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PACIFIC SPIRIT INC
Form 10QSB
August 05, 2004

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, 2004

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

(State or other jurisdiction of
incorporation or organization)

98-0349685

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

11640 96A Avenue
Surrey, British Columbia

(Address of principal executive offices)

V3V 2A1

(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 July 29, 2004.

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PACIFIC SPIRIT INC.

(A Pre-exploration Stage Company)

INTERIM FINANCIAL STATEMENTS

June 30, 2004

(Stated in US Dollars)

(Unaudited)

PACIFIC SPIRIT INC.

(A Pre-exploration Stage Company)

INTERIM BALANCE SHEETS

June 30, 2004 and December 31, 2003

(Stated in US Dollars)

(Unaudited)

	ASSETS -----	June 30, 2004 ----
Current		
Cash		\$ 5,570
Prepaid expenses		1,953

		\$ 7,523
		=====
	LIABILITIES -----	
Current		
Accounts payable and accrued liabilities		\$ 7,616

	STOCKHOLDERS' EQUITY -----	
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 (December 31, 2003: 3,820,000)		3,820
Paid in capital		87,180
Deficit accumulated during the pre-exploration stage		(91,093)

		(93)

		\$ 7,523
		=====

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SEE ACCOMPANYING NOTES

PACIFIC SPIRIT INC.
 (A Pre-exploration Stage Company)
 INTERIM STATEMENTS OF OPERATIONS
 for the three and six months ended June 30, 2004
 and 2003 and for the period May 4, 2001 (Date of Incorporation) to June 30, 2004
 (Stated in US Dollars)
 (Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
	----	----	----	----
Expenses				
Accounting and audit fees	\$ 562	\$ -	\$ 1,922	\$ -
Administrative services	-	-	-	-
Bank charges	51	47	98	-
Exploration costs	655	-	655	-
Incorporation costs	-	-	-	-
Legal fees	-	19	-	-
Mineral lease advance royalty				
- Note 3	-	-	2,000	-
Office	-	-	-	-
Transfer agent fees	1,753	38	1,952	-
	-----	-----	-----	-----
Loss before other item	(3,021)	(104)	(6,627)	(1,000)
Other item				
Interest income	-	11	-	-
	-----	-----	-----	-----
Net loss for the period	\$ (3,021)	\$ (93)	\$ (6,627)	\$ (1,000)
	=====	=====	=====	=====
Basic loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
	=====	=====	=====	=====
Weighted average number of shares outstanding	3,820,000	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, 2004 and 2003,
 and for the period May 4, 2001 (Date of Incorporation) to June 30, 2004
 (Stated in US Dollars)
 (Unaudited)

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	Six months ended June 30,		
	2004	2003	
	----	----	
Cash Flows from Operating Activities			
Net loss for the period	\$ (6,627)	\$ (4,096)	\$ (
Change in non-cash working capital balance related to operations			
Prepaid expenses	(1,220)	-	(
Accounts payable and accrued liabilities	918	(4,841)	(
	-----	-----	
	(6,929)	(8,937)	(
	-----	-----	
Cash Flows from Financing Activities			
Capital stock issued	-	-	
	-----	-----	
	-	-	
	-----	-----	
Increase (decrease) in cash during the period	(6,929)	(8,937)	
	-----	-----	
Cash, beginning of the period	12,499	27,983	
	-----	-----	
Cash, end of the period	\$ 5,570	\$ 19,046	\$
	=====	=====	=
Supplemental disclosure of cash flow information;			
Cash paid for:			
Interest	\$ -	\$ -	\$
	=====	=====	=
Income taxes	\$ -	\$ -	\$
	=====	=====	=

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 June 30, 2004
(Stated in US Dollars)
(Unaudited)

	Common Shares		Additional	
	Number	Par Value	Paid-in Capital	Duri exp
	-----	-----	-----	
Capital stock issued for cash				

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	- 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	(
Net loss for the year		-		-		-	(
		-----		-----		-----	-----
Balance, as at							
December 31, 2003		3,820,000		3,820		87,180	(
Net loss for the period		-		-		-	(
		-----		-----		-----	-----
Balance, as at							
June 30, 2004		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, 2004
(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, 2003 financial statements.

Note 2 Continuance of Operations

The 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 June 30, 2004, the Company has not yet attained profitable operations, has a working capital deficiency of \$93 and has accumulated losses of \$91,093 since its commencement. Its ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary

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financing to meet its obligations and pay its liabilities arising from normal business operations when they come due.

Note 3

Commitments

Mineral Property

By a lease agreement effective June 1, 2001 and amended June 25, 2002, November 25, 2002, and January 9, 2004 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 condition of the lease are met. Minimum payments and performance commitments are as follows:

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 (paid) of the amended agreement dated January 9, 2004;
- \$5,000 on July 9, 2004 (paid subsequently);
- \$10,000 on January 9, 2005; and

Pacific Spirit Inc.

(A Pre-exploration Stage Company)

Notes to the Interim Financial Statements

June 30, 2004

(Stated in US Dollars)

(Unaudited) - Page 2

Note 3

Commitments - (cont'd)

Mineral Property - (cont'd)

- each January 9 thereafter, a payment of \$50,000 plus an annual increase or decrease equivalent to the rate of inflation designated by the Consumer Price Index for that year with execution year as base year.

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 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 anticipate that this program will cost us \$53,000.

In January 2004, we amended our mineral claims agreement regarding the Del Oro Property located in Pershing County Nevada. We paid the lessor of the property \$2,000 upon execution of the agreement. In order to keep the lease in good standing, we must pay the lessor \$5,000 by July 9, 2004 (paid on July 5, 2004), \$10,000 by January 9, 2005, and \$50,000 per year thereafter.

In addition, we anticipate spending \$10,000 on professional fees and \$12,000 on administrative expenses.

Total expenditures over the next 12 months are therefore expected to be \$90,000. Our cash on hand at June 30, 2004 was \$5,570. 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 second quarter ended June 30, 2004 -----

We incurred a net loss of \$6,627 for the six-month period ended June 30, 2004, compared to a loss of \$4,122 in the same period in 2003. During the six months ended June 30, 2004, we incurred transfer agent and filing fees of \$1,952 (2003: \$38), accounting and audit fees of \$1,922 (2003: \$610), and exploration costs of \$655 (2003: \$Nil). At the end of the second quarter, we had cash on hand of \$5,570. Our liabilities at the same date totalled \$7,616 (December 31, 2003: \$6,698).

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

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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

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 six-month period ended June 30, 2004.

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

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Chief Executive Officer and Director
(Principal Executive Officer,
Principal Financial Officer and
Principal Accounting Officer)
Dated: July 29, 2004