

Edgar Filing: PACIFIC SPIRIT INC - Form 10QSB

PACIFIC SPIRIT INC  
Form 10QSB  
May 15, 2006

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, 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

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

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

Yes ☒ No ☐

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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 May 8, 2006.

PACIFIC SPIRIT INC.

(A Pre-exploration Stage Company)

INTERIM FINANCIAL STATEMENTS

March 31, 2006

(Stated in US Dollars)

(Unaudited)

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PACIFIC SPIRIT INC.

(A Pre-exploration Stage Company)

INTERIM BALANCE SHEETS

March 31, 2006 and December 31, 2005

(Stated in US Dollars)

(Unaudited)

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	ASSETS	March 31, 2006
	-----	----
Current		
Cash		\$ 39
		=====
	LIABILITIES	
	-----	
Current		
Bank overdraft		\$ -
Accounts payable and accrued liabilities - Note 4		21,032
Due to related party - Note 4		37,767
		-----

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	58,799
	-----
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	(149,760)
	-----
	(58,760)
	-----
	\$ 39
	=====

SEE ACCOMPANYING NOTES

PACIFIC SPIRIT INC.  
(A Pre-exploration Stage Company)  
INTERIM STATEMENTS OF OPERATIONS  
for the three-months ended March 31, 2006 and 2005  
and for the period May 4, 2001 (Date of Inception) to March 31, 2006  
(Stated in US Dollars)  
(Unaudited)  
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	Three-months ended March 31,	
	2006	2005
	----	----
Expenses		
Accounting and audit fees	\$ 2,250	\$ 2,692
Administrative services - Note 4	1,500	1,500
Bank charges and interest	79	72
Exploration costs	-	-
Incorporation costs	-	-
Legal fees	-	-
Mineral lease advance royalty - Note 3	-	-
Office and miscellaneous	750	750
Transfer agent & filing fees	1,624	144
	-----	-----

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Loss before other item	(6,203)	(5,158)
Other item		
Interest income	-	-
	-----	-----
Net loss for the period	\$ (6,203)	\$ (5,158)
	=====	=====
Basic loss per share	\$ (0.00)	\$ (0.00)
	=====	=====
Weighted average number of shares outstanding	3,820,000	3,820,000
	=====	=====

SEE ACCOMPANYING NOTES

PACIFIC SPIRIT INC.  
 (A Pre-exploration Stage Company)  
 INTERIM STATEMENTS OF CASH FLOWS  
 for the three-months ended March 31, 2006 and 2005  
 and for the period May 4, 2001 (Date of Inception) to March 31, 2006  
 (Stated in US Dollars)  
 (Unaudited)  
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	Three-months ended March 31,	
	2006	2005
	----	----
Cash Flows used Operating Activities		
Net loss for the period	\$ (6,203)	\$ (5,158)
Changes in non-cash working capital items related to operations:		
Prepaid expenses	-	200
Accounts payable and accrued liabilities	2,714	3,611
	-----	-----
	(3,489)	(1,347)
	-----	-----
Cash Flows from Financing Activities		
Bank overdraft	(12)	-
Capital stock issued	-	-
Advance from a related party	3,540	1,274
	-----	-----
	3,528	1,274
	-----	-----

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Decrease in cash during the period	39	(73)
Cash, beginning of the period	—	576
	-----	-----
Cash, end of the period	\$ 39	\$ 503
	=====	=====

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 Inception) to March 31, 2006  
(Stated in US Dollars)  
(Unaudited)  
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	Common Shares		Additional	
	Number	Par Value	Paid-in	Pr
	-----	-----	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 March 31, 2006	-	-	-	
	-----	-----	-----	-----
Balance as at March 31, 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 March 31, 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 March 31, 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 March 31, 2006 the Company had not yet achieved profitable operations, has accumulated losses of \$149,760 since its inception, has a working capital deficiency of \$58,760 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 repay its liabilities arising from normal business operations when

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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  
March 31, 2006  
(Stated in US Dollars)  
(Unaudited) - Page 2  
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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. The Company is currently negotiating an amendment to the balance of the advance royalty payments due. 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. The Company is attempting to negotiate an amendment to the agreement.

The Company can reduce the net smelter return royalty to 0.5% by

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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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(A Pre-exploration Stage Company)  
Notes to the Interim Financial Statements  
March 31, 2006  
(Stated in US Dollars)  
(Unaudited) - Page 3  
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### Note 4      Related Party Transactions

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

	Three-months ended		
	March 31,		
	2006		2005
	----		----
Administrative services	\$ 1,500	\$	1,500
	=====		=====

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.



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### Forward Looking Statements

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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

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Our business plan for the next twelve months calls for significant expenses in connection with the exploration of the Del Oro Property. In order to complete phase one of the exploration program, we anticipate the costs to be \$53,000. We are also required to pay an additional \$50,000 in order to keep our lease agreement respecting the Del Oro Property in good standing. The royalty payment of \$50,000 due by January 9, 2005 has not been made. The Company is currently negotiating an amendment to the balance of the scheduled advance royalty payments. 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. In addition to royalty payments, we anticipate incurring \$15,000 in professional fees and \$15,000 in administrative expenses.

We will require additional financing in order to meet the anticipated exploration costs and to sustain our business operations. We do not currently have any arrangements for financing and we can provide no assurance to investors that we will be able to find such financing if required. Obtaining additional financing would be subject to a number of factors, including the market prices for gold, copper, nickel and platinum group metals, investor acceptance of our property and investor sentiment. These factors may make the timing, amount, terms or conditions of additional financing unavailable to us.

### Results of Operations for the three months ended March 31, 2006

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We incurred a net loss of \$6,203 for the three-month period ended March 31, 2006, as compared to a loss of \$5,158 in the same period in 2005. The difference in net loss of \$1,045 was primarily due to an increase in transfer agent and filing fees. As per management agreement dated July 1, 2004, the president started to charge the Company \$500 per month for administrative services (\$1,500 for the period). The Company also incurred \$250 per month for office rent, telephone expenses, and general miscellaneous office expenses (\$750 for the period) related to the use of the Vancouver office. During the three-month period ended March 31, 2006, we incurred transfer agent and filing fees of \$1,624 (2005: \$144) and accounting and audit fees of \$2,250 (2005: \$2692) in order to keep SEC filings current. At the end of the first quarter, we had cash on hand of \$39. Our liabilities at the same date totalled \$58,799, and consisted of accounts payable of \$21,032 and \$37,767 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

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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

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 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

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

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Peter Sotola  
President, Secretary, Treasurer  
Chief Executive Officer and Director  
(Principal Executive Officer,  
Principal Financial Officer and  
Principal Accounting Officer)  
Dated: May 12, 2006