ATHENA SILVER CORP
Form 10-Q
November 14, 2012

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

FORM 10-Q

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2012

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ____________ to ____________

Commission file number: 000-51808

ATHENA SILVER CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**25-1909408**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)
2010A Harbison Drive #312, Vacaville, CA	**95687**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(707) 884-3766**

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 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 [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 (§232.405 of this chapter) 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 (check one):

Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [ ] 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]

On November 13, 2012, there were 33,971,456 shares of the registrant s common stock, $.0001 par value, outstanding.

ATHENA SILVER CORPORATION

(An Exploration Stage Company)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ATHENA SILVER CORPORATION

(An Exploration Stage Company)

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

	September 30, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 175,790	$ 4,672
Prepaid expenses	8,995	40,580
Total current assets	184,785	45,252
Mineral rights and properties	653,550	441,180
Total assets	$ 838,335	$ 486,432
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 107,611	$ 78,996
Accrued liabilities	43,333	55,416
Due to related parties	3,094	9,508
Advances payable related parties		750
Derivative warrant liability	53,196	
Notes payable related parties	410,000	130,000
Total current liabilities	617,234	274,670
Commitments and contingencies		
Stockholders equity:		

Preferred stock, $.0001 par value, 5,000,000 shares authorized; none outstanding				
Common stock, $.0001 par value, 100,000,000 shares authorized; 33,971,456 and 32,405,286 shares issued and outstanding, respectively		3,397		3,241
Additional paid-in capital		5,756,374		5,291,687
Accumulated deficit - prior to exploration stage		(3,601,431)		(3,601,431)
Accumulated deficit - exploration stage		(1,937,239)		(1,481,735)
Total stockholders equity		221,101		211,762
Total liabilities and stockholders equity	$	838,335	$	486,432

See notes to unaudited condensed consolidated interim financial statements.

2

ATHENA SILVER CORPORATION

(An Exploration Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011	Inception of Exploration Stage (January 1, 2010) through September 30, 2012
Operating expenses:					
Exploration costs	$ 27,389	$ 142,561	$ 108,153	$ 515,891	$ 715,770
Other operating costs		3,115	340	16,259	111,782
General and administrative expenses	64,563	88,223	267,077	236,443	774,136
Total operating expenses	91,952	233,899	375,570	768,593	1,601,688
Operating loss	(91,952)	(233,899)	(375,570)	(768,593)	(1,601,688)
Other income (expense):					
Interest expense	(2,946)	(1,344)	(5,894)	(3,992)	(17,010)
Change in fair value of derivative warrant liability	(16,874)		(17,303)		(17,303)
Gain (loss) on extinguishment of debt and accounts payable, net	625		(56,741)		(236,741)
Other income	2	859	4	941	969
Total other income (expense)	(19,193)	(485)	(79,934)	(3,051)	(270,085)
Loss from continuing operations	(111,145)	(234,384)	(455,504)	(771,644)	(1,871,773)
Net loss from discontinued operations					(65,466)
Net loss	$ (111,145)	$ (234,384)	$ (455,504)	$ (771,644)	$ (1,937,239)

Net loss per common share:								
Basic and diluted	$	(0.00)	$	(0.01)	$	(0.01)	$	(0.02)
Weighted-average common shares outstanding:								
Basic and diluted		33,966,836		32,380,233		33,218,718		31,462,320

See notes to unaudited condensed consolidated interim financial statements.

ATHENA SILVER CORPORATION

(An Exploration Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011	Inception of Exploration Stage (January 1, 2010) through September 30, 2012
Cash flows from operating activities:			
Net loss	$ (455,504)	$ (771,644)	$ (1,937,239)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of deferred financing costs		2,645	5,000
Share-based compensation expense	16,012	30,825	53,700
Common stock issued for services		51,572	55,773
Derivative warrants issued for services	35,793		35,793
Change in fair value of derivative warrant liability	17,303		17,303
Loss on extinguishment of debt related parties	57,366		237,366
Gain on extinguishment of accounts payable	(625)		(625)
Loss on sale of assets of discontinued operations			9,892
Changes in operating assets and liabilities:			
Accounts receivable			11,104
Prepaid expenses	31,585	66,730	(7,995)
Inventory			46,385
Other assets			11,036
Accounts payable	61,490	32,513	166,467
Accrued liabilities and other liabilities	517	4,754	76,320
Net cash used in operating activities	(236,063)	(582,605)	(1,219,720)
Cash flows from investing activities:			
Acquisition of mineral rights and properties	(212,069)	(62,570)	(371,364)
Investment in nonmarketable equity securities			(7,348)
Cash used in disposition of fixed assets, intangibles and other			(82)
Net cash used in investing activities	(212,069)	(62,570)	(378,794)
Cash flows from financing activities:			

Net change in advances payable related parties	49,250	(14,950)	36,705
Borrowings from notes payable related parties	510,000		670,000
Repayments of notes payable related parties			(38,750)
Proceeds from sale of common stock, net	60,000	571,206	1,106,206
Net cash provided by financing activities	619,250	556,256	1,774,161
Net increase (decrease) in cash	171,118	(88,919)	175,647
Cash and cash equivalents, beginning of period	4,672	111,475	143
Cash and cash equivalents, end of period	$ 175,790	$ 22,556	$ 175,790

See notes to unaudited condensed consolidated interim financial statements.

