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CYBERADS INC
Form 10QSB
May 22, 2006

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2006

Transition report under Section 13 or 15(d) of the Exchange Act for the transition period from _____ to _____.

Commission File Number: 000-31451

CYBERADS, INC.

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

Nevada

65-1000634

(State or other jurisdiction of incorporation or organization)

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

370 Amapola Ave. # 202, Torrance, California 90501

(Address of principal executive office) (Zip Code)

1-800-288-3099

(Issuer's telephone number)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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

As of May 17, 2006, the number of outstanding shares of the issuer's common stock was 132,846,915 shares.

TRANSITIONAL SMALL BUSINESS DISCLOSURE FORMAT: Yes No

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CYBERADS, INC
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED BALANCE SHEETS

	March 31, 2006 (unaudited)

ASSETS	
CURRENT ASSETS	
Cash	\$ 52
Loan receivable	7
Prepaid expense	5
Deposits	15

Total Current Assets	79

TOTAL ASSETS	\$ 79
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	
CURRENT LIABILITIES	
Accounts payable	\$ 1,117
Bank overdrafts	14
Accrued liabilities	1,075
Deferred revenue	173
Notes payable	294
Notes payable - related parties	1,315

Total Current Liabilities	3,991

COMMITMENTS AND CONTINGENCIES	

STOCKHOLDERS' EQUITY (DEFICIT)	
Preferred stock, \$.001 par value; 5,000,000 shares authorized	
Series A - 835,660 shares issued and outstanding	
Series B - 1,000,000 shares issued and outstanding	1
Common stock, \$.001 par value; 500,000,000 shares authorized,	
132,846,915 and 123,351,777 shares issued and outstanding,	
respectively	132
Additional paid-in capital	23,523
Accumulated deficit prior to current development stage	(19,234)

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Accumulated deficit in development stage	(8,334)

Total Stockholders' Equity (Deficit)	(3,911)

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 79
	=====

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The accompanying condensed notes are an integral part of these interim financial statements.

CYBERADS, INC
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended	
	March 31, 2006 (unaudited)	March 31, 2005 (unaudited)
	-----	-----
REVENUES	\$ -	\$
	-----	-----
OPERATING EXPENSES		
General and administrative	172,093	753,3
Marketing expenses	213,425	1,049,4
Selling expenses	146,856	304,8
	-----	-----
TOTAL OPERATING EXPENSES	532,374	2,107,7
	-----	-----
LOSS FROM OPERATIONS	(532,374)	(2,107,7
	-----	-----
OTHER INCOME (EXPENSES)		
Other income	-	
Gain on forgiveness of debt	-	
Interest expense	(18,638)	
Loss on abandonment of assets	-	
	-----	-----
TOTAL OTHER INCOME (EXPENSES)	(18,638)	
	-----	-----
LOSS BEFORE TAXES	(551,012)	(2,107,7
	-----	-----
INCOME TAXES	-	
	-----	-----
NET LOSS	\$ (551,012)	\$ (2,107,7
	=====	=====

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NET LOSS PER COMMON SHARE, BASIC AND DILUTED	\$	nil	\$	(0.
	=====		=====	
WEIGHTED AVERAGE NUMBER OF COMMON STOCK SHARES OUTSTANDING, BASIC AND DILUTED		128,826,507		26,521,4
		=====		=====

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The accompanying condensed notes are an integral part of these interim financial statements.

CYBERADS, INC
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)

	Convertible Preferred Stock		Common Stock		Addit Paid Capi
	Shares	Amount	Shares	Amount	
Balance, December 31, 2004	835,660	\$ 836	23,225,777	\$ 23,226	\$16,17
Shares issued for consulting expense	-	-	99,626,000	99,626	6,84
Shares issued for debt	-	-	500,000	500	5
Shares issued in exchange for compensation	1,000,000	1,000	-	-	9
Net loss for year ending December 31, 2005	-	-	-	-	
Balance, December 31, 2005	1,835,660	\$1,836	123,351,777	\$123,352	\$23,17
Shares issued for consulting expense	-	-	9,495,138	9,495	35
Net loss for period ending March 31, 2006	-	-	-	-	
Balance, March 31 2006 (unaudited)	1,835,660	\$1,836	132,846,915	\$132,847	\$23,52

The accompanying condensed notes are an integral part of these interim financial statements.

