DAKOTA TERRITORY RESOURCE CORP
Form 10-Q
August 09, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

X .**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2016

OR

.**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number 000-501191

Dakota Territory Resource Corp
(Exact Name of Registrant as Specified in its

charter)

Nevada	**98-0201259**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
10580 N. McCarran Blvd., Building 115-208	
Reno, Nevada	**89503**
(Address of principal executive offices)	(Zip Code)

(775) 747-0667
(Registrant s telephone number, including area code)

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 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 .

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes X . No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer .	Accelerated filer .
Non-accelerated filer . (Do not check if a smaller reporting company)	Smaller reporting company X .

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes . No X .

Number of shares of issuer s common stock outstanding at August 5, 2016: 57,066,787

TABLE OF CONTENTS

DAKOTA TERRITORY RESOURCE CORP
BALANCE SHEETS
(Unaudited)

	June 30, 2016	March 31, 2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 15,110	$ 15,551
Note receivable from related party	-	12,500
Prepaid expenses and other current assets	6,625	8,927
Total current assets	21,735	36,978
Other assets	2,500	2,500
Mineral properties	199,566	199,566
TOTAL ASSETS	$ 223,801	$ 239,044
LIABILITIES AND SHAREHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 501,312	$ 470,654
Accounts payable, related party	807,242	736,692
Line of credit	39,546	40,766
Notes payable	305,550	305,550
Note payable to related party	265,000	265,000
Convertible notes payable, net of discount of $0 and $0, respectively	100,000	100,000
Total current and total liabilities	2,018,650	1,918,662
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' DEFICIT		
Preferred stock, par value $0.001; 10,000,000 shares authorized, no shares issued and outstanding as of June 30, 2016 and March 31, 2016, respectively	-	-
Common stock, par value $0.001; 300,000,000 shares authorized, 56,816,787 and 56,716,787 shares issued and outstanding as of	56,817	56,717

June 30, 2016 and March 31, 2016, respectively				
Additional paid-in capital		1,752,786		1,747,886
Accumulated deficit		(3,604,452)		(3,484,221)
Total shareholders' deficit		(1,794,849)		(1,679,618)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	$	223,801	$	239,044

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

DAKOTA TERRITORY RESOURCE CORP
STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months ended June 30,			
	2016		2015	
OPERATING EXPENSES				
Depreciation and amortization	$	-	$	-
Exploration costs		-		300
General and administrative expenses		112,431		128,570
Total operating expenses		112,431		128,870
LOSS FROM OPERATIONS		(112,431)		(128,870)
OTHER INCOME (EXPENSE)				
Derivative income (expense)		-		(54,230)
Interest expense		(7,800)		(21,911)
Total other income (expense)		(7,800)		(76,141)
NET LOSS	$	(120,231)	$	(205,011)
Net loss per share:				
Basic and diluted net loss per share$	$	(0.00)	$	(0.00)
Weighted average shares outstanding:				
Basic and diluted		56,726,677		53,738,216

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

DAKOTA TERRITORY RESOURCE CORP
STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months ended June 30, 2016		Three Months ended June 30, 2015	
Net loss	$	(120,231)	$	(205,011)
Adjustments to reconcile net loss to net cash used in operating activities:				
Shares issued for services		-		17,750
Derivative expense		-		54,230
Amortization of debt discount		-		13,694
Changes in current assets and current liabilities:				
Prepaid expenses and other assets		2,302		(17,363)
Accounts payable & accrued liabilities		30,658		39,220
Accounts payable, related party		70,550		61,500
Net cash used in operating activities		(16,721)		(35,980)
Cash Flows From Investing Activities:				
Repayment (Issuance) of note receivable to related party		12,500		(12,500)
Investment in mineral properties		-		(8,000)
Net cash provided by (used in) investing activities		12,500		(20,500)
Cash Flows From Financing Activities:				
Proceeds from the issuance of common stock		5,000		-
Proceeds from the issuance of convertible note payable		-		100,000
Proceeds from (repayments of) line of credit		(1,220)		10,602
Net cash provided by (used in) financing activities		3,780		110,602
Net change in cash		(441)		54,122
Cash and Cash Equivalents, Beginning of Period		15,551		2,355
Cash and Cash Equivalents, End of Period	$	15,110	$	56,477

Supplemental Disclosure of Cashflow Information

Interest paid	$	-	$	-
Taxes paid	$	-	$	-

The accompanying notes are an integral part of these financial statements

DAKOTA TERRITORY RESOURCES CORP

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

(UNAUDITED)

Note 1 Basis of Presentation

The accompanying unaudited interim financial statements of Dakota Territory Resource Corp. (we , us , our , the Company , the Corporation) have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission (SEC), and should be read in conjunction with the audited financial statements and notes thereto contained in our annual report on Form 10-K, for the year ended March 31, 2016 as filed with the SEC. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosures contained in the audited financial statements for the most recent fiscal year ended March 31, 2016 as reported in our annual report on Form 10-K, have been omitted.