ATHENA SILVER CORPORATION

(An Exploration Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (cont.)

(unaudited)

	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011	Inception of Exploration Stage (January 1, 2010) through September 30, 2012
Supplemental schedule of cash flow information:			
Cash paid for interest	$	$ 3,402	$ 6,714
Cash paid for income taxes			
Supplemental disclosure of non-cash investing and financing activities:			
Increase (decrease) in accrued liabilities applicable to mineral rights	$ (12,083)	$ (9,583)	$ 43,333
Spin-off dividend		7,500	7,348
Common stock issued for mineral rights	12,385	168,902	254,687
Common stock issued for accounts payable	32,250		125,700
Common stock issued for due to related parties	8,196		8,196
Common stock issued for deferred financing costs			5,000
Common stock issued for notes payable and advances payable - related parties	336,000		616,000
Common stock issued for indemnity agreement - related parties:			
Indemnification GWBC accounts payable			201,404
Indemnification GWBC accrued liabilities			177,899
Indemnification GWBC short-term debt			295,697

See notes to unaudited condensed consolidated interim financial statements.

ATHENA SILVER CORPORATION

(An Exploration Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Note 1 Organization, Basis of Presentation and Significant Accounting Policies:

We are an exploration stage company and our principal business is the acquisition and exploration of mineral resources. We were incorporated on December 23, 2003, in Delaware and we became an exploration stage company on January 1, 2010. We have not presently determined whether our mineral properties contain mineral reserves that are economically recoverable.

Basis of Presentation

Athena Silver Corporation (we, our, or Athena) prepared these condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States (GAAP). The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with GAAP for interim financial information in accordance with Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In our opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine month period ended September 30, 2012, are not necessarily indicative of the results for the full year. While we believe that the disclosures presented herein are adequate and not misleading, these interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the footnotes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2011.

Going Concern

Our condensed consolidated financial statements have been prepared on a going concern basis which assumes that we will be able to meet our obligations and continue our operations during the next 12 months. Asset realization values may be significantly different from carrying values as shown on our condensed consolidated financial statements and do not give effect to adjustments that would be necessary to the carrying values of assets and liabilities should we be unable to continue as a going concern. At September 30, 2012, we had not yet achieved profitable operations and we have accumulated losses of $5,538,670 since our inception. We expect to incur further losses in the development of our business, all of which casts substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern depends on our ability to generate future profits and/or to obtain the necessary financing to meet our obligations arising from normal business operations when they come due. We anticipate that additional funding will be in the form of equity financing from the sale of our common stock. We may also seek to obtain loans from officers, directors or significant shareholders.

Recently Adopted Accounting Standards

We do not expect the adoption of recently issued accounting pronouncements to have a significant impact on our condensed consolidated financial statements.

Note 2 Mineral Rights and Properties:

Our mineral rights and mineral properties consist of:

	September 30, 2012		December 31, 2011	
Mineral properties Section 13 Property	$	135,684	$	
Mineral rights Langtry Project		517,866		441,180
Mineral rights and properties	$	653,550	$	441,180

Mineral Properties

On May 22, 2012, we purchased 661 acres of land in fee simple for $135,684 cash, located in San Bernardino County, California, that was sold in a property tax auction conducted on behalf of the County. The parcel is all of Section 13 located in Township 7 North, Range 4 East.

The property is near the Lava Beds Mining District and has evidence of historic mining. It is adjacent to both the Silver Cliffs and Silver Bell historic mines. The property is located in the same regional geologic area known as the Western Mojave Block that includes our flagship Langtry Project. The property is approximately 28 miles southeast of our Langtry Project.

Our Section 13 Property appears to be located in a desert tortoise conservation area and may also have value as mitigation land.

Mineral Rights

On March 15, 2010, we entered into a 20 year Mining Lease with Option to Purchase (the Langtry Lease or the Lease) granting us the exclusive right to explore, develop and conduct mining operations on a group of 20 patented mining claims that comprise our Langtry Property.

On March 15, 2012, in accordance with the terms of the Lease, we issued to the lessor 53,846 common shares valued at $12,385, or $0.23 per share, which was the closing bid price of our common stock on March 14, 2012. We capitalized the $12,385 fair value of common shares issued as an increase to mineral rights and properties in our condensed consolidated balance sheets. See also Note 7.

