2001 and the period May 4, 2001 (Date of Incorporation) to December 31, 2002 (Stated in US Dollars) -----

	Year ended December 31, 2002 ----	May 4, 2001 (Date of Incorporation) t December 31, 2001 ----
Cash Flows from (used in) Operating Activities		
Net loss for the period	\$ (31,249)	\$ (40,25
Change in non-cash working capital balance related to operations		
Accounts payable	(6,047)	14,53
	(37,296)	(25,72
Cash Flows from Financing Activities		
Capital stock issued	66,000	25,00
Increase (decrease) in advance from a director	(750)	75
	65,250	25,75
Increase in cash during the period	27,954	2
Cash, beginning of the period	29	

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Cash, end of the period	\$	27,983	\$	2
Supplemental disclosure of cash flow information Cash paid for:				
Interest	\$	-	\$	
Income taxes	\$	-	\$	

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PACIFIC SPIRIT INC.
(A Pre-exploration Stage Company)
STATEMENT OF STOCKHOLDERS' EQUITY
(DEFICIENCY) for the period May 4, 2001 (Date of
Incorporation) to December 31, 2002
(Stated in US Dollars)

	Common Shares		Additional	Defi
	Number	Par Value	Paid-in	Accumu
	-----	-----	-----	During t
Capital stock issued for cash				explor
- 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	-	-	-	(
Balance, as at December 31, 2002	3,820,000	\$ 3,820	\$ 87,180	\$ (

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PACIFIC SPIRIT INC.
(A Pre-exploration Stage Company)

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2002 and 2001

(Stated in US Dollars)

Note 1 Nature and Continuance of Operations

The Company is in the pre-exploration stage. The Company has entered into a lease agreement to explore and mine a property located in the State of Nevada, United States of America and has not yet determined whether this property contains reserves that are economically recoverable. The recoverability of amounts from the property will be dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying property, the ability of the Company to obtain necessary financing to satisfy the expenditure requirements under the property agreement and to complete the development of the property and upon future profitable production or proceeds for the sale thereof.

These financial statements have been prepared on a going concern basis. The Company has accumulated a deficit of \$71,504 since inception. Its ability to continue as a going concern is dependent upon the ability of the Company to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

The Company was incorporated in Nevada on May 4, 2001.

Note 2 Summary of Significant Accounting Policies

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. Actual results may vary from these estimates.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Pre-exploration Stage Company

The Company complies with Financial Accounting Standards Board Statement No. 7 and Securities and Exchange Commission Act Guide 7 for its characterization of the Company as pre-exploration stage.

Mineral Lease

Costs of lease, acquisition, exploration, carrying and retaining unproven mineral lease properties are expensed as incurred.

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Note 2 Summary of Significant Accounting Policies - (cont'd)

Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the cost can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitments to plan of action based on the then known facts.

Income Taxes

The Company uses the liability method of accounting for income taxes pursuant to Statement of Financial Accounting Standards, No. 109 "Accounting for Income Taxes".

Basic Loss Per Share

The Company reports basic loss per share in accordance with the Statement of Financial Accounting Standards No. 128, "Earnings Per Share". Basic loss per share is computed using the weighted average number of shares outstanding during the period.

Fair Value of Financial Instrument

The carrying value of cash, accounts payable and advance from a director approximates their fair value because of the short maturity of these instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

New Accounting Standards

Management does not believe that any recently issued, but not yet effective accounting standards if currently adopted could have a material effect on the accompanying financial statements.

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Note 3 Deferred Tax Assets

The Financial Accounting Standards Board issued Statement Number 109 in Accounting for Income Taxes ("FAS 109") which is effective for fiscal years beginning after December 15, 1992. FAS 109 requires the use of the asset and liability method of accounting of income taxes. Under the assets and liability method of FAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets

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and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The following table summarizes the significant components of the Company's deferred tax assets:

Deferred Tax Assets	Total
Non-capital loss carryforward	\$ 12,877
Valuation allowance for deferred tax asset	(12,877)
	\$ -

The amount taken into income as deferred tax assets must reflect that portion of the income tax loss carryforwards that is likely to be realized from future operations. The Company has chosen to provide an allowance of 100% against all available income tax loss carryforwards, regardless of their time of expiry.

Note 4 Income Taxes

No provision for income taxes has been provided in these financial statements due to the net loss. At December 31, 2002 the Company has net operating loss carryforwards, which expire commencing in 2021, totalling approximately \$71,504, the benefit of which has not been recorded in the financial statements.

Note 5 Commitments

(a) Mineral Property

By a lease agreement effective June 1, 2001 and amended June 25, 2002 and November 25, 2002, 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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Note 5 Commitments - (cont'd)

(a) 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 \$3,000 (paid) for extension of the agreement;
- \$8,000 on June 1, 2003;
- \$16,000 on June 7, 2003

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- \$24,000 on June 7, 2004
- \$50,000 on June 7, 2005 and thereafter

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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ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT.