CYBERADS, INC
 (A DEVELOPMENT STAGE COMPANY)
 CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	
	March 31, 2006 (unaudited)	March 31, 2005 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (501,012)	\$ (2,107,000)
Stock issued for accrued wages	-	-
Common stock issued for compensation and services	360,280	2,073,000
Forgiveness of debt	-	-
Loss on abandonment of assets	-	-
Adjustments to reconcile net loss to net cash used by operating activities:		
Increase in prepaid expense	(5,000)	-
Increase (decrease) in accounts payable	3,804	(5,000)
Increase in accrued liabilities	104,161	-
Increase in deferred revenue	1,000	10,000
Net cash used by operating activities	(36,767)	(29,000)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in loan receivable	-	-
Increase in deposits	-	-
Purchase of marketing rights	-	(145,000)
Net cash used by investing activities	-	(145,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advances from related parties	89,500	-

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Increase (decrease) in bank overdrafts	(334)	
Increase in notes payable	-	185,
	-----	-----
Net cash provided by financing activities	89,166	185,
	-----	-----
Change in cash	52,399	10,
CASH, BEGINNING OF PERIOD	-	
	-----	-----
CASH, END OF PERIOD	\$ 52,399	\$ 10,
	=====	=====
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$ -	\$
	=====	=====
Income taxes paid	\$ -	\$
	=====	=====
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Common stock issued for debt	\$ -	\$
	=====	=====

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The accompanying condensed notes are an integral part of these interim financial statements.

CYBERADS, INC
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 1 - BASIS OF PRESENTATION

The foregoing unaudited interim financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Regulation S-B as promulgated by the Securities and Exchange Commission. Accordingly, these financial statements do not include all of the disclosures required by generally accepted accounting principles in the United States of America for complete financial statements. These unaudited interim financial statements should be read in conjunction with the audited financial statements for the period ended December 31, 2005. In the opinion of management, the unaudited interim financial statements furnished herein include all adjustments, all of which are of a normal recurring nature, necessary for a fair statement of the results for the interim period presented. Operating results for the three-month period ending March 31, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006.

As of January 1, 2005, the Company abandoned its previous business plan of marketing cellular phone services and began a new development stage where it intends to provide management and sales support to businesses focused in the Extreme Sports/Lifestyle market segment.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

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This summary of significant accounting policies of Cyberads, Inc, is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, and have been consistently applied in the preparation of the financial statements.

Development Stage Activities

The Company has been in the development stage since its inception of the current development stage which was January 1, 2005 and has not realized any revenue from operations. It will be engaged by various companies to provide management and sales support to businesses focused in the Extreme Sports/Lifestyle market segment.

Going Concern

As shown in the accompanying financial statements, the Company had negative working capital of approximately \$3,911,000 and an accumulated deficit in excess of \$27,500,000 incurred through March 31, 2006. The Company is currently putting business plans in place which will, if successful, mitigate these factors which raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

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CYBERADS, INC
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006

Management has established plans designed to increase the sales of the Company's products and decrease debt. These plans will include providing management and sales support to businesses focused in the Extreme/Lifestyle market segment where the Company anticipates earning commissions/fees on securing distribution from business and products it represents.

An estimated \$2 million is believed necessary to continue operations and increase development through the next fiscal year. The timing and amount of capital requirements will depend on a number of factors, including demand for products and services and the availability of opportunities for international expansion through affiliations and other business relationships. Management intends to seek new capital from new equity securities issuances to provide funds needed to increase liquidity, fund internal growth, and fully implement its business plan.

Principles of Consolidation

The accompanying consolidated financial statements at March 31, 2006 include the accounts of Cyberads and its wholly owned subsidiary IDS Cellular, Inc. ("IDS"). All significant transactions and balances among the companies included in the consolidated financial statements have been eliminated. The operations of IDS are currently idle.

Reclassifications

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Certain amounts from prior periods have been reclassified to conform to the current period presentation. This reclassification has resulted in no changes to the Company's accumulated deficit or net losses presented.

Revenue Recognition

The Company will recognize revenue from contracts (1) upon actual sale (disposition) of such contracts and (2) upon actual cash collections for ongoing contracts. With these two types of revenue sources, revenue will thereby be recorded when there is persuasive evidence that an arrangement exists, services have been rendered, the contract price is determinable, and collectibility is reasonably assured (or, in the case of ongoing contracts, actually collected).

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 3 - BANK OVERDRAFTS

Bank overdrafts consist of checks written in excess of funds on deposit. The underlying bank is used as an imprest account with automatic transfers from the Company's general account as checks are presented.

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CYBERADS, INC
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006

NOTE 4 - CAPITAL STOCK

Preferred Stock

The Company is authorized to issue 5,000,000 shares of preferred stock with a par value of \$0.001. As of December 31, 2005 the company had issued 835,660 shares of preferred series A, and 1,000,000 shares of preferred series B.