During the three and nine months ended September 30, 2012, we recorded $20,000 and $57,917, respectively, of Lease rental expense and $4,900 and $6,385, respectively, of other mineral property acquisition costs and capitalized these amounts as an increase to mineral rights and properties.

Note 3 - Fair Value of Financial Instruments:

Financial assets and liabilities recorded at fair value in our condensed consolidated balance sheets are categorized based upon a fair value hierarchy established by GAAP, which prioritizes the inputs used to measure fair value into the following levels:

Level 1 Quoted market prices in active markets for identical assets or liabilities at the measurement date.

Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable and can be corroborated by observable market data.

Level 3 Inputs reflecting management s best estimates and assumptions of what market participants would use in pricing assets or liabilities at the measurement date. The inputs are unobservable in the market and significant to the valuation of the instruments.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Financial assets and liabilities measured at fair value on a recurring basis are summarized below:

	Carrying Value at September 30, 2012	Fair Value Measurement at September 30, 2012 Level 1	Level 2	Level 3
Derivative warrant liability	$ 53,196	$	$	$ 53,196

The carrying amount of cash and cash equivalents, prepaid expenses, accounts payable and accrued liabilities approximates fair value because of the short-term nature of these financial instruments. We are unable to estimate the fair value of amounts due to related parties, including advances payable and notes payable to related parties, without incurring excessive costs because quoted market prices are not available, we have not developed the valuation model necessary to make these estimates, and the cost of obtaining independent valuations would be excessive.

Note 4 Derivative Warrant Liability:

Effective February 7, 2012, and pursuant to an Advisor Agreement with GVC Capital, LLC dated January 30, 2012, we sold and issued warrants exercisable to purchase an aggregate of 143,000 common shares at an exercise price of $0.25 per share at any time within five years of the date of their issuance in consideration of $100 cash and investor relation services with a fair value of $35,793. The warrants have anti-dilution provisions, including a provision for adjustments to the exercise price and to the number of warrant shares purchasable if we issue or sell common shares at a price less than the then current exercise price.

We determined that the warrants were not afforded equity classification because the warrants are not considered to be indexed to our own stock due to the anti-dilution provision. Accordingly, the warrants are treated as a derivative liability and are carried at fair value. We estimate the fair value of these derivative warrants at each balance sheet date and the changes in fair value are recognized in earnings in our condensed consolidated statement of operations under the caption change in fair value of derivative warrant liability until such time as the derivative warrants are exercised or expire.

The change in fair value of our derivative warrant liability is as follows:

	Nine Months Ended September 30, 2012	
Balance beginning of period	$	
Purchases, sales, issuances and settlements		35,893
Total (gains) or losses (realized/unrealized):		
Included in net loss		17,303
Included in other comprehensive income		
Transfers in and/or out of Level 3		
Balance end of period	$	53,196
Total (gains) or losses included in net loss attributable to the change in unrealized gains or losses relating to derivative warrant liability held at end of period	$	17,303

We estimate the fair value of our derivative warrants on the date of issuance and each subsequent balance sheet date using the Black-Scholes-Merton option pricing model, which includes assumptions for expected dividends, expected share price volatility, risk-free interest rate, and expected life of the warrants. Currently, we believe that the potential impact to the fair value of our derivative warrants attributable to the anti-dilution provision is insignificant and we will consider using a lattice model for purposes of valuation if and when the fair value of the anti-dilution provision becomes significant. Our expected volatility assumption is based on our historical weekly closing price of our stock over a period equivalent to the expected life of the derivative warrants.

The following table summarizes the assumptions used to value our derivative warrants:

Fair value assumptions derivative warrants:	**Nine Months Ended September 30, 2012**
Risk free interest rate	0.62% - 0.82%
Expected term (years)	4.4 - 5.0
Expected volatility	159% - 163%
Expected dividends	0%

Note 5 Notes Payable Related Parties:

Notes Payable Related Parties

Amounts owing under notes payable to John D. Gibbs, a significant shareholder, are as follows:

Related Party	September 30, 2012	December 31, 2011
Mr. Gibbs	$ 410,000	$ 130,000

We borrowed and repaid the following amounts under notes payable to related parties:

	Nine Months Ended September 30, 2012	
Related Party	Borrowings	Repayments
Mr. Gibbs	$ 510,000	$

Borrowings under notes payable to Mr. Gibbs were as follows:

		Nine Months Ended September 30, 2012	
			Interest Rate
Date	**Type of Loan**	**Loan Amount**	**(per Annum)**
February 2, 2012	Demand Note	$ 25,000	0%
March 18, 2012	Demand Note	125,000	0%
April 27, 2012	Demand Note	25,000	0%
May 22, 2012	Demand Note	135,000	1%
August 20, 2012	Credit Note	100,000	5%
September 20, 2012	Credit Note	100,000	5%
Borrowings from notes payable related parties		$ 510,000	

Effective July 18, 2012, we entered into a Credit Agreement with Mr. Gibbs providing us with an unsecured credit facility in the maximum amount of $1,000,000. The aggregate principal amount borrowed, together with interest at the rate of 5% per annum, is due in full on July 31, 2013, and is convertible, at the option of the lender, into common shares at a conversion price of $0.50 per share.

