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PRELUDE VENTURES INC
Form 10QSB
December 10, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

Quarterly Report Pursuant to Section 13 or 15(D) of The Securities Act of 1934

For the quarterly period ended: September 30, 2003
Commission file number: 000-49950

PRELUDE VENTURES, INC.
(Exact name of small business issuer as specified in its charter)

Nevada 98-0232018
(State or other jurisdiction of (IRS Employee Identification No.)
Incorporation or organization)

1400 N. Gannon Drive 2nd Floor Hoffman Estates, IL 60194
(Address of principal executive offices)

(847) 310-9416
(Issuer's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 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 No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

| | |
|---------------------------------|--------------------------------------|
| Common Stock, \$0.001 par value | 28,300,000 |
| (Class) | (Outstanding as of December 4, 2003) |

PRELUDE VENTURES, INC.
FORM 10-QSB
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PART I: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

PRELUDE VENTURES, INC.

(A Development Stage Company)

INTERIM FINANCIAL STATEMENTS

September 30, 2003 and December 31, 2002

(Stated in US Dollars)

(Unaudited)

SEE ACCOMPANYING NOTES

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PRELUDE VENTURES, INC.
 (A Development Stage Company)
 INTERIM BALANCE SHEETS
 September 30, 2003 and December 31, 2002
 (Stated in US Dollars)
 (Unaudited)

| | ASSETS ----- | (Unaudited) September 30, 2003 ---- |
|---|-----------------------------------|--|
| Current | | |
| Cash | | \$ 55 |
| Prepaid expenses | | - |
| | | ----- |
| | | \$ 55 ===== |
| | LIABILITIES | |
| Current | | |
| Accounts payable and accrued liabilities | | \$ 46,895 |
| Management fees and termination expense payable - Note 5 (b) | | 470,000 |
| Loans payable - Note 4 | | 32,442 |
| | | ----- |
| | | 549,337 ----- |
| | STOCKHOLDERS' EQUITY (DEFICIENCY) | |
| Preferred stock, \$0.001 par value | | |
| 10,000,000 shares authorized, none issued and outstanding | | |
| Common stock, \$0.001 par value | | |
| 100,000,000 shares authorized | | |
| 15,000,000 (December 31, 2002: 15,000,000) shares issued and outstanding | | 15,000 |
| Additional paid-in capital | | 85,000 |
| Deficit accumulated during the development stage | | (649,282) |
| | | ----- |
| | | (549,282) ----- |
| | | \$ 55 ===== |

SEE ACCOMPANYING NOTES

F-1

PRELUDE VENTURES, INC.
 (A Development Stage Company)
 INTERIM STATEMENTS OF OPERATIONS for
 the three and nine month period ended September 30, 2003

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and 2002
and for the period May 24, 2000 (Date of Incorporation) to September 30, 2003
(Stated in US Dollars)
(Unaudited)

| | Three months ended | | Nine months ended | |
|--|--------------------|--------------|-------------------|----------|
| | September 30, | | September 30, | |
| | 2003 | 2002 | 2003 | 2002 |
| | ---- | ---- | ---- | ---- |
| Expenses | | | | |
| Accounting and audit fees | \$ 16,477 | \$ 1,683 | \$ 42,507 | \$ 4, |
| Bank charges | 51 | 27 | 126 | |
| Consulting fees | 10,000 | - | 10,000 | |
| Filing fees | - | - | - | 4, |
| Foreign exchange loss | - | 692 | - | |
| Legal fees | - | - | 9,815 | |
| Management fees | 61,890 | 8,000 | 136,890 | 14, |
| Office and miscellaneous | - | - | 231 | |
| Resource property costs | - | 1,000 | - | 5, |
| Transfer agent fees | 486 | 1,165 | 2,247 | 1, |
| Termination expenses | | | | |
| - Note 5 (b) | 355,000 | - | 355,000 | |
| | ----- | ----- | ----- | ----- |
| Net loss for the period | \$ (443,904) | \$ (12,567) | \$ (556,816) | \$ (31, |
| | ===== | ===== | ===== | ===== |
| Loss per share | \$ (0.03) | \$ (0.00) | \$ (0.04) | \$ (0 |
| | ===== | ===== | ===== | ===== |
| Weighted average number of shares outstanding | 15,000,000 | 12,000,000 | 15,000,000 | 7,333, |
| | ===== | ===== | ===== | ===== |

