PRELUDE VENTURES INC
Form 10QSB
May 21, 2003

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

Quarterly Report Under
the Securities Exchange Act of 1934

For Quarter Ended: March 31, 2003

Commission File Number: 000-49950

Prelude Ventures, Inc.

(Exact name of small business issuer as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

98-0232018

(IRS Employer Identification No.)

203-1010 Chilco Street
Vancouver, BC, Canada V6G 2R6

(Address of principal executive offices)

None

(Former name or former address, if changed since last report)

V6G 2R6

(Zip Code)

(604) 922 0029

(Issuer's Telephone Number)

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 past 12 months (or for such shorter period that the registrant was required to file such reports),and (2) has been subject to such filing requirements for the past 90 days: Yes__X__ No ____.

The number of shares of the registrant's only class of common stock issued and outstanding, as of March 31, 2003 was 15,000,000 common shares.

PART ITEM 1. FINANCIAL STATEMENTS.

The unaudited financial statements for the three-month period ended March 31, 2003 are attached hereto.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS 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 our behalf. We disclaim any obligation to update forward looking statements.

OVERVIEW

History And Organization

Prelude Ventures, Inc. (the "Company") was incorporated under the laws of the state of Nevada on May 24, 2000. 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 mining engineer's report and the preparation and filing of the registration statement of which this prospectus is a part of. In connection with the organization of our company, the founding shareholder of our company contributed an aggregate of $25,000 cash in exchange for 1,000,000 shares of common stock (pre-roll forward 6:1). 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 April 1, 2003, Prelude Ventures, Inc. entered into a definitive agreement to acquire an aggregate of 10,000,000 shares of common stock, being all of the issued and outstanding shares of Pascal Energy Inc. from that company and its shareholders. Prelude has agreed to issue and or exchange following shares: with date of April 01, 2003, 5,000,000 common voting shares, restricted under rule 144 of the Sec. Act, and in such form as requested by the sellers; and at a later date, issue 5,000,000 common voting shares, restricted under rule 144 of the Sec. Act., and in such forma as requested by the sellers, subject to the Prelude paying not less than $1,000,000 accumulated dividend to its shareholders of record.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

We are a start-up, exploration stage company and have not yet started our business operations or 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.

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. To become profitable and competitive, we 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, develop or expand our operations. Equity financing could result in additional dilution to existing shareholders.

Results of Operations

From Inception on May 24, 2000

We Initially acquired our first interest in lode mining claims. These claims were abandoned during the three months ended March 31, 2003.

During the past quarter our operations focused upon the investigation and acquisition of Pascal Energy Inc.

Pascal Energy Inc. is involved in oilfield infrastructure services mainly in the Province of Alberta Canada.

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 24, 2000 to June 30, 2001 was $5,500 as a result of proceeds received from our president and sole director. On April 11, 2001 we received additional cash financing of $19,500 as a result of proceeds received from our then president and sole director.

Prelude's plan of operations for the next twelve months is to undertake development of Pascal Energy Inc. including acquisition of additional businesses and expansion of existing operations in Canada and the United States.

The Company recognizes a need for additional capital that will be sought through the sale of additional equity by way of Private Placement. Funds generated will be used to fund working capital requirements as well as expansion and acquisitions.

Liquidity and Capital Resources

As of the date of this report, we have yet to generate any revenues from our business operations. Since our inception, the Company's founder paid $25,000 in cash in exchange for 1,000,000 shares of common stock. We have also issued 1,500,000 shares of stock pursuant to our Form SB-2 registration statement. This money was utilized for organizational and start-up costs and as operating capital. An additional 75,000 was raised through the issue of common shares last year. As of March 31, 2003 we had sustained cumulative operating losses of $118,922.

The quarter ended March 31,2003 saw an increase in activity which was due primarily to the investigation of the purchase of Pascal Energy Inc.

Management fees were $15,000 for the quarter and legal and accounting fees increased to $5,657 and $5,321 respectively from $nil and $2,167 in the 3 months ended March 31, 2002. These fees increased in connection with the acquisition purchase investigation that resulted in the signing of the agreement noted in the 8K dated April 15, 2003.

As at March 31, 2003 the Company had insufficient funds to continue operations. Funds have been provided by Directors and Shareholders which if not continued could result in the Company curtailing operations.

The company's cash resources amounted to $18,063 as at March 31, 2003

Should the Company be unsuccessful in its attempts to raise capital it may have to curtail operations.

PART II. OTHER INFORMATION

ITEM 1. 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 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 REPORTS ON FORM

(a) Exhibits - NONE

(b) Reports on Form 8-K

8K dated April 15 2003

SIGNATURE

In accordance with the requirements of the Securities and Exchange Act of 1934, as amended, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PRELUDE VENTURES, INC.

Dated: May 20, 2003 /s/ William Iverson
William Iverson President

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CERTIFICATIONS*

I, William Iverson, certify that;

1. I have reviewed this quarterly report on Form10-QSB of Prelude Ventures, Inc.;

2. Based on my knowledge, this quarterly 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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly 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 quarterly 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 quarterly report (the "Evaluation Date"); and

c) presented in this quarterly 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 quarterly report whether or not there were significant changes in internal controls or in other facts 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: May 20, 2003

/s/ William Iverson
William Iverson
Chief Executive Officer

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PRELUDE VENTURES, INC.
(A Pre-exploration Stage Company)
INTERIM BALANCE SHEETS
March 31, 2003 and December 31, 2002
(Stated in US Dollars)
(Unaudited)