The new credit facility also contains customary representations and warranties (including those relating to organization and authorization, compliance with laws, payment of taxes and other obligations, absence of defaults, material agreements and litigation) and customary events of default (including those relating to monetary defaults, covenant defaults, cross defaults and bankruptcy events). As of September 30, 2012, we are in technical default of certain covenants and Mr. Gibbs, as the holder of the Credit Notes under the credit facility may, at his option, give us notice that the amounts due under the Credit Notes are immediately due and payable.

Effective July 18, 2012, we converted $50,000 of advances payable and $160,000 of demand notes payable to Mr. Gibbs into a $210,000 Credit Note under the credit facility.

On May 10, 2012, we converted $280,000 of demand notes payable and $6,830 of accrued interest payable to Mr. Gibbs into 1,147,324 common shares with a fair value of $344,196, or $0.30 per share, which was the closing price of our common shares on May 9, 2012, and we recognized a $57,366 loss on extinguishment of debt and accounts payable. See also Note 7.

During the nine months ended September 30, 2011, we did not borrow or repay notes payable from/ to related parties.

Interest Expense   Related Parties:

We incurred interest expense to related parties in the following amounts:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Related Party	**2012**	**2011**	**2012**	**2011**
Mr. Gibbs	$ 2,946	$ 1,344	$ 5,894	$ 3,992

Note 6 - Commitments and Contingencies:

Under the Langtry Lease we declared our intention to expend a minimum of $2.0 million in permitting and other preproduction costs prior to March 15, 2015. If we fail to make these expenditures we will be deemed to be in breach of the Lease and the lessor will have the option to terminate the Lease by giving us 30 days written notice. The Lease also provides us with the right to terminate the Lease without penalty on March 15th of each year during the lease term by giving the lessor 30 days written notice of termination on or before February 13th of each year.

Under the terms of our Langtry Lease, we are also required to issue to the lessor, on March 15th of each year 2011 through 2015, additional common shares so that the lessor retains an undiluted 2% equity interest in Athena. On September 30, 2012, we were obligated to issue 30,864 common shares with a fair value of $12,346 based on the September 28, 2012, closing price of $0.40 per share for our common stock. These shares will be issued to the lessor on March 15, 2013, as additional consideration for granting us the Langtry Lease and as partial consideration for our third year lease rental payment. See also Note 2.

Note 7 Stockholders Equity:

During the period, changes in stockholders equity were as follows:

	Common Stock		Additional paid-in	Accumulated	
	Shares	Amount	Capital	Deficit	Total
Balance, December 31, 2011	32,405,286	$ 3,241	$ 5,291,687	$ (5,083,166)	$ 211,762
Common stock issued to Mr. Gibbs for cash	240,000	24	59,976		60,000
Common stock issued for mineral rights	53,846	5	12,380		12,385
Common stock issued for debt	1,147,324	115	344,081		344,196
Common stock issued for accounts payable	125,000	12	32,238		32,250
Share-based compensation			16,012		16,012
Net loss				(455,504)	(455,504)
Balance, September 30, 2012	33,971,456	$ 3,397	$ 5,756,374	$ (5,538,670)	$ 221,101

Note 8 Basic and Diluted Net Loss Per Share

The following potential common shares are excluded from net loss per common share because the impact of such inclusion would be anti-dilutive:

	September 30,	
	2012	**2011**
Stock options	200,000	200,000
Warrants	143,000	
	343,000	200,000

Note 9 Related Party Transactions:

The following information is provided in addition to the related party transactions described in Note 5, Notes Payable Related Parties and Note 7, Stockholders Equity.

Conflicts of Interests

Magellan Gold Corporation is a company under common control. Mr. Power is a significant shareholder, director and CEO of both Athena and Magellan. Mr. Gibbs is a significant shareholder in both Athena and Magellan. Athena and Magellan are both exploration stage companies involved in the business of acquisition and exploration of mineral resources.

Silver Saddle Resources, LLC is also a company under common control. Mr. Power and Mr. Gibbs are the owners and managing members of Silver Saddle. Athena and Silver Saddle are both exploration stage companies involved in the business of acquisition and exploration of mineral resources.

The existence of common ownership and common management could result in significantly different operating results or financial position from those that could have resulted had Athena, Magellan and Silver Saddle been autonomous.

Management Fees Related Parties

Effective January 1, 2012, we extended, for one year, our month-to-month management agreement with Mr. Power requiring a monthly payment, in advance, of $2,500 as consideration for the day-to-day management of Athena.

