

DAKOTA TERRITORY RESOURCE CORP
Form 10-Q
February 12, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2017

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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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 February 8, 2018: 59,566,787

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DAKOTA TERRITORY RESOURCE CORP
BALANCE SHEETS
(UNAUDITED)

	December 31, 2017	March 31, 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 63,284	\$ 69,189
Prepaid expenses and other current assets	7,500	4,000
Total current assets	70,784	73,189
Mineral properties	216,104	216,104
TOTAL ASSETS	\$ 286,888	\$ 289,293
LIABILITIES AND SHAREHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 529,031	\$ 501,731
Accounts payable, related party	1,250,845	1,018,742
Line of credit	38,130	36,074
Notes payable	305,550	305,550
Note payable to related party	298,145	320,000
Convertible notes payable	100,000	100,000
Total current liabilities	2,521,701	2,282,097
Total liabilities	2,521,701	2,282,097
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' DEFICIT		
Preferred stock, par value \$0.001; 10,000,000 shares authorized, no shares issued and outstanding as of December 31, 2017 and March 31, 2017, respectively	-	-
Common stock, par value \$0.001; 300,000,000 shares authorized, 59,566,787 and 58,566,787 shares issued and outstanding as of December 31, 2017 and March 31, 2017, respectively	59,567	58,567
Additional paid-in capital	1,955,036	1,856,036
Accumulated deficit	(4,249,416)	(3,907,407)
Total shareholders' deficit	(2,234,813)	(1,992,804)

TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	\$	286,888	\$	289,293
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The accompanying notes are an integral part of these financial statements.

DAKOTA TERRITORY RESOURCE CORP
STATEMENTS OF OPERATIONS
(UNAUDITED)

	Nine Months ended December 31,		Three Months ended December 31,	
	2017	2016	2017	2016
OPERATING EXPENSES				
Exploration costs	\$ 42,355	\$ 21,855	\$ 21,855	\$ -
General and administrative expenses	275,111	281,105	86,956	85,758
Total operating expenses	317,466	302,960	108,811	85,758
LOSS FROM OPERATIONS	(317,466)	(302,960)	(108,811)	(85,758)
OTHER EXPENSE				
Interest expense	(24,543)	(35,296)	(8,181)	(19,695)
Total other expense	(24,543)	(35,296)	(8,181)	(19,695)
NET LOSS	\$ (342,009)	\$ (338,256)	\$ (116,992)	\$ (105,453)
Net loss per share:				
Basic and diluted net loss per share	\$ (0.01)	\$ (0.01)	\$ (0.00)	\$ (0.00)
Weighted average shares outstanding:				
Basic and diluted	58,708,605	57,207,332	58,990,700	57,066,787

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

DAKOTA TERRITORY RESOURCE CORP
STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months ended December 31,	
	2017	2016
Net loss	\$ (342,009)	\$ (338,256)
Changes in current assets and current liabilities:		
Prepaid expenses and other assets	-	1,927
Accounts payable & accrued liabilities	24,209	30,825
Accounts payable, related party	232,103	211,550
Net cash used in operating activities	(85,697)	(93,954)
 Cash Flows From Investing Activities:		
Repayment of note receivable to related party	-	12,500
Investment in mineral properties	-	(8,000)
Net cash provided by investing activities	-	4,500
 Cash Flows From Financing Activities:		
Proceeds from (repayments of) note payable - related party	(21,855)	55,000
Proceeds from the issuance of common stock	100,000	110,000
Proceeds from (repayments of) line of credit	1,647	(3,401)
Net cash provided by financing activities	79,792	161,599
 Net change in cash	(5,905)	72,145
Cash and Cash Equivalents, Beginning of Period	69,189	15,551
 Cash and Cash Equivalents, End of Period	\$ 63,284	\$ 87,696

Supplemental Disclosure of Cashflow Information

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

Supplemental Disclosure of Non cash Investing and Financing Activities

Common stock issued for conversion of note payable	\$	-	\$	102,500
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