SEE ACCOMPANYING NOTES

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PRELUDE VENTURES, INC.
(A Development Stage Company)
INTERIM STATEMENTS OF CASH FLOWS for
the three and nine month period ended September 30, 2003
and 2002
and for the period May 24, 2000 (Date of Incorporation) to September 30, 2003
(Stated in US Dollars)
(Unaudited)

Nine months ended

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| | September 30, | |
|--|---------------|--------------|
| | 2003 | 2002 |
| | ---- | ---- |
| Cash Flows used in Operating Activities | | |
| Net loss for the period | \$ (556,816) | \$ (31,523) |
| Changes in non-cash working capital balances related to operations | | |
| Prepaid expenses | 400 | (700) |
| Accounts payable and accrued liabilities | 154,632 | (11,066) |
| Management fees and termination expense payable | 355,000 | - |
| | ----- | ----- |
| | (46,784) | (43,289) |
| | ----- | ----- |
| Cash Flows from Financing Activities | | |
| Shares issued for cash | - | 75,000 |
| Loan payable | 22,442 | (4,500) |
| | ----- | ----- |
| | 22,442 | 70,500 |
| | ----- | ----- |
| Increase (decrease) in cash during the period | (24,342) | 27,211 |
| Cash, beginning of the period | 24,397 | 2,383 |
| | ----- | ----- |
| Cash, end of the period | \$ 55 | \$ 29,594 |
| | ===== | ===== |
| Supplementary disclosure of cash flow information: | | |
| Cash paid for: | | |
| Interest | \$ - | \$ - |
| | ===== | ===== |
| Income taxes | \$ - | \$ - |
| | ===== | ===== |

Non-cash Transactions - Note 6

SEE ACCOMPANYING NOTES

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PRELUDE VENTURES, INC.
(A Development Stage Company)
INTERIM STATEMENT OF STOCKHOLDERS' EQUITY
(DEFICIENCY) for the period May 24, 2000 (Date of
Incorporation) to September 30, 2003
(Stated in US Dollars)
(Unaudited)

| | | |
|---------------|-----------------------|-------|
| Common Shares | Additional Paid-in | Share |
| ----- | | |

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| | Number ----- | Par Value ----- | Capital ----- | Subscript ----- |
|--|-----------------|--------------------|------------------|--------------------|
| 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, March 31, 2001 | 6,000,000 | 6,000 | 19,000 | |
| Stock subscriptions received | - | - | - | 31 |
| Net loss for the year | - | - | - | - |
| Balance, March 31, 2002 | 6,000,000 | 6,000 | 19,000 | 31 |
| Stock subscriptions received | - | - | - | 44 |
| Shares issued pursuant to an initial public offering - at \$0.008 | 9,000,000 | 9,000 | 66,000 | (75 |
| Net loss for the period | - | - | - | - |
| Balance, December 31, 2002 | 15,000,000 | 15,000 | 85,000 | |
| Net loss for the period | - | - | - | - |
| Balance, September 30, 2003 | 15,000,000 | \$ 15,000 | \$ 85,000 | \$ |

SEE ACCOMPANYING NOTES

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PRELUDE VENTURES, INC.
(A Development Stage Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
September 30, 2003 and December 31, 2002
(Stated in US Dollars)
(Unaudited)

Note 1 Interim Reporting

While the information presented in the accompanying interim nine 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 periods 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 which are contained on Form 10KSB - Annual Report to Shareholders.

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 September 30, 2003, the Company has a working capital deficiency of \$549,282 and has accumulated losses of \$649,282 since its inception. Its ability to continue as a

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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. The Company is currently pursuing new debt and equity financing in conjunction with the proposed acquisition (Note 7). Additionally, approximately \$400,000 was raised in a private placement whose proceeds were used for working capital needs as well as a down payment toward the purchase of an option on one of the proposed acquisitions.