Management fees to Mr. Power are included in general and administrative expenses in our condensed consolidated statement of operations as follows:

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2012	**2011**	**2012**	**2011**
Management fees	$ 7,500	$ 7,500	$ 22,500	$ 22,500

Due to Related Parties

Accounts payable and accrued interest payable owed to related parties are included in due to related parties in our condensed consolidated balance sheets as follows:

Related Party	September 30, 2012		December 31, 2011	
Accounts payable Mr. Power	$		$	5,476
Accrued interest payable Mr. Gibbs		3,094		4,032
Due to related parties - total	$	3,094	$	9,508

Advances Payable - Related Parties

Non-interest-bearing advances payable to related parties are as follows:

Related Party	September 30, 2012		December 31, 2011	
Mr. Power	$		$	750

We borrowed and repaid non-interest-bearing advances from/ to related parties as follows:

	Nine Months Ended September 30, 2012			
Related Party	**Advances**		**Repayments**	
Mr. Gibbs	$	50,000	$	
Mr. Power, including entities controlled by Mr. Power		21,875		22,625
Silver Saddle Resources, LLC		3,600		3,600
	$	75,475	$	26,225

Effective July 18, 2012, we converted $50,000 of advances payable and $160,000 of demand notes payable to Mr. Gibbs into a $210,000 Credit Note under the credit facility. See also Note 5.

We borrowed and repaid non-interest-bearing advances from/ to related parties as follows:

	Nine Months Ended September 30, 2011			
Related Party	**Advances**		**Repayments**	
Mr. Power	$	21,259	$	36,209
Magellan Gold Corporation		13,000		13,000
	$	34,259	$	49,209

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We use the terms Athena, we, our, and us to refer to Athena Silver Corporation and its consolidated subsidiary.

The following discussion and analysis provides information that management believes is relevant for an assessment and understanding of our results of operations and financial condition. This information should be read in conjunction with our audited consolidated financial statements which are included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, filed with the Commission on April 16, 2012, and our interim unaudited condensed consolidated financial statements and notes thereto included with this report in Part I. Item 1.

Forward-Looking Statements

Some of the information presented in this Form 10-Q constitutes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements that include terms such as may, will, intend, anticipate, estimate, expect, continue, believe like, as well as all statements that are not historical facts. Forward-looking statements are inherently subject to risks and uncertainties that could cause actual results to differ materially from current expectations. Although we believe our expectations are based on reasonable assumptions within the bounds of our knowledge of our business and operations, there can be no assurance that actual results will not differ materially from expectations.

All forward-looking statements speak only as of the date on which they are made. We undertake no obligation to update such statements to reflect events that occur or circumstances that exist after the date on which they are made.

Business Overview:

On March 15, 2010, we entered into a Mining Lease with Option to Purchase (the Langtry Lease or the Lease) which granted us a 20 year lease to develop and conduct mining operations on a 413 acre group of 20 patented mining claims located in the Calico Mining District (the Langtry Property , or the Property), also with an option to purchase the Property. This Property is located at the base of the Calico Mountains northeast of Barstow, in San Bernardino County, California.

During the first quarter of 2011, we successfully completed a 13-hole drilling program on our Langtry Property in an effort to validate the results of an earlier drilling program undertaken by a previous owner of the Property during the 1960 s and 1970 s and to further define silver deposits near historic workings on the Property. During the remainder of 2011 and during the first quarter of 2012, we evaluated the results of our drilling program and in May 2012, we issued a NI 43-101 Technical Report. The NI 43-101 report followed the guidelines specified by the Canadian Council of Professional Geoscientists and included a description of the Langtry Property and location, history, geological setting, deposit types, mineralization, exploration, drilling, sampling method and approach, sample preparation, analyses and security, data verification, mineral resource and mineral reserve estimates, as well as other relevant data and information.

Going forward, our primary focus will be to continue our evaluation of the Langtry Property mineral resources including possible additional exploration drilling, assays, metallurgical testing and analysis, environmental studies and preliminary permitting and re-estimation of our mineral resources. Our NI 43-101 report estimated that these efforts may take approximately one year to complete at a preliminary cost estimate of $625,000.

Our ongoing mineral lease payments, exploration and development efforts and general and administrative expenses will require additional capital.

Results of Operations:

The following discussion should be read in conjunction with our condensed consolidated financial statements in Part I., Item 1. of this report, including the notes thereto.

Results of Continuing Operations for the Three Months Ended September 30, 2012 and 2011.