ASSETS	(Unaudited) March 31, 2003
Current	
Cash	$ 18,063
Prepaid expenses	100
	$ 18,163
LIABILITIES	
Current	
Accounts payable	$ 13,085
Loans payable	24,000
	37,085
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	
15,000,000 (December 31, 2002: 15,000,000) shares outstanding	15,000
Paid-in capital	85,000
Deficit accumulated during the pre-exploration stage	(118,922)

	(18,922)
	$ 18,163

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PRELUDE VENTURES, INC.
(A Pre-exploration Stage Company)
INTERIM STATEMENTS OF OPERATIONS
for the three month period ended March 31, 2003 and 2002 and for the period May 24, 2000 (Date of Incorporation) to March 31, 2003
(Stated in US Dollars)
(Unaudited)

	Three months ended March 31, 2003	2002
Expenses		
Accounting and audit fees	$ 5,321	$ 2,16
Bank charges	56	3
Filing fees	-	4,62
Foreign exchange loss	-	
Legal fees	5,657	
Management fees	15,000	3,00
Office and miscellaneous	116	40
Resource property costs	-	1,50
Transfer agent fees	306	3
Net loss for the period	$ (26,456)	$ (11,76
Basic loss per share	$ (0.00)	$ (0.01)
Weighted average number of shares outstanding	15,000,000	1,000,00

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PRELUDE VENTURES, INC.
(A Pre-exploration Stage Company)
INTERIM STATEMENTS OF CASH FLOWS
for the three month period ended March

31, 2003 and 2002 and for the period May 24, 2000
(Date of Incorporation) to March 31, 2003
(Stated in US Dollars)
(Unaudited)

	Three months ended March 31, 2003	2002
Cash Flows from Operating Activities		
Net loss for the period	$ (26,456)	$ (11,765)
Changes in non-cash working capital balances related to operations		
Prepaid expenses	300	-
Accounts payable and accrued liabilities	5,822	(4,623)
Loan payable	14,000	(9,500)
	(6,334)	(25,888)
Cash Flows from Financing Activity		
Share subscriptions received	-	31,000
Capital stock issued	-	-
Increase (decrease) in cash during the period	(6,334)	5,112
Cash, beginning of the period	24,397	2,383
Cash, end of the period	$ 18,063	$ 7,495
Supplementary disclosure of cash flow information:		
Cash paid for:		
Interest	$ -	$ -
Income taxes	$ -	$ -

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PRELUDE VENTURES, INC.
(A Pre-exploration Stage Company)
INTERIM STATEMENT OF STOCKHOLDERS'
EQUITY (DEFICIENCY) for the period May 24, 2000
(Date of Incorporation) to March 31, 2003
(Stated in US Dollars)
(Unaudited)

Common Shares	Additional Paid-in	Share

	Number	Par Value	Capital	Subscripti
Capital stock subscribed pursuant to an offering memorandum, for cash at $0.004	6,000,000	$ 6,000	$ 19,000	$
Net loss for the period	-	-	-	
Balance, as at March 31, 2001	6,000,000	6,000	19,000	
Stock subscriptions received	-	-	-	3
Net loss for the year	-	-	-	
Balance, March 31, 2002	6,000,000	6,000	19,000	3
Stock subscriptions received	-	-	-	4
Shares issued pursuant to an initial public offering at $0.008	9,000,000	9,000	66,000	(7
Net loss for the period	-	-	-	
Balance, as at December 31, 2002	15,000,000	15,000	85,000	
Net loss for the period	-	-	-	
Balance, as at March 31, 2003	15,000,000	$ 15,000	$ 85,000	$

PRELUDE VENTURES, INC.
(A Pre-exploration Stage Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
March 31, 2003
(Stated in US Dollars)
(Unaudited)

Note 1 Interim Reporting

While information presented in the accompanying interim three months 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, 2002 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. At March 31, 2003, the Company has a working capital deficiency of $18,922 and has accumulated losses of

$118,922 since its commencement. Its ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due.

Note 3 Commitments

Mining Lease

By a lease letter agreement effective March 9, 2001 and amended March 4, 2002 and September 4, 2002, the Company was granted the exclusive right to explore, develop and mine the Medicine Project property located in Elko County of the State of Nevada. The term of the lease was for 20 years, with automatic extensions so long as the conditions of the lease are met. The Company was required to pay minimum advance royalty payments totalling $97,500 on various dates to March 9, 2005 and then $50,000 every March 9 thereafter. The Company had paid a total of $7,500 in minimum advance royalty payments.

During the three months ended March 31, 2003, management of the Company abandoned the mining lease. As the Company terminated the lease, it is required to pay all federal and state mining claim maintenance fees for the current year. The Company is required to perform reclamation work in the property as required by federal state and local law for disturbances resulting from the Company's activities on the property.

Note 4 Subsequent event

Business Acquisition

On April 1, 2003, the Company entered into a definitive agreement to acquire 100% of the issued and outstanding shares of Pascal Energy Inc., a Canadian corporation, by the issuance of 5,000,000 common shares, restricted under rule 144 of the Securities and Exchange Act, and at a later date, issue 5,000,000 shares common shares, restricted under rule 144 of the Securities and Exchange Act subject to the company paying not less than $1,000,000 accumulated dividends to its shareholders of record. Pascal Energy Inc.'s business is to provide servicing for the oil and gas industry.

Exhibit 99.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, William Iverson, Chief Executive Officer and Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-QSB of Prelude Ventures, Inc. for the quarterly period ended March 31, 2003 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Quarterly Report on Form 10-QSB fairly presents in all material respects the financial condition and results of operations of Prelude Ventures, Inc..

By:/s/William Iverson
William Iverson
Chief Executive Officer &
Chief Financial Officer
Date: May 20, 2003