ATHENA SILVER CORP
Form 10-Q
November 17, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended September 30, 2011

[ ] **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	(IRS Employer
Incorporation or Organization)	Identification No.)

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, 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 [ ] No x

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 definitions 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 [ ] 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

APPLICABLE ONLY TO CORPORATE ISSUERS:

On November 11, 2011 there were 32,387,786 shares of the registrant’s common stock, $.0001 par value, outstanding.

ATHENA SILVER CORPORATION

(An Exploration Stage Company)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ATHENA SILVER CORPORATION

(An Exploration Stage Company)

CONDENSED CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	September 30, 2011		December 31, 2010	
ASSETS				
Current Assets:				
Cash and cash equivalents	$	22,556	$	111,475
Prepaid expenses and other current assets		39,270		106,000
Deferred financing costs, net		892		3,537
Total Current Assets		62,718		221,012
Mineral rights		417,552		195,664
Other assets				7,500
Total Assets	$	480,270	$	424,176
LIABILITIES AND STOCKHOLDERS EQUITY				
Current Liabilities:				
Accounts payable	$	78,576	$	46,063
Accrued liabilities		37,917		47,500
Due to related parties		35,390		30,638
Advances from related parties				14,950
Notes payable related party, current portion		30,000		30,000
Total Current Liabilities		181,883		169,151
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; 32,387,786 and 29,391,500 shares issued and outstanding, respectively		3,239		2,939
Additional paid-in capital		5,287,974		4,465,768
Accumulated deficit - prior to exploration stage		(3,601,431)		(3,601,431)
Accumulated deficit - exploration stage		(1,391,395)		(612,251)
Total Stockholders Equity		298,387		255,025
Total Liabilities and Stockholders Equity	$	480,270	$	424,176

See notes to unaudited condensed consolidated interim financial statements.

ATHENA SILVER CORPORATION

(An Exploration Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,		Inception of Exploration Stage (January 1, 2010) through September 30,
Operating expenses:	**2011**	**2010**	**2011**	**2010**	**2011**
Exploration costs	$ 142,561	$ 5,814	$ 515,891	$ 20,439	$ 568,781
Other operating costs	3,115	5,213	16,259	64,879	98,254
General and administrative expenses	88,223	49,438	236,443	179,118	463,512
Total operating expenses	233,899	60,465	768,593	264,436	1,130,547
Operating loss	(233,899)	(60,465)	(768,593)	(264,436)	(1,130,547)
Other (expense) income:					
Interest expense related parties	(1,344)	(2,008)	(3,992)	(3,020)	(8,842)
Loss on extinguishment of debt to related parties					(180,000)
Other income	859	11,634	941	21,319	960
Total other (expense) income	(485)	9,626	(3,051)	18,299	(187,882)
Loss from continuing operations	(234,384)	(50,839)	(771,644)	(246,137)	(1,318,429)
Net loss from discontinued operations		(10,260)		(52,807)	(65,466)
Net loss	$ (234,384)	(61,099)	(771,644)	(298,944)	(1,383,895)

Basic and diluted net loss per common share:											
Basic and diluted net loss per share from continuing operations	$	(0.01	)	$	(0.00	)	$	(0.02	)	$	(0.01)
Basic and diluted net loss per share from discontinued operations	$			$	(0.00	)	$			$	(0.00)
Basic and diluted net loss per common share	$	(0.01	)	$	(0.00	)	$	(0.02	)	$	(0.01)
Weighted average common shares outstanding basic and diluted		32,380,233			22,606,957			31,462,320			21,915,513

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, 2011	Nine Months Ended September 30, 2010	Inception of Exploration Stage (January 1, 2010) through September 30, 2011
Cash flows from operating activities:			
Net loss	$ (771,644)	$ (298,944)	$ (1,383,895)
Adjustments to reconcile net loss to net cash used in operating activities:			
Amortization of deferred financing costs	2,645	572	4,108
Share-based compensation expense	30,825		30,825
Common stock issued for services	51,572		51,572
Loss on extinguishment of debt related parties			180,000
Loss on sale of assets of discontinued operations		9,992	9,892
Changes in operating assets and liabilities:			
Accounts receivable		8,684	11,104
Prepaid expenses	66,730	(5,000)	(38,270)
Inventory		46,385	46,385
Other assets			11,036
Accounts payable	32,513	79,984	143,386
Accrued liabilities and other liabilities	4,754	(2,074)	52,910
Net cash used in operating activities	(582,605)	(160,401)	(880,947)
Cash flows from investing activities:			
Acquisition of mineral rights	(62,570)	(69,241)	(137,334)
Investment in nonmarketable equity securities			(7,500)
Net proceeds (expenditures) from disposition of fixed assets, intangibles and other		11,037	(82)
Net cash used in investing activities	(62,570)	(58,204)	(144,916)
Cash flows from financing activities:			
Borrowings from line of credit		2,102	2,427