Three Months Ended

	September 30, 2012		September 30, 2011	
Operating expenses:				
Exploration costs	$	27,389	$	142,561
Other operating costs				3,115
General and administrative expenses		64,563		88,223
Total operating expenses		91,952		233,899
Operating loss		(91,952)		(233,899)
Total other income (expense)		(19,193)		(485)
Loss from continuing operations	$	(111,145)	$	(234,384)

Our 2012 third quarter loss from continuing operations was $111,145 as compared to $234,384 during the same period in 2011. The $123,239 decrease in our loss was mainly attributable to a $115,172

14

decrease in exploration costs, a $23,660 decrease in general and administrative expense and a $3,115 decrease in other operating costs offset by an $18,708 increase in nonoperating expense as more fully described below.

Operating expenses:

Our third quarter 2012 operating expenses decreased $141,947 to $91,952 as compared to $233,899 during the third quarter of 2011.

During the third quarter of 2012, we incurred $27,389 of exploration costs as compared to $142,561 during the third quarter of 2011. This $115,172 decrease was mainly due to the absence of an exploration drilling program during 2012. Our third quarter 2012 exploration costs were mainly applicable to a 38 sample trenching program on the Langtry Property whereas our third quarter 2011 exploration costs were mainly applicable to the completion of our 13-hole exploration drilling program.

We did not incur any other operating costs during the third quarter of 2012 as compared to $3,115 of environmental permitting expenses during the third quarter of 2011.

Our general and administrative expenses decreased $23,660 to $64,563 during the third quarter of 2012 as compared to $88,223 during the third quarter of 2011.This decrease was comprised of a $27,537 decrease in director compensation offset by a net $3,877 increase in all other general and administrative expenses. The decrease in director compensation was mainly attributable to the one-time immediate vesting of 50% of the 200,000 stock options granted to a new director during the third quarter of 2011.

Other income (expense):

Our nonoperating expense, net, was $19,193 during the third quarter of 2012 as compared to $485 during the third quarter of 2011 and was mainly comprised of $16,874 non-cash mark-to-market loss on derivative warrants issued to an investor relations service provider during the first quarter of 2012.

Results of Continuing Operations for the Nine Months Ended September 30, 2012 and 2011.

Nine Months Ended

	September 30, 2012	September 30, 2011
Operating expenses:		
Exploration costs	$ 108,153	$ 515,891
Other operating costs	340	16,259
General and administrative expenses	267,077	236,443
Total operating expenses	375,570	768,593
Operating loss	(375,570)	(768,593)
Total other expense - net	(79,934)	(3,051)
Loss from continuing operations	$ (455,504)	$ (771,644)

During the nine months ended September 30, 2012, our loss from continuing operations was $455,504 as compared to $771,644 during the same period in 2011. The $316,140 decrease in our loss was mainly attributable to a $407,738 decrease in exploration costs resulting from a decrease in our mineral exploration activities during the first nine months of 2012 as compared to the same period in 2011. Our decrease in exploration costs was supplemented by a $15,919 decrease in other operating costs and offset by a $30,634 increase in general and administrative expense and a $76,883 increase in nonoperating costs as described below.

We expect our exploration and other operating costs during the remainder of 2012 to remain at levels consistent with the first nine months of 2012 and our full-year 2012 exploration and other operating costs are expected to be well below our 2011 totals due to decreased exploration efforts during 2012. We expect our general and administrative expenses during the remainder of 2012 to be consistent with 2011 levels.

O*perating expenses:*

During the nine months ended September 30, 2012, our operating expenses were $375,570 as compared to $768,593 during the nine months ended September 30, 2011.

During the first nine months of 2012, we incurred $108,153 of exploration costs as compared to $515,891 during the first nine months of 2011. This $407,738 decrease was mainly due to the absence of an exploration drilling program in 2012. During the first nine months of 2011, we incurred $278,122 of drilling and sample analysis costs applicable to our 13-hole drilling program compared to no drilling and $8,993 of sample analysis costs during the first nine months of 2012, resulting in a decrease in drilling and sample analysis costs of $269,119. Similarly, geologist fees decreased $195,809 from $266,697 during the nine months ended September 30, 2011, to $30,888 during the same period in 2012. These decreases were offset by a $56,370 increase in geochemical analysis costs incurred in early 2012 relating to samples from our 2011 drilling program. We did not incur geochemical analysis costs during the first nine months of 2011. All other exploration costs increased by $820 from $11,082 to $11,902 during the nine months ended September 30, 2011 and 2012, respectively.

Our other operating costs, consisting of environmental permitting expenses, decreased $15,919 to $340 during the first nine months of 2012 as compared to $16,259 during the first nine months of 2011 due to decreased exploration activity during 2012.

Our general and administrative expenses increased $30,634 to $267,077 during the nine months ended September 30, 2012, as compared to $236,443 during the nine months ended September 30, 2011. This increase was comprised of a $37,419 increase in professional fees offset by a $6,785 net decrease in all other general and administrative expenses.