Note 3 Significant Accounting Policy

Development Stage

The Company is no longer classified as a pre-exploration stage company since it has abandoned its mining lease. The Company is now a development stage company as defined in Statement of Financial Accounting Standards No. 7 in respect to its acquisitions (Note 7 (b)).

Note 4 Loans Payable

The loans payable are unsecured, non-interest bearing and due on demand.

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PRELUDE VENTURES, INC.
(A Development Stage Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
September 30, 2003 and December 31, 2002
(Stated in US Dollars)
(Unaudited)

Note 5 Commitments - Note 7

a) 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. During the nine months ended September 30, 2003, management of the Company terminated 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 on the property as required by federal state and local law for disturbances resulting from the Company's activities on the property. In the opinion of management, there will be no continuing liability.

b) Termination

At September 30, 2003, the Company agreed to issue 200,000 common shares to its former President for the settlement of

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management fees payable (\$105,000), advances to the Company (\$10,000) and termination expense (\$355,000). The shares have been valued at \$2.35 per share.

Note 6 Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the cash flow statement.

The Company has recorded a termination expense in respect to the termination of its former President and has agreed to issue 200,000 common shares at \$2.35 per share to satisfy the total liability which includes the termination expense, unpaid management fees and unpaid advances to the Company.

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PRELUDE VENTURES, INC.
(A Development Stage Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
September 30, 2003 and December 31, 2002
(Stated in US Dollars)
(Unaudited)

Note 7 Subsequent Events - Note 7

a) Business Acquisition Cancelled

On April 1, 2003, the Company entered into an 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 common shares, restricted under Rule 144 of 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.

The Company has determined that the transaction cannot be completed due to the inability to complete a comprehensive due diligence. The shares of common stock previously transferred in anticipation of the completion of the transaction are to be returned to the treasury of the Company and cancelled.

b) New Acquisitions

On October 9, 2003, the Company entered into a Stock Purchase Agreement ("Alliance Agreement") with Alliance Petroleum Products Company ("Alliance") an Illinois Corporation and a Rider to the Alliance Agreement ("Rider"). Alliance is in the business of blending and bottling motor oil and anti-freeze. Under the Alliance Agreement, the Company issued 5,000,000 shares of common stock for 100% of the issued and outstanding shares of the common stock of Alliance (757,864 common shares). An additional 5,000,000 shares of common stock of the

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Company shall be issued to Worldlink International Network, Inc. upon 24 months from the date hereof. Under the terms of the Rider, the Company is required to provide funding of at least \$3,500,000 to refinance and to pay Harris Bank, a secured creditor of Alliance. The shareholders of Alliance have the option to have the 757,864 issued and outstanding shares of common stock of Alliance returned and the Alliance Agreement rescinded if they choose, if the Company does not arrange the funding within 150 days from the date of the execution of the Alliance Agreement.

In addition, on October 9, 2003, the Company entered into an agreement to acquire an option for \$500,000 to purchase the assets and certain liabilities of Tri-State Stores, Inc. an Illinois corporation ("Tri-State"), GMG Partners LLC, an Illinois Limited Liability Company ("GMG") and SASCO Springfield Auto Supply Company, a Delaware Corporation ("SASCO") (Tristate, GMG and SASCO are collectively referred to herein as "TSG"). Upon exercise of the options, the Company must pay \$3,000,000 and assume certain liabilities, not exceeding \$700,000. TSG is involved in the automotive after market.

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PRELUDE VENTURES, INC.
(A Development Stage Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
September 30, 2003 and December 31, 2002
(Stated in US Dollars)
(Unaudited)

Note 7 Subsequent Events - (cont'd)

b) New Acquisitions - (cont'd)

In addition, on October 9, 2003, the Company entered into an agreement with the shareholders of Motor Parts Warehouse, Inc. ("MPW"), of St. Louis, Missouri to acquire the rights to an option to purchase 100% of the outstanding shares of MPW ("MPW Option"). As consideration for the rights to this option, the Company must issue 5,000,000 shares of common stock. Upon exercise of the MPW Option, the Company must issue 5,000,000 shares of common stock to the shareholders of MPW and \$2,200,000. This MPW option cannot be exercised until after the refinancing of the TSG debt of approximately \$3,000,000. MPW is also an auto parts distributor.