Repayments of line of credit and shareholder advance		(5,000)	(8,312)
Proceeds from notes payable and advances related parties	27,400	155,962	221,412
Repayments of notes payable and advances related parties	(42,350)	(128,857)	(213,457)
Proceeds from sale of common stock	571,206	200,000	1,046,206
Net cash provided by financing activities	556,256	224,207	1,048,276
Net increase in cash	(88,919)	5,602	22,413
Cash and cash equivalents, beginning of period	111,475	143	143
Cash and cash equivalents, end of period	$ 22,556	$ 5,745	$ 22,556

See notes to unaudited condensed consolidated interim financial statements.

ATHENA SILVER CORPORATION

(An Exploration Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(UNAUDITED)

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010	Inception of Exploration Stage (January 1, 2010) through September 30, 2011
Supplemental schedule of cash flow information:			
Cash paid for interest	$ 3,402	$ 1,073	$ 6,714
Cash paid for income taxes			
Supplemental disclosure of non-cash investing and financing activities:			
(Decrease) increase in accrued liabilities applicable to mineral rights	$ (9,583)	$ 32,500	$ 37,917
Spin-off dividend	7,500		7,500
Common stock issued for mineral rights	168,902	22,000	411,204
Common stock issued for accounts payable		82,500	93,450
Common stock issued for deferred financing costs		5,000	5,000
Common stock issued for notes payable and advances - related parties			100,000
Common stock issued for indemnity agreement - related parties:			
Indemnification GWBC-CA accounts payable			296,953
Indemnification GWBC-CA accrued liabilities			262,298
Indemnification GWBC-CA short-term debt			435,981

See notes to unaudited condensed consolidated interim financial statements.

ATHENA SILVER CORPORATION

(An Exploration Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED SEPTEMBER 30, 2011

(UNAUDITED)

1.

Basis of Presentation:

Athena Silver Corporation (we , our , or Athena) prepared these 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 three and nine month periods ended September 30, 2011, 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 for the periods ended December 31, 2010 and 2009, filed in our annual report on Form 10-K.

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 fiscal year. Asset realization values may be significantly different from carrying values as shown in 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, 2011, we had not yet achieved profitable operations and we have accumulated losses of $4,992,826 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 shares. We may also seek to obtain loans from officers, directors or significant shareholders.

2.

Summary of Significant Accounting Policies:

Basic and Diluted Net Loss per Common Share:

Basic earnings per common share (EPS) is calculated by dividing net loss available to common shareholders (numerator) by the weighted-average number of common shares actually outstanding (denominator) during each respective period ended September 30, 2011 and 2010. The computation of diluted EPS is similar to the computation of basic EPS except that the numerator is increased to exclude charges which would not have been incurred, and the denominator is increased to include the number of additional common shares that would have been outstanding (using the if-converted and treasury stock methods), if securities containing potentially dilutive common shares (stock options and convertible debt) had been converted to such common shares, and if such assumed conversion is dilutive.

Our total incremental potential dilutive common shares outstanding at September 30, 2011, were 200,000 and were comprised of outstanding stock options. Our total incremental potential dilutive common shares outstanding at September 30, 2010 were 425,000 and were comprised of outstanding stock options and potential conversion of convertible debt into common stock. All potential dilutive common shares outstanding have been excluded from diluted net loss per common share because the exercise and conversion prices were greater than the average market price of our common stock and the impact of such inclusion would be anti-dilutive.

Recent Accounting Pronouncements:

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

3.

Mineral Rights and Mining Lease:

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 (the Langtry Property , or the Property), also with an option to purchase the Property. This Property is located in the Calico Mining District at the base of the Calico Mountains northeast of Barstow, in San Bernardino County, California.

During the term of the Lease, we have the exclusive right to develop and conduct mining operations on the Property. The Property is currently in the exploration stage. All lease payments, exploration or development costs and permitting applications on this property will require new equity capital or loans.