The $37,419 increase in professional fees, which includes accounting, audit, legal, investor relations, management fees and other professional fees, was mainly due to a $43,861 increase in investor relations expense to $64,470 during the first nine months of 2012 from $20,609 during the first nine months of 2011. Our 2012 investor relations efforts included a presentation at an investor conference in June 2012 and a $35,793 non-cash expense relating to five months of professional financial advisory services paid for with derivative warrants. This increase in investor relations expense and a $7,000 increase in audit fees were offset by a $2,451 decrease in legal fees, a $6,752 decrease in accounting fees and a $4,239 decrease in other professional fees during the first nine months of 2012 as compared to the first nine months of 2011.

Other income (expense):

Our nonoperating expense, net, was $79,934 during the nine months ended September 30, 2012, as compared to $3,051 during the nine months ended September 30, 2011, and was mainly comprised of our one-time $57,366 loss on extinguishment of notes and accrued interest payable to related parties in May 2012 and our $17,303 mark-to-market loss on derivative warrants during the first nine months of 2012. All other nonoperating expenses, net, increased $2,214 during the first nine months of 2012 as compared to the same period in 2011.

Liquidity and Capital Resources:

Liquidity

During the nine months ended September 30, 2012, we required capital principally for funding of our operating losses; our purchase of the Section 13 mineral property; our annual mineral rights lease payment and our working capital. To date, we have financed our capital requirements through the sale of unregistered equity securities and borrowings primarily from related parties. We expect to meet our future financing needs and working capital and capital expenditure requirements through cash on hand, borrowings and offerings of debt or equity securities, although there can be no assurance that our future financing efforts will be successful. The terms of future financings could be highly dilutive to existing shareholders.

On September 30, 2012, we had $175,790 of cash and cash equivalents and negative working capital of $432,449.

Effective July 18, 2012, we entered into a Credit Agreement with John D. Gibbs, a related party and significant shareholder, pursuant to which Mr. Gibbs has agreed to make available to us a revolving credit facility in the maximum principal amount of $1.0 million. Credit Notes representing advances under the Credit Agreement accrue interest at the rate of 5% per annum, are due and payable on or before July 31, 2013, and are convertible at the option of the holder into common shares at a conversion price of $0.50 per share. The Credit Agreement will provide sufficient funds to meet our working capital requirements for approximately 12 months. We have no other commitments or understandings for additional financing beyond the Credit Agreement. As of September 30, 2012, we had borrowed $410,000 under the credit facility.

Cash Flows

A summary of our cash provided by and used in operating, investing and financing activities is as follows:

	Nine Months Ended September 30,	
	2012	**2011**
Net cash used in operating activities	$ (236,063)	$ (582,605)

Net cash used in investing activities	(212,069)	(62,570)
Net cash provided by financing activities	619,250	556,256
Net increase in cash	171,118	(89,919)
Cash and cash equivalents, beginning of period	4,672	111,475
Cash and cash equivalents, end of period	$ 175,790	$ 22,556

Net cash used in operating activities:

Net cash used in operating activities was $236,063 and $582,065 during the first nine months of 2012 and 2011, respectively.

Cash used in operating activities during the first nine months of 2012 mainly related to our $455,504 net loss as adjusted for non-cash items and changes in operating assets and liabilities. These non-cash adjustments were comprised of $16,012 in share-based compensation expense to a director, a $57,366 loss on extinguishment of debt - related parties, $35,793 in investor relations expense attributable to derivative warrants issued for services, a $17,303 mark-to-market loss relating to the change in fair value of our derivative warrant liability, offset by a $625 gain on extinguishment of accounts payable. Our changes in operating assets and liabilities were comprised of a $62,007 increase in current liabilities applicable to operations consisting of accounts payable, accrued liabilities and our derivative warrant liability and a $31,585 decrease in prepaid expenses during the period.

Cash used in operating activities during the first nine months of 2011 mainly relates to our $771,644 net loss as adjusted for non-cash items and changes in operating assets and liabilities. The most significant adjustment to our net loss was a $66,730 decrease in prepaid expenses resulting from our utilization of $100,000 of prepaid drilling costs during the first nine months of 2011 offset by a $33,270 net increase in prepaid professional fees. In addition, we used $37,267 of cash to reduce our current liabilities applicable to operations consisting of accounts payable and accrued liabilities during the first nine months of 2011. Net loss was also adjusted by $2,645 of non-cash amortization of deferred financing costs, $30,825 of non-cash share based director compensation and $51,572 of professional fees paid for with common shares.

Net cash used in investing activities:

Cash used in investing activities was $212,069 during the first nine months of 2012 as compared to $62,570 during the first nine months of 2011.

Our cash used in investing activities during the first nine months of 2012 was comprised of a $135,684 expenditure for our Section 13 mineral property, a $70,000 annual lease rental payment under our Langtry Lease and the payment for $6,385 of other mineral rights acquisition costs. During the first nine months of 2011, our cash used in investing activities mainly consisted of our $60,000 annual payment under our Langtry Lease.

