

DAKOTA TERRITORY RESOURCE CORP
Form 10-Q
November 10, 2015

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 September 30, 2015

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
(State or other jurisdiction of incorporation or organization)

98-0201259
(I.R.S. Employer Identification No.)

10580 N. McCarran Blvd., Building 115-208

Reno, Nevada
(Address of principal executive offices)

89503
(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 . 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 . 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 .

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

Number of shares of issuer's common stock outstanding at November 5, 2015: 53,738,216

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DAKOTA TERRITORY RESOURCE CORP
BALANCE SHEETS
(Unaudited)

September 30, March 31,
2015 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	5,918	\$	2,355
Prepaid expenses and other current assets		14,360		-
Total current assets		20,278		2,355
Other assets		15,000		15,430
Mineral properties		199,566		191,566
TOTAL ASSETS	\$	234,844	\$	209,351

LIABILITIES AND SHAREHOLDERS' DEFICIT

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$	421,531	\$	380,276
Accounts payable, related party		595,692		454,692
Line of credit		34,850		24,740
Notes payable		305,550		305,550
Note payable to related party		265,000		-
Convertible notes payable, net of discount of \$15,263 and \$0, respectively		184,737		100,000
Derivative liability		163,969		-
Total current liabilities		1,971,329		1,265,258
Note payable to related party		-		265,000
Total liabilities		1,971,329		1,530,258

**COMMITMENTS AND
CONTINGENCIES**

SHAREHOLDERS' DEFICIT

Preferred stock, par value \$0.001; 10,000,000
shares authorized, no

shares issued and outstanding as of
September 30, 2015 and

March 31, 2015, respectively	-	-
	53,738	53,738

Common stock, par value \$0.001;
300,000,000 shares authorized,

53,738,216 shares issued and outstanding as
of

September 30, 2015 and March 31, 2015,
respectively

Additional paid-in capital	1,597,828	1,580,078
Accumulated deficit	(3,388,051)	(2,954,723)
Total shareholders' deficit	(1,736,485)	(1,320,907)

TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	\$	234,844	\$	209,351
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The accompanying notes are an integral part of these financial statements.

DAKOTA TERRITORY RESOURCE CORP
UNAUDITED STATEMENTS OF OPERATIONS

	Six Months Ended		Three Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
OPERATING EXPENSES				
Depreciation and amortization	\$ -	\$ 333	\$ -	\$ -
Exploration costs	22,220	24,876	21,920	24,876
General and administrative expenses	243,885	477,350	115,315	236,576
Total operating expenses	266,105	502,559	137,235	261,452
LOSS FROM OPERATIONS	(266,105)	(502,559)	(137,235)	(261,452)
OTHER INCOME (EXPENSE)				
Derivative expense	(63,969)	-	(9,739)	-
Interest expense	(103,254)	(15,601)	(81,343)	(7,801)
Total other income (expense)	(167,223)	(15,601)	(91,082)	(7,801)
NET LOSS	\$ (433,328)	\$ (518,160)	\$ (228,317)	\$ (269,253)
Net loss per share:				
Basic and diluted net loss per share	\$ (0.01)	\$ (0.01)	\$ (0.00)	\$ (0.01)
Weighted average shares outstanding:				
Basic and diluted	53,738,216	53,406,975	53,738,216	53,278,865

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

DAKOTA TERRITORY RESOURCE CORP
UNAUDITED STATEMENTS OF CASH FLOWS

	Six Months ended	
	September 30,	
	2015	2014
Net loss	\$ (433,328)	\$ (518,160)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	-	333
Shares issued for services	17,750	169,750
Derivative expense	63,969	-
Amortization of debt discount	84,737	-
Changes in current assets and current liabilities:		
Prepaid expenses and other assets	(1,430)	(25,482)
Accounts payable & accrued liabilities	41,255	(30,317)
Accounts payable, related party	141,000	2,035
Net cash used in operating activities	(86,047)	(401,841)
Cash Flows From Investing Activities:		
Issuance of note receivable to related party	(12,500)	-
Investment in mineral properties	(8,000)	(231)
Net cash used in investing activities	(20,500)	(231)
Cash Flows From Financing Activities:		
Proceeds from the issuance of convertible note payable	100,000	-
Proceeds from (repayments of) line of credit	10,110	(1,643)
Net cash provided by (used in) financing activities	110,110	(1,643)
Net change in cash	3,563	(403,715)
Cash and Cash Equivalents, Beginning of Period	2,355	456,329
Cash and Cash Equivalents, End of Period	\$ 5,918	\$ 52,614
Supplemental Disclosure of Noncash Transactions		
Interest paid	\$ -	\$ -
Taxes paid	\$ -	\$ -
Debt discount on convertible note	\$ 100,000	\$ -