The Company s absence of revenues, recurring losses from operations, and its need for significant additional financing in order to fund its projected loss in 2017 raise substantial doubt about its ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Note 2 Related Party Transactions

Effective October 1, 2005, we began paying a management consulting fee to Minera Teles Pires Inc., a company controlled by the President and director of the Company. The agreement provides a fixed fee of $10,000 per month of which $5,000 is paid and the other $5,000 deferred until financing is obtained by us. Additionally, the agreement provides for a payment of $1,500 per month for office rent and expenses. During the three months ended June 30, 2016, we incurred approximately $34,500 in management fees and rent from Minera Teles Pires Inc. As of June 30, 2016, we owed Minera Teles Pires approximately $419,000 for management fees and out of pocket expenses.

Effective February 24, 2012, we began paying consulting fees to Jerikodie, Inc., a company controlled by our Vice President and a director of the Company. The agreement provides a fixed fee of $9,000 per month plus approved expenses. During the three months ended June 30, 2016, we incurred approximately $27,000 in consulting fees from Jerikodie, Inc. As of June 30, 2016, we owed Jerikodie, Inc. approximately $318,000 for consulting fees and out of pocket expenses.

On March 19, 2013, the Company entered into an agreement with Wm Chris Mathers to compensate Mr. Mathers as the Company s CFO and agreed to pay Mr. Mathers cash in the amount of $1,000 per month increasing to $2,000 per month on September 1, 2013 and to $3,000 per month on March 1, 2014. During the three months ended June 30, 2016, we incurred $9,000 in compensation to Mr. Mathers. As of June 30, 2016, we owed Mr. Mathers $70,000 for consulting fees.

Note 3 Mineral Properties

On September 26, 2012, the Company was re-organized with North Homestake Mining Company. With this re-organization, the Company acquired 84 unpatented lode mining claims covering approximately 1,600 acres known as the Blind Gold Property located in the Black Hills of South Dakota.

On December 28, 2012, the Company acquired 57 unpatented lode mining claims covering approximately 853 acres known as the West False Bottom Creek and Paradise Gulch Claim Group, the City Creek Claims Group, and the Homestake Paleoplacer Claims Group, all located in the Black Hills of South Dakota. The West False Bottom Creek and Paradise Gulch Claims were contiguous to the Blind Gold Property and have been incorporated into the Blind Gold Property. The purchase price was 1,000,000 restricted common shares valued at $0.15 per share, or $150,000.

On February 24, 2014 the Company acquired surface and mineral title to the 26.16 acres of the Squaw and Rubber Neck Lodes that comprise Mineral Survey 1706 in the Black Hills of South Dakota. Located immediately to the north and adjoining the Company s Paleoplacer Property, Mineral Survey 1706 was explored by Homestake Mining Company in the late 1980 s. The Company is required to make annual lease payments of $8,000 for a period of 5 years, of which $8,000 was due upon execution of the agreement. The Company has an option to purchase the mineral property for $120,000.

On March 3, 2014**,** the Company completed the acquisition of approximately 565.24 mineral acres in the Northern Black Hills of South Dakota. The acquisition increased our mineral interests in the Homestake District by nearly 23%, to over 3,057 acres. As part of the property acquisition, the Company purchased an additional 64.39 mineral acres located immediately southwest and contiguous to our Paleoplacer Property, including mineral title to the historic Gustin, Minerva and Deadbroke Gold Mines. The three mines were the last of a string of mines that produced ores from fossil gold placers derived from the Homestake Lode and are located at the point where the channel disappears under the cover of younger sedimentary and intrusive rocks approximately one mile north of the Homestake Open Cut source. With this acquisition the Company consolidated and extended the Paleoplacer Property position to a distance extending approximately 3,100 feet along the south to north trend of the channel. The purchase price of the mineral interests was $33,335.

The Company plans to commence an exploratory program on these mineral properties as soon as financing can be arranged.