In connection with these agreements, the Company entered into several service agreements (Note 7(c)).

The agreements above are subject to shareholder approval. Upon execution of these agreements, Alliance, TSG and MPW have become related to the Company through appointments of members of their boards of directors to the Company's board of directors.

c) The Company entered into the following service agreements:

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- A professional services agreement dated October 9, 2003 with Alpha Advisors, LLC for a term of one year and renewable for an additional year. The fee for these services is the issuance of 1,000,000 shares of common stock of the Company upon execution of the agreements (issued), \$25,000 due at signing of the Tri-state Stores and Alliance Petroleum, Inc. agreements and \$6,000 payable on the first of each month thereafter. In addition, a finder's fee of 10% of any new financing shall be paid on funds being committed. Upon execution of this agreement, a director of Alpha Advisors, LLC was appointed to the board of directors of the Company.
- A consulting services agreement dated October 9, 2003 with National Securities Corporation, Inc. for a term of six months renewable on a monthly basis. The fee for this service is the issuance of 1,000,000 shares of common stock of the Company (issued).

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PRELUDE VENTURES, INC.
(A Development Stage Company)
NOTES TO THE INTERIM FINANCIAL STATEMENTS
September 30, 2003 and December 31, 2002
(Stated in US Dollars)
(Unaudited)

Note 7 Subsequent Events - (cont'd)

c) The Company entered into the following agreements: - (cont'd)

- A consulting services agreement dated October 9, 2003 with New Century Consultants, Inc. for a term of six months renewable on a monthly basis. The fee for this service is the issuance of 1,000,000 shares of common stock of the Company (issued). New Century Consultants, Inc. will become a related party to the Company as it has agreed to purchase a significant portion of the Company's issued and outstanding shares.
- A consulting agreement dated October 10, 2003 with Commonwealth Partners NY, LLC for a term of three years. The fee for this service is the issue of 200,000 free trading shares and 300,000 restricted shares (issued) of common stock of the Company.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

FORWARD-LOOKING STATEMENTS

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

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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 an 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: 5,000,000 common voting shares, restricted under rule 144 of the Securities Act of 1933, 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 Securities Act of 1933, and in such form as requested by the sellers, subject to Prelude paying not less than \$1,000,000 accumulated dividend to its shareholders of record. As of November 30, 2003, no shares have been issued and the transaction has been cancelled

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PLAN OF OPERATION

We are a start-up, developmental 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 for the year ended December 31, 2002. This means that our auditors believed there was substantial doubt that we can continue as an on-going business unless we obtain additional capital to pay our bills.

Results of Operations

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From Inception to 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 second quarter, ended June 30, 2003 our operations focused upon the investigation and acquisition of Pascal Energy Inc. Subsequent to that, in the Third Quarter, ended September 30, 2003, we abandoned our focus on Energy and investigated an entered transaction with Alliance Petroleum Products Company and Tri-State Stores, Inc., and related companies, companies who products are in the manufacture and distribution of auto parts and lubricants

Subsequent Events.

On October 3, 2003, We entered into the transactions set forth on the Current report on form 8-K, filed on November 6, 2003, with Alliance Petroleum Products Company ("Alliance") and Tri-State Stores Inc ("Tri-State"), GMG Partners LLC, ("GMG") and SASCO Springfield Auto Supply Company, ("SASCO") (Tri-State, GMG and SASCO are collectively referred to herein as "TSG"),

Effective October 9, 2003, we have cancelled the proposed transaction with Pascal Energy Inc.
Plan of Operations

Effective October 10, 2003, the Control of the Registrant was changed to the current management.

Liquidity and Capital Resources

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 September 30, 2003 was \$132,442 consisting of \$100,000 from the private placement of stock and approximately \$32,000 of loan proceeds received from our president and sole director.