The accompanying notes are an integral part of these financial statements

DAKOTA TERRITORY RESOURCES CORP

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

(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, 2015 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, 2015 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 2016 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. On March 27, 2013, Minera Teles Pires, Inc. agreed to a re-structure of the amounts due under the agreement and agreed to forgive a total of \$522,579. This amount was recorded to additional paid in capital. During the six months ended September 30, 2015, we incurred approximately \$69,000 in management fees and rent from Minera Teles Pires Inc. As of September 30, 2015, we

owed Minera Teles Pires approximately \$316,000 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 six months ended September 30, 2015, we incurred approximately \$54,000 in consulting fees from Jerikodie, Inc. As of September 30, 2015, we owed Jerikodie, Inc. approximately \$237,000 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 six months ended September 30, 2015, we incurred \$18,000 in compensation to Mr. Mathers. As of September 30, 2015, we owed Mr. Mathers \$43,000 for consulting fees.

On June 29, 2015, our President and CEO borrowed \$12,500, at 0% interest, from the Company. The note is due in full 90 days from the date of issuance. Mr. Bachman has deferred all compensation due him since January 1, 2015.

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.

	September 30, 2015	March 31, 2015
Capitalized costs	\$ 199,566	\$ 191,566
Accumulated amortization	-	-
Impairment	-	-
Capitalized costs, net	\$ 199,566	\$ 191,566

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
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Nov 15, 2005	On demand	5% per annum	\$	82,775	\$	41,067	\$	123,842
Dec 01, 2005	On demand	5% per annum	\$	18,800	\$	9,280	\$	28,080
Jan 06, 2006	On demand	5% per annum	\$	100,000	\$	48,798	\$	148,798
Jul 14, 2006	On demand	5% per annum	\$	103,975	\$	47,853	\$	151,828
Total			\$	305,550	\$	146,998	\$	452,548

Note Payable to Related Party

We had 11 notes payable to our 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. We 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 is due March 27, 2016.

As of September 30, 2015, 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, we 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 (\$36,181 as of September 30, 2015) 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 September 30, 2015, this note is outstanding.

On June 15, 2015, the Company executed a 5% convertible note of \$100,000 that comes due December 15, 2015. The note may be converted from time to time, all or any part of the principal plus any unpaid accrued interest thereof into common stock of the Company at a conversion price of the lowest bid price less fifty (50%) percent during previous 5 days trading before the conversion date. The Black-Scholes pricing model was used to estimate that fair value of the number of shares that the note could have been converted into at the note's inception. At the time of the note's inception it was estimated that the note could have been converted into 1,862,197 shares of common stock. Using the assumptions of a risk free interest rate of 1.1%, dividend yield of 0%, volatility of 234%, and an expected life of 6 months, we have determined these shares to have an approximate fair value of \$162,000. The company also recorded a derivative liability since the note may be converted into shares at a variable rate equal to the bid price less fifty percent during the previous 5 days trading before the conversion date. The derivative liability recorded at the time of the note's inception was approximately \$162,500, derivative expense in the amount of approximately \$62,500, and a debt discount in the amount of approximately \$100,000. On September 30, 2015, a change in the fair value of derivative liability was recorded in the amount of approximately \$1,500 and a reduction in the debt discount of approximately \$84,700.

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 September 30, 2015 was approximately \$34,900.

Note 7 Consulting Agreements

On June 3, 2015, the Company entered into a second one-year consulting agreement with Dr. Michael Terry, a former Homestake Geologic Researcher, to continue the research begun through the Company's first consulting agreement with Dr. Terry entered into on January 31, 2014. The new one-year agreement provides for compensation of 100,000 restricted shares of fully-earned Company common stock upon execution of the agreement and cash consideration in the amount of \$1,500 per month, plus approved expenses. We have determined these shares to have an approximate fair value of \$9,000. As of the date of this filing, these shares have not been issued.

Note 8 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 six months ended September 30, 2015, we were authorized to issue 25,000 shares of our restricted common stock, at \$0.35 per share, to a consultant for services valued at \$8,750. As of the date of this filing, these shares have not been issued.

At September 30, 2015, the total issued and outstanding shares were 53,738,216.

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 following 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,