On June 26, 2005, the Company issued 1,000,000 shares of its preferred series B stock in exchange for partial payment of accrued salary to an officer of the Company. The shares were measured at \$0.10 per, which was a fair price average during the period of accrual. The Company recorded a reduction in accrued salary liability as a result of this issuance.

Common Stock

The Company is authorized to issue 500,000,000 shares of common stock. All shares have equal voting rights, are non-assessable and have one vote per share. Voting rights are not cumulative and, therefore, the holders of more than 50% of the common stock could, if they choose to do so, elect all of the directors of the Company.

During the quarter ended March 31, 2006, the Company issued 9,495,140 shares of its common stock in exchange for consulting services for approximately \$360,000.

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The services were measured at the fair market value of the shares received on the day the shares were issued.

During the year ended December 31, 2005, the Company issued 99,626,000 shares of its common stock in exchange for consulting services for approximately \$6,946,000. The services were measured at the fair market value of the shares received on the day the shares were issued.

During the year ended December 31, 2005, the Company issued 500,000 shares of its common stock in exchange for debt of \$60,000 and recorded a gain of forgiveness of debt of \$2,500 for this exchange. The services were measured at the fair market value of the shares received on the day the shares were issued.

NOTE 5 - COMMON STOCK OPTIONS

Stock Options

The Company's stock option activity for options granted to employees and non employees is summarized at March 31, 2006 as follows:

Fixed Plan

	Shares	Weighted average exercise price	Shares exercisable	Weighted average exercise price
Outstanding at December 31, 2004	1,900,000	\$ 0.51	1,900,000	\$
Exercised	-	-	-	-
Expired	(700,000)	1.03	(700,000)	-
Cancelled	-	-	-	-

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CYBERADS, INC
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006

Outstanding at December 31, 2005	1,200,000	0.51	1,200,000	
Exercised	-	-	-	
Expired	-	-	-	
Cancelled	-	-	-	
Outstanding at March 31, 2006	1,200,000	\$ 0.51	1,200,000	\$

The Company's stock option outstanding and exercisable at March 31, 2006 is summarized as follows:

Fixed Plan

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Options Outstanding				Options E
Range of Prices	Shares	Remaining life	Weighted Average Exercise price	Shares
\$0.04 - \$0.99	1,200,000	2 months	\$ 0.27	1,200,000

All of the above options will expire at the end of May 2006.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

The Company is non-compliant with respect to certain federal and state payroll related taxes. Included in accrued payroll and payroll related liabilities at March 31, 2006 is approximately \$582,800 of unpaid payroll taxes.

In April 2004, the Company agreed to indemnify a former officer of the Company for any loss he sustained in a settlement reached with a cellular phone service provider against IDS and him personally. Under the indemnification, the Company was obligated to pay an aggregate of \$72,261 in installments of \$5,000 each on or before August 1, 2004 and September 1, 2004 with the balance due October 1, 2004. The indemnification had no effect on the accompanying financial statements as the amount owed to the cellular phone service provider was previously recorded as accounts payable in the records of IDS.

The Company is currently in negotiations with an individual who has threatened a lawsuit against the Company, a former officer and a cellular phone service provider. The Company has offered to issue the individual 250,000 shares of common stock to settle any claims he may have against the Company. This individual has verbally accepted the settlement offer. The offer had no effect on the accompanying consolidated financial statements as consulting services totaling \$27,500 owed this individual was previously recorded as accounts payable in the records of Cyberads. The Company has reserved 250,000 shares of common stock to be issued under this settlement offer.

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CYBERADS, INC
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006

A claim against the Company of approximately \$500,000 has been threatened by the Creditors Committee of World Com. The Company does not believe that it owes the amount and intends to vigorously defend the claim. The claim has not been pursued and the Company is not subject to any legal action pursuing this claim. Any claims would have been offset by counter balancing claims of the Company concerning funds owed to Cyberads for its prior trade relationship with World Com.

NOTE 7 - LOAN PAYABLE

Notes payable consisted of the following:

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	March 31, 2006	December 31, 2005
	-----	-----
Note payable; was due in installments of \$5,000 on January 15, 2004 and February 15, 2004 with final payment due March 15, 2004, plus interest at 10% per annum; secured by all of the Company's accounts receivable, inventories, and computer hardware and software and is personally guaranteed by two former officers of the Company. In default.	\$ 109,000	\$ 109,000
Note payable to cellular phone service provider; due in installments of \$92,596 payable on January 2, 2005 and August 2, 2005, plus interest at labor index. In default.	185,192	185,192
	-----	-----
Total Notes Payable	\$ 294,192	\$ 294,192
	=====	=====

The Company is currently in default with the repayment terms of the installment note. As of March 31, 2006, the Company had accrued \$16,221 of interest for notes payable.