Directors are elected for one-year terms or until the next annual meeting of shareholders and until their successors are duly elected and qualified. Officers continue in office at the pleasure of the Board of Directors.

The Directors and Officers of the Company as of the date of this report are as follows:

Name	Age	Position
Peter Sotola	56	Director

All our Directors hold office until the next annual meeting of our shareholders and until successors have been elected and qualified. Our officers are elected by our Board of Directors and hold office until their death or until they resign or are removed from office.

There are no family relationships among the officers and directors. There is no arrangement or understanding between us (or any of our directors or officers) and any other person pursuant to which such person was or is to be selected as a director or officer.

(b) Resumes

Peter Sotola is the founder of our company. Mr. Sotola has been the President, Secretary-Treasurer and Director since Pacific Spirit's inception on May 4, 2001. Between 1987 and 1999 Mr. Sotola was an account executive at Georgia

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Pacific Securities, which has its principal offices in Vancouver, British Columbia, and engages in the business of buying and selling public securities. From 1999 to the present Mr. Sotola has been engaged in providing business consulting services. He is expected to hold his position with our company until the next annual meeting of shareholders. Mr. Sotola educational experience includes attending the College of Hotel Management in Mareinbad, Czechoslovakia between 1976 and 1980. From 1980 to 1982 he attended the Economic University in Prague, Czechoslovakia where he majored in economics and political science.

ITEM 10. EXECUTIVE COMPENSATION.

Remuneration

The following table reflects all forms of compensation for services to us for the years ended December 31, 2000 and 1999 of our then chief executive officer.

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SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Long Term Compensation Awards		Securities Underlying Options/SARs (#)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Restricted Stock Award(s) (\$)		
Peter Sotola	2002	0	0	0	0	0	0

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

(16) and (b) Security Ownership of Certain Beneficial Owners and Management.

The table below lists the beneficial ownership of the our voting securities by each person known by us to be the beneficial owner of more than 5% of such securities, as well as by all of our directors and officers, as of the date of this report. Unless otherwise indicated, the shareholders listed possess sole voting and investment power with respect to the shares shown.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common	Peter Sotola	2,500,000	65.440%

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

In connection with the organization of Pacific Spirit , Peter Sotola, the

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founding shareholder, President, Secretary-Treasurer and Director of our company, has paid an aggregate of \$25,000.00 cash to purchase 2,500,000 shares of common stock of Pacific Spirit .

Pacific Spirit presently has no office facilities but for the time being will use as its business address the office of Mr. Sotola on a rent free basis, until such time as the business operations of our company may require more extensive facilities and our company has the financial ability to rent commercial office space. There is presently no formal written agreement for the

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use of such facilities, and no assurance that such facilities will be available to our company on such a basis for any specific length of time.

We have no formal written employment agreement or other contracts with our officers, and there is no assurance that the services to be provided by them, and facilities to be provided by Mr. Sotola, will be available for any specific length of time in the future. Mr. Sotola anticipates initially devoting up to approximately 15% of his time to the affairs of our company. If and when the business operations of our company increase and a more extensive time commitment is needed, Mr. Sotola is prepared to devote more time to our company, in the event that becomes necessary. The amounts of compensation and other terms of any full time employment arrangements with our company would be determined if and when such arrangements become necessary.

PART IV

Item 13. EXHIBITS AND REPORTS ON FORM 8-K.

3.1Certificate and Articles of Incorporation*
3.2Bylaws**

*

Filed with the Securities and Exchange Commission in the Exhibits to Form SB-2, filed on August 24, 2001 and are incorporated by reference herein.

**

Filed with the Securities and Exchange Commission in the Exhibits to Form SB-2, filed on August 24, 2001 and are incorporated by reference herein.

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SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on April 14, 2003.

Pacific Spirit, Inc.
(Registrant)
By: /s/ Peter Sotola
Peter Sotola

In accordance with the Exchange Act, this report has been signed below by

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the following persons on behalf of the registrant and in the capacities indicated on April 14, 2003, 2002.

/s/ Peter Sotola
Peter Sotola, Director

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BREAM VENTURS, INC.

Exhibit Index to Annual Report on Form 10-KSB For the Fiscal Year
Ended December 31, 2002

EXHIBITS

3.1Certificate and Articles of Incorporation*
3.2Bylaws**

*

Filed with the Securities and Exchange Commission in the Exhibits to Form SB-2, filed on August 24, 2001 and are incorporated by reference herein.

**

Filed with the Securities and Exchange Commission in the Exhibits to Form SB-2, filed on August 24, 2001 and are incorporated by reference herein.

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CERTIFICATIONS*

I, Peter Sotola, certify that:

1. I have reviewed this annual report on Form 10-KSB of Pacific Spirit, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have: a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared; b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions): a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date:

April 14, 2003

Peter Sotola

/s/Peter Sotola, CEO and Principal Financial Officer

* Provide a separate certification for each principal executive officer and principal financial officer of the registrant. See Rules 13a-14 and 15d-14. The required certification must be in the exact form set forth above.