Net cash provided by financing activities:

Cash provided by financing activities during the first nine months of 2012 was $619,250 compared to cash provided by financing activities of $556,256 during the same period in 2011.

During the first nine months of 2012 we borrowed $510,000 from Mr. Gibbs, sold 240,000 common shares to Mr. Gibbs for $60,000 cash and incurred net borrowings from advances payable to related parties of $49,250. During the first nine months of 2011 we sold 2,430,000 common shares for net proceeds of $571,206 and incurred a net decrease in advances payable to related parties of $14,950.

Off Balance Sheet Arrangements:

We do not have and never had any off-balance sheet arrangements.

Recent Accounting Pronouncements

Recently issued Financial Accounting Standards Board Accounting Standards Codification guidance has either been implemented or is not significant to us.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures:

Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosures. Our management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives.

Our management, with the participation of our CEO, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon this evaluation, our CEO concluded that our disclosure controls and procedures were not effective as of such date as a result of a material weakness in our internal control over financial reporting due to lack of segregation of duties and a limited corporate governance structure as discussed in Item 9A. of our Form 10-K for the fiscal year ended December 31, 2011.

While we strive to segregate duties as much as practicable, there is an insufficient volume of transactions at this point in time to justify additional full time staff. We believe that this is typical in many exploration stage companies. We may not be able to fully remediate the material weakness until we commence mining operations at which time we would expect to hire more staff. We will continue to monitor and assess the costs and benefits of additional staffing.

Changes in Internal Control over Financial Reporting:

There were no changes in our internal control over financial reporting that occurred during the last fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in Part I. Item 1A. of our Annual Report on Form 10-K for the year ended December 31, 2011.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

All sales of unregistered securities were reported on Form 8-K during the period.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Effective July 18, 2012, we entered into a Credit Agreement with Mr. Gibbs providing us with an unsecured credit facility in the maximum amount of $1,000,000. The aggregate principal amount borrowed, together with interest at the rate of 5% per annum, is due in full on July 31, 2013, and is convertible, at the option of the lender, into common shares at a conversion price of $0.50 per share.

The new credit facility also contains customary representations and warranties (including those relating to organization and authorization, compliance with laws, payment of taxes and other obligations, absence of defaults, material agreements and litigation) and customary events of default (including those relating to monetary defaults, covenant defaults, cross defaults and bankruptcy events). As of September 30, 2012, we are in technical default of certain covenants and Mr. Gibbs, as the holder of the Credit Notes under the credit facility may, at his option, give us notice that the amounts due under the Credit Notes, $410,000 as at September 30, 2012, are immediately due and payable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
10.1	Promissory Note dated April 27, 2012, in favor of John D. Gibbs (1)
10.2	Agreement to Convert Debt dated May 10, 2012, between John D. Gibbs and Athena Silver Corporation (2)
10.3	Assignment of Right to Purchase Property dated May 22, 2012, between John C. Power and Athena Minerals Corporation (3)
10.4	Promissory Note dated May 22, 2012, in favor of John D. Gibbs (3)
10.5	Agreement to Convert Debt of Donaldson Consulting Services, Inc. dated June 16, 2012 (4)
10.6	Credit Agreement dated July 18, 2012, by and between Athena Silver Corporation and John D. Gibbs (5)
10.7	Form of Credit Note (5)
31	Certification Pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101.INS	XBRL Instance Document**
101.SCH	XBRL Taxonomy Extension Schema**
101.CAL	XBRL Taxonomy Extension Calculation**
101.DEF	XBRL Taxonomy Extension Definition **
101.LAB	XBRL Taxonomy Extension Labels**
101.PRE	XBRL Taxonomy Extension Presentation**

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(1)	Incorporated by reference to the Company s Current Report on Form 8-K dated April 27, 2012 and filed with the Commission on May 2, 2012.
(2)	Incorporated by reference to the Company s Current Report on Form 8-K dated May 10, 2012 and filed with the Commission on May 16, 2012.
(3)	Incorporated by reference to the Company s Current Report on Form 8-K dated May 25, 2012 and filed with the Commission on June 11, 2012.
(4)	Incorporated by reference to the Company s Current Report on Form 8-K dated September 16, 2012 and filed with the Commission on June 19, 2012.

(5)	Incorporated by reference to the Company s Current Report on Form 8-K dated July 18, 2012 and filed with the Commission on July 19, 2012.
*	Filed herewith
**	Furnished, not filed.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ATHENA SILVER CORPORATION

Dated: November 14, 2012	By:	/s/ JOHN C. POWER John C. Power Chief Executive Officer, President, Chief Financial Officer, Secretary & Director (Principal Executive Officer) (Principal Accounting Officer)