Prelude's plan of operations for the next twelve months is to complete the transactions with Alliance and TSG. Including acquisition of additional businesses and internal expansion.

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As of the date of this filing, we have yet to generate any revenues from our business operations and we had sustained cumulative operating losses of \$556,816 since inception. In order to fund these needs, 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.

The Company recognizes a need for additional capital that will be sought through the sale of additional equity by way of a Private Placement. Funds generated will be used to fund working capital requirements as well as expansion and acquisitions. As of November 30, 2003 approximately \$400,000 has been raised in this offering

Management fees increased to approximately \$60,000 for the quarter and legal and accounting fees were \$16,000. These fees increased in connection with the acquisition purchase investigation that resulted in the signing of the agreement noted in the 8-K dated April 15, 2003. We had incurred a termination expense as

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a result of stock to be issued to the former president to settle his previous management contract

As at September 30, 2003 the Company had insufficient funds to continue operations. Funds have been provided by Directors and Private Placement Shareholders which if not continued could result in the Company curtail operations. We are also seeking additional debt and equity institutional sources of financing.

Should the Company be unsuccessful in its attempts to raise capital it may have to abandon its attempt to complete the October 9, 2003 transactions.

RISK FACTORS

Much of the information included in this registration statement includes or is based upon estimates, projections or other "forward looking statements". Such forward looking statements include any projections or estimates made by us and our management in connection with our business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of Our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein.

Such estimates, projections or other "forward looking statements" involve various risks and uncertainties as outlined below. We caution the reader that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other "forward Looking statements".

Our common shares are considered speculative during our search for a new business opportunity. Prospective investors should consider carefully the risk factors set out below.

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Governmental Regulation

To the best of our knowledge, we are not currently subject to direct federal, state or local regulation in the United States, other than regulations applicable to businesses generally.

Key Personnel

All of our present officers or directors are key to our continuing operations, we rely upon the continued service and performance of these officers and directors, and our future success depends on the retention of these people, whose knowledge of our business and whose technical expertise would be difficult to replace. At this time, none of our officers or directors is bound by employment agreements, and as a result, any of them could leave with little or no prior notice.

If we are unable to hire and retain technical, sales and marketing and operational personnel, any business we acquire could be materially adversely affected. It is likely that we will have to hire a significant number of additional personnel in the future if we identify and complete the acquisition of a business opportunity, or if we enter into a business combination. Competition for qualified individuals is likely to be intense, and we may not be

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able to attract, assimilate, or retain additional highly qualified personnel in the future. The failure to attract, integrate, motivate and retain these employees could harm our business.

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, 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.

Lack of Market Research or Marketing Organization

We have not conducted or received results of market research indicating that there is a demand for the acquisition of a business opportunity or business combination as contemplated by our company. Even if there is demand for the acquisition of a business opportunity or combination as contemplated, there is no assurance we will successfully complete such an acquisition or combination.

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Regulation

Although we will be subject to regulation under the Securities Exchange Act of 1934, management believes that we will not be subject to regulation under the Investment Company Act of 1940, insofar as we will not be engaged in the business of investing or trading in securities. In the event that we engage in business combinations which result in us holding passive investment interests in a number of entities, we could be subject to regulation under the Investment Company Act of 1940, meaning that we would be required to register as an Investment company and could be expected to incur significant registration and compliance costs. We have obtained no formal determination from the Securities and Exchange Commission as to the status of our company under the Investment Company Act of 1940 and, consequently, any violation of such act would subject us to material adverse consequences.

Uncertain Ability to Manage Growth

Our ability to achieve any planned growth upon the acquisition of a suitable business opportunity or business combination will be dependent upon a number of factors including, but not limited to, our ability to hire, train and assimilate management and other employees and the adequacy of our financial resources. In addition, there can be no assurance that we will be able to manage successfully any business opportunity or business combination. Failure to manage anticipated growth effectively and efficiently could have a materially adverse effect on our business.