December 31, 2017

(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, 2017 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, 2017 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 2018 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 nine months ended December 31, 2017, we incurred approximately \$103,500, in management fees and rent from Minera Teles Pires Inc. As of December 31, 2017, we owed Minera Teles Pires approximately \$652,700 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 nine months ended December 31, 2017 we incurred approximately \$81,000 fees from Jerikodie,

Inc. As of December 31, 2017, we owed Jerikodie, Inc. approximately \$480,200 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 nine months ended December 31, 2017, we incurred \$27,000 in compensation to Mr. Mathers. As of December 31, 2017, we owed Mr. Mathers \$118,000 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. As of December 31, 2017, the Company is current on all required annual lease payments.

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.

On April 5, 2017 the Company acquired options to purchase a combination of surface and mineral titles to 284 acres in the Homestake District of the Northern Black Hills of South Dakota. The acquisition included 61 acres located immediately south and contiguous with our City Creek Property; 82 acres located approximately one half mile south of our Blind Gold Property at the western fringe of the historic Maitland Gold Mine; and 141 acres located immediately north and contiguous to our Homestake Paleoplacer Property. The Company is required to make annual lease payments totaling \$20,000 for a period of 5 years, of which \$20,000 was due upon execution of the agreement. The Company has an option to purchase the mineral properties for total price of \$626,392. As of December 31, 2017, the Company is current on all required annual lease payments.

As of December 31, 2017 and March 31, 2017, total capitalized costs in mineral properties were \$216,104. The Company plans to commence an exploratory program on these mineral properties as soon as financing can be arranged.

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	\$ 49,168	\$ 131,943
Dec 01, 2005	On demand	5% per annum	18,800	11,167	29,967
Jan 06, 2006	On demand	5% per annum	100,000	59,400	159,400
Jul 14, 2006	On demand	5% per annum	103,975	61,762	165,737
Total			\$ 305,550	\$ 181,497	\$ 487,047

As of December 31, 2017, the interest amount of \$181,497 on these notes remains unpaid and outstanding.

Notes Payable to Related Party

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 totaling \$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, 2017 and remains unpaid. On June 23, 2017, the note was amended to mature on March 27, 2018.

On August 26, 2016, the Company issued a note payable in the amount of \$25,000 to Minera Teles Pires Inc., a Company controlled by our President, for the purpose of funding ongoing operating expenses. The note bears annual interest of 3% and was due and payable on October 26, 2016. As of December 31, 2017, approximately \$3,100 on this loan remains outstanding.

On September 15, 2016, the Company issued a note payable in the amount of \$30,000 to Minera Teles Pires Inc., a Company controlled by our President, for the purpose of funding ongoing operating expenses. The note bears annual interest of 4% and was due and payable on December 14, 2016. This loan remains outstanding as of the date of this filing.

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 (\$47,708 as of December 31, 2017) 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. As of December 31, 2017, this note is outstanding.

Note 6—Line of Credit

The Company executed a Line of Credit with Wells Fargo Bank in California. The Line of Credit allows the Company to borrow up to \$47,500. The Line of Credit bears interest at 7.75% per annum, is unsecured, and due on demand. The balance on this Line of Credit at December 31, 2017 was approximately \$38,100.

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.

On November 22, 2017, the Company completed a sale of our restricted common shares to a private investor. The Company sold a total of 1,000,000 shares of restricted common stock at a price of \$0.10 per share for an aggregate amount of \$100,000 received by the Company.

At December 31, 2017, the total issued and outstanding shares were 59,566,787.

Common Stock Options and Warrants

A summary of the Company's stock option activity and related information for the period ended December 31, 2017 is as follows:

	Options	Price Range	Weighted Average Remaining Life (Years)
Outstanding March 31, 2017	7,350,000	\$ 0.06 – 0.14	