		June 30, 2016		March 31, 2016
Capitalized costs	$	199,566	$	199,566
Accumulated amortization		-		-
Impairment		-		-
Capitalized costs, net	$	199,566	$	199,566

Note 4 Notes Payable

The following notes payable are unsecured and bear interest at 5% per annum. They are due on demand:

Date	**Maturity**	**Interest rate**		**Principal**		**Interest**		**Total**
Nov 15, 2005	On demand	5% per annum	$	82,775	$	42,952	$	125,727
Dec 01, 2005	On demand	5% per annum	$	18,800	$	9,755	$	28,555
Jan 06, 2006	On demand	5% per annum	$	100,000	$	51,891	$	151,891
Jul 14, 2006	On demand	5% per annum	$	103,975	$	53,953	$	157,928
Total			$	305,550	$	158,551	$	464,101

<u>Notes Payable to Related Party</u>

The Company had 11 notes payable to its President pursuant to advances which had historically been made by the President. The notes were dated between March 2011 and August 2012, were unsecured, ranged in amount from

$10,000 to $50,000, and bore interest at 12% per annum. These notes were re-structured and combined on March 27, 2013 into a single promissory note payable (the New Note). In conjunction with this restructuring, the President forgave accrued interest totalling $57,817 (recorded as an equity transaction). The New Note is unsecured, has a principal amount of $265,000, and bears interest at 4% per annum. The Company will apply 10% of the gross proceeds from any equity financing in an amount exceeding $0.5 million (whether one or more transactions) from and after the date hereof to prepay principal and accrued interest. All remaining unpaid principal and interest was due at March 27, 2016 and remains unpaid.

As of June 30, 2016, the balance of the promissory note payable amounted to $570,550, of which $265,000 is due to related party on the balance sheet.

Note 5 Convertible Notes Payable

On August 14, 2008, the Company executed a 5% convertible note of $100,000 that was due August 13, 2010. The note is now due and payable, however the lender has to date made no request for payment. The note may be converted from time to time, all or any part of the principal plus any unpaid accrued interest ($56,298 as of June 30, 2016) thereof into common stock of the Company at a conversion price per share equal to the greater of i) the closing market price per share of the common stock on the trading day immediately preceding the date of conversion as quoted on the OTC-BB or such other exchange upon which the Company s shares are then listed or traded, or ii) $200 per share ($20.00 per share after adjustment due to 1 for 200 reverse stock split; $200 per share after a further adjustment due to a 1 for 10 reverse stock split). The conversion price shall be subject to adjustments. The minimum amount to be converted is $10,000. As of June 30, 2016, this note is outstanding.

Note 6 Line of Credit

We executed a Line of Credit with Wells Fargo Bank in California. The Line of Credit allows us to borrow up to $47,500. The balance of this Line of Credit at June 30, 2016 was approximately $39,500.

Note 7 Common Stock

Our authorized capital stock consists of 300,000,000 shares of common stock, with a par value of $0.001 per share, and 10,000,000 preferred shares with a par value of $0.001 per share.

During the first quarter 2017, we received $5,000 from an investor for 50,000 shares of our common stock at a price of $0.10 per share. As of the date of this filing these shares have not been issued.

During the first quarter 2017, we issued 100,000 shares of our common stock for consulting services.

At June 30, 2016, the total issued and outstanding shares were 56,816,787.

Note 8 Subsequent Events

On July 29, 2016, we issued 250,000 shares of our common stock, priced at $0.06 per share, to an investor under a subscription agreement dated March 4, 2016.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

In this Quarterly Report on Form 10-Q, unless the context requires otherwise, references to Dakota Territory Resource Corp, "the Corporation" we, our or us refer to Dakota Territory Resource Corp. *You should read the followi discussion and analysis of our financial condition and results of operations together with our financial statements and related notes appearing elsewhere in this quarterly report. This Quarterly Report on Form 10-Q may also contain statistical data and estimates we obtained from industry publications and reports generated by third parties. Although we believe that the publications and reports are reliable, we have not independently verified their data.*

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q and the exhibits attached hereto contain forward-looking statements . Such forward-looking statements concern our anticipated results and developments in our operations in future periods, planned exploration and development of our properties, plans related to our business and other matters that may occur in the future. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as expects or does not expect , is expected anticipates or does not anticipate , plans , estimates or intends , or stating that certain actions, events or result could , would , might or will be taken, occur or be achieved) are not statements of historical fact and may forward-looking statements. Forward-looking statements in this Quarterly Report on Form 10-Q, include, but are not limited to:

- the progress, potential and uncertainties of our 2016-2017 exploration program at our properties located in the Homestake District of the Black Hills of South Dakota (the Project);
- the success of getting the necessary permits for future drill programs and future project exploration;
- expectations regarding the ability to raise capital and to continue our exploration plans on our properties; and
- plans regarding anticipated expenditures at the Project.