NOTE 8 - RELATED PARTY TRANSACTIONS

Related party transactions consisted of the following:

	March 31, 2006	December 31, 2005
	-----	-----
Advance due to a corporation owned by a former officer of the Company, accruing interest at labor index, due on demand and unsecured.	\$ 54,000	\$ 54,000
Advance due to a former officer of the Company, bearing interest at 5% per annum, due on demand and unsecured	1,229,555	1,139,661
Advance due to a current officer of the Company, bearing no interest, due on demand, and unsecured	32,500	32,500
	-----	-----
	\$ 1,226,161	\$ 1,186,555
	=====	=====

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CYBERADS, INC
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED CONDENSED INTERIM NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2006

As of March 31, 2006, the Company had accrued \$75,047 of interest for related party notes payable.

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NOTE 9 - SUBSEQUENT EVENT

On April 3, 2006, the Company paid \$51,500 to a related party for partial payment of its note payable owed for advances to a former officer of the Company. The balance of this note to the related party on March 31, 2006 was \$1,229,555.

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

Management's discussion and analysis contains various forward-looking statements within the meaning of the Securities and Exchange Act of 1934. These statements consist of any statement other than a recitation of historical fact and can be identified by the use of forward looking terminology such as "may", "expect", "anticipate", "estimates", or "continue" or use of negative or other variations of comparable terminology. We caution that these statements are further qualified by important factors that could cause actual results to differ materially from those contained in our forward looking statements, that these

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forward looking statements are necessarily speculative, and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in our forward looking statements.

Management's discussion and analysis should be read in conjunction with the financial statements and the notes thereto.

RESULTS OF OPERATIONS

Three months ended March 31, 2006 compared to the Three months ended March 31, 2005

	Three months ended March 31		Increase	
	2006	2005	Amount	%
Revenue	\$ 0	\$ 0	\$ 0	-

There were no revenues posted during the three months ended March 31, 2006, and no revenues posted during the three months ended March 31, 2005. The Company has been in development stage during both reporting periods.

	Three months ended March 31		Decrease	
	2006	2005	Amount	%
General & administrative	\$ 172,093	\$ 753,396	(\$581,303)	77%

General & administrative expenses for the three months ended March 31, 2006 decreased by \$581,303 to the comparable period in 2005. The G&A expenses in the three months ended 2005 included Trade Show administration expenses related to XBoard. This decrease in G & A expenses in the three month period ending March 31, 2006 is directly related to the Company not taking part in trade show events and administrative activities on XBoard.

	Three months ended March 31		Decrease	
	2006	2005	Amount	%
Selling Expense	\$ 146,856	\$ 304,897	\$ (158,041)	(52)

Selling expense of \$146,856 for the three months ended March 31, 2006 was related to the Company's continued development of Rhino, XBoard, and Planet X TV. Selling Expenses

decreased by \$158,041 compared to the three months ended March 31, 2005 due to reduced activities on XBoard as noted above.

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	Three months ended March 31		Increase	
	2006	2005	Amount	%
Interest Expense	\$ 18,638	\$ 0	\$ 18,638	0

Interest expense of \$18,638 for the three months ended March 31, 2006 was attributable to the Company's accrual of interests on related parties notes.

FINANCIAL POSITION & LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2006 compared to March 31, 2005:

	Three months ended March 31		Increase	
	2006	2005	Amount	%
Cash	\$ 52,399	\$ 0	\$ 52,399	0

The increase in cash results from the receipt of \$50,000 on March 30 from a shareholder loan.

ITEM 3. CONTROLS AND PROCEDURES

As required by Rule 13a-15 under the Securities Exchange of 1934, within 90 days prior to the filing of this report, we carried out an evaluation of the

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effectiveness of the design and operation of our disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of our management, principally our President and Chief Executive Officer. Based on that evaluation, we concluded that our disclosure controls and procedures are effective. There have been no significant changes in our internal controls subsequent to the date we carried out our evaluation. Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rule and form. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports is accumulated and communicated to management.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS

Exhibit Number	Description of Document
3.1(a) *	Articles of Incorporation
3.1(b) *	Articles of Amendment
3.2 *	Bylaws
4.0 *	Form of Stock Certificate
4.1 *	Certificate of Designation of Series B Convertible Preferred Stock
4.2 *	Certificate of Designation of Series C Convertible Preferred Stock
31.1	Rule 13a-14(a)/15d-14(a) Certification
32.1	Section 1350 Certification

* Incorporated by reference

SIGNATURES

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

Date: May 22, 2006

CYBERADS, INC.

By: /s/ JEFF CRISWELL

Jeff Criswell, President