"Penny Stock" Rules May Restrict the Market for the Company's Shares

Our common shares are subject to rules promulgated by the Securities and Exchange Commission relating to "penny stocks," which apply to companies whose

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shares are not traded on a national stock exchange or on the NASDAQ system, trade at less than \$5.00 per share, or who do not meet certain other financial requirements specified by the Securities and Exchange Commission. These rules require brokers who sell "penny stocks" to persons other than established customers and "accredited investors" to complete certain documentation, make suitability inquiries of investors, and provide investors with certain information concerning the risks of trading in the such penny stocks. These rules may discourage or restrict the ability of brokers to sell our common shares and may affect the secondary market for our common shares. These rules could also hamper our ability to raise funds in the primary market for our common shares.

Possible Volatility of Share Prices

Our common shares are currently publicly traded on the Over-the-Counter Bulletin Board service of the National Association of Securities Dealers, Inc. The trading price of our common shares has been subject to wide fluctuations. Trading prices of our common shares may fluctuate in response to a number of factors, many of which will be beyond our control. The stock market has generally experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies with no current business operation. There can be no assurance that trading prices and price earnings ratios previously experienced by our common shares will be matched or maintained. These broad market and industry factors may adversely affect the market price of our common shares, regardless of our operating performance.

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In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation has often been instituted. Such litigation, if instituted, could result in substantial costs for us and a diversion of management's attention and resources.

Indemnification of Directors, Officers and Others

Our by-laws contain provisions with respect to the indemnification of our officers and directors against all expenses (including, without limitation, attorneys' fees, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any proceeding arising by reason of the fact that the person is one of our officers or directors) incurred by an officer or director in defending any such proceeding to the maximum extent permitted by Nevada law.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of our company under Nevada law or otherwise, we have been advised the opinion of the Securities and Exchange Commission is that such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable.

Anti-Takeover Provisions

We do not currently have a shareholder rights plan or any anti-takeover provisions in our By-laws. Without any anti-takeover provisions, there is no deterrent for a take-over of our company, which may result in a change in our management and directors.

Reports to Security Holders

Under the securities laws of Nevada, we are not required to deliver an annual

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report to our shareholders but we intend to send an annual report to our shareholders.

ITEM 3. CONTROLS AND PROCEDURES

The registrant's Principal executive officers and principal financial officer, based on their evaluation of the registrant's disclosure controls and procedures (as defined in Rules 13a-14 (c) of the Securities Exchange Act of 1934) as of September 30, 2003 have concluded that the registrants' disclosure controls and procedures are adequate and effective to ensure that material information relating to the registrants and their consolidated subsidiaries is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms, particularly during the period in which this quarterly report has been prepared.

The registrants' principal executive officers and principal financial officer have concluded that there were no significant changes in the registrants' internal controls or in other factors that could significantly affect these controls subsequent to September 30, 2003 the date of their most recent evaluation of such controls, and that there was no significant deficiencies or material weaknesses in the registrant's internal controls.

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PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

We know of no material, active or pending legal proceedings against us, nor are we involved as a plaintiff in any material proceedings or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholders are an adverse party or have a material interest adverse to us.

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 8-K

(a) Exhibits

3.1 Articles of Incorporation of the Registrant*

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- 3.2 By-laws of the Registrant*
- 31.1 Section 302 Certification
- 32.1 Section 906 Certification

* Previously filed as an exhibit to the Company's Form 10-SB filed on June 26, 2001

(b) Reports on Form 8-K filed during the three months ended September 30, 2003.

A Current report on Form 8-K-A, under Item 2 Acquisition or Disposition of Assets and Item 5 Other Events and Regulation FD Disclosure was filed on August 13, 2003

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A Current Report on Form 8-K under Item 1: Changes in Control, Item 5. Other Events and Regulation FD Disclosure, Item 6. Resignations of Registrant's Directors and Item 7, Financial Statements and Exhibits of Registrant were filed on November 6, 2003.

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.

Date: November , 2003

Prelude Ventures, Inc.

/s/ Jesse Fuller

Jesse Fuller, President

/s/ George L. Riggs, III

George L. Riggs, III, Interim CFO

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