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation:

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risks associated with lack of defined resources that are not SEC Guide 7 Compliant Reserves, and may never be;

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risks associated with our history of losses and need for additional financing;

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risks associated with our limited operating history;

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risks associated with our properties all being in the exploration stage;

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risks associated with our lack of history in producing metals from our properties;

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risks associated with our need for additional financing to develop a producing mine, if warranted;

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risks associated with our exploration activities not being commercially successful;

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risks associated with ownership of surface rights at our Project;

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risks associated with increased costs affecting our financial condition;

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risks associated with a shortage of equipment and supplies adversely affecting our ability to operate;

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risks associated with mining and mineral exploration being inherently dangerous;

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risks associated with mineralization estimates;

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risks associated with changes in mineralization estimates affecting the economic viability of our properties;

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risks associated with uninsured risks;

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risks associated with mineral operations being subject to market forces beyond our control;

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risks associated with fluctuations in commodity prices;

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risks associated with permitting, licenses and approval processes;

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risks associated with the governmental and environmental regulations;

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risks associated with future legislation regarding the mining industry and climate change;

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risks associated with potential environmental lawsuits;

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risks associated with our land reclamation requirements;

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risks associated with gold mining presenting potential health risks;

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risks related to title in our properties

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risks related to competition in the gold mining industries;

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risks related to economic conditions;

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risks related to our ability to manage growth;

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risks related to the potential difficulty of attracting and retaining qualified personnel;

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risks related to our dependence on key personnel;

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risks related to our United States Securities and Exchange Commission (the SEC) filing history; and

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risks related to our securities.

This list is not exhaustive of the factors that may affect our forward-looking statements. Although we have attempted to identify important factors that could cause actual results to differ materially from those described in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Except as required by law, we disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. **We qualify all the forward-looking statements contained in this Quarterly Report by the foregoing cautionary statements**.

Overview and Organizational History

We are a mining exploration stage company engaged in the business of the acquisition, exploration and development of mineral properties. Dakota Territory maintains 100% ownership of three mineral properties located in the Black Hills of South Dakota, including the Blind Gold, City Creek and Homestake Paleoplacer Properties, all of which are located in the heart of the Homestake District and cover a total of approximately 3,057 acres. We currently have limited operations and have not established that any of our projects or properties contain any proven or probable reserves under SEC Industry Guide 7.

On March 9, 2012 the Company entered into an agreement with North Homestake Mining Company to exchange common stock to affect the acquisition of North Homestake s gold exploration properties located in South Dakota. The Agreement was completed on September 26, 2012 and the Company concurrently effected a 10 for 1 reverse stock split. The merger was recorded as a reverse recapitalization and the issuances of common stock were recorded as a reclassification between paid-in capital and par value of Common Stock. North Homestake Mining Company was incorporated in the State of Nevada on April 12, 2011.

On December 31, 2012, the Company completed an agreement to acquire 57 unpatented lode mining claims covering approximately 853 acres in the Black Hills of South Dakota in exchange for 1,000,000 shares of the Company s common stock, which was valued at $0.15 per share on the transaction date.

On February 24, 2014 the Company acquired surface and mineral title to the 26.16 acres of the Squaw and Rubber Neck Lodes that comprise Mineral Survey 1706 in the Black Hills of South Dakota. The property is located immediately to the north and adjoining the Company s Paleoplacer Property.

On March 3, 2014**,** we completed an acquisition of approximately 565.24 mineral acres in the Northern Black Hills of South Dakota. The acquisition increased our mineral interests in the Homestake District by nearly 23%, to over 3,057 acres. As part of the property acquisition, we purchased an additional 64.39 mineral acres located immediately southwest and contiguous to our Paleoplacer Property, including mineral title to the historic Gustin, Minerva and Deadbroke Gold Mines.

We were incorporated in the State of Nevada on February 6, 2002 under the name Lakefield Ventures, Inc. In September 2012, the Company changed its name from Mustang Geothermal Corp to Dakota Territory Resource Corp, reflecting a change in business. The Company has been in the exploration stage since its formation and has not realized any revenues from its planned operations. The Company is primarily engaged in the acquisition, exploration, and development of mineral properties.

There is substantial doubt about our ability to continue as a going concern as the continuation of our business is dependent upon obtaining further long-term financing, successful exploration and development of our property interests and, finally, achieving a profitable level of operations. The issuance of additional equity securities by us could result in a significant dilution in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

Current Plan of Operations

We plan on concentrating all exploration activities on our gold property in South Dakota. During fiscal year 2017, we will require additional new financing of approximately $2.0 million to carry out our planned exploration, none of which we have secured as of the date hereof.

Our planned exploration program will consist primarily of field and diamond drill programs. Additionally, the budget and any use of proceeds covering any equity based financing would provide for the annual maintenance requirements for the Company s claims, leases, and concessions and our general operating needs.

Table: Fiscal Year 2017 Proposed Exploration Expenditures ($000)
Salaries & Wages