The Lease requires us to issue to the lessor, on March 15th of each year 2011 through 2015, additional common shares so that the lessor retains an undiluted 1% equity interest in Athena as additional consideration for granting us the Lease (an Anti-dilution Provision).

The Lease also required us to issue to the lessor, on March 15, 2011, 228,980 additional common shares so that the lessor retained an additional undiluted 1% interest in Athena as part of our first year lease rental payment in addition to our annual cash rental payment. A second Anti-dilution Provision under the Lease requires us to issue to the lessor, on March 15th of each year 2012 through 2015, additional common shares so that the lessor retains this additional undiluted 1% equity interest in Athena on those dates as partial lease rental payments in addition to our annual cash rental payments.

On March 15, 2011, in accordance with the terms of the Lease, we issued an aggregate of 375,337 common shares valued at $168,902, to the lessor as partial consideration for entering into the Langtry Lease and as partial consideration for our first year lease rental as follows:

	Common Shares		Fair Value
Partial consideration for entering into lease - anti-dilution - year 1	73,199	$	32,940
Partial consideration for lease rental - year 1	228,940		103,023
Partial consideration for lease rental - anti-dilution - year 1	73,198		32,939
	375,337	$	168,902

We valued the 375,337 common shares issued at $0.45 per share which was the closing price of our common stock on March 14, 2011. We capitalized the $168,092 fair value of the common shares issued as an increase to mineral rights in our condensed consolidated balance sheets.

During the three and nine months ended September 30, 2011, we recognized lease rental expense of $17,500 and $50,417, respectively, applicable to our annual cash rental payment requirements under the Lease and capitalized these costs as an increase to mineral rights.

4.

Commitments and Contingencies:

Under the terms of our Langtry Lease, we are 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, 2011, we were obligated to issue 53,489 common shares with a fair value of $16,100 based on the September 30, 2011, closing bid price of $0.301 per share for our common stock. These shares will be issued to the lessor on March 15, 2012, as additional consideration for granting us the Langtry Lease and as partial consideration for our second year lease rental payment. See also Note 3.

5.

Stockholders Equity:

On September 23, 2011, we completed a spin-off of our investment in Magellan Gold Corporation common stock, pro rata, to our stockholders of record as of December 31, 2010 (Spin-off dividend). Magellan was formed by Athena and two related parties and principal shareholders, to explore for minerals on certain mining claims in Nevada for which Magellan has acquired mining leases. The ratio of distribution of the Spin-off dividend was one (1) share of Magellan common stock for every ten (10) shares of Athena Silver Corporation common stock (1:10). Fractional shares were rounded up to the nearest whole-number. We issued an aggregate of 2,939,152 Magellan shares to an aggregate of 60 Athena stockholders. Prior to the spin-off, we owned approximately 9% of Magellan s issued and outstanding common shares. Subsequent to and as a result of the spin-off, we disposed of our remaining 60,848 Magellan shares with a book value of $152 and we no longer have an investment in Magellan.

On August 22, 2011, we issued 16,949 common shares valued at $0.54 per share, based on the August 19, 2011, closing bid price for our common stock, as consideration for $10,000 of investor relations services and we recognized a gain of $848 on this transaction and included this gain in other income in our condensed consolidated statements of operations.

On May 31, 2011, we issued 150,000 common shares valued at $0.23 per share, based on the May 30, 2011, closing bid price for our common stock, as consideration for $34,500 of accounting services.

On April 1, 2011, we issued 24,000 common shares valued at $0.33 per share, based on the March 31, 2011, closing bid price for our common stock, as consideration for $7,920 of prepaid marketing services.

On March 23, 2011, we sold an aggregate of 2,430,000 common shares valued at $0.25 per share, to one related party and 14 non-affiliate investors, for cash consideration of $571,206, net of $36,294 in equity issuance costs.

On March 15, 2011, we issued 375,337 common shares valued at $168,902, or $0.45 per share, in connection with our acquisition of mineral rights applicable to the Langtry Property. See also Note 3.

6.

Share-Based Compensation:

We recognize share-based compensation expense based on the estimated fair value of awards issued. Share-based compensation for the three months and nine months ended September 30, 2011 and 2010 is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Share-based compensation	$ 30,825	$	$ 30,825	$

A summary of our stock option activity for the nine months ended September 30, 2011 is as follows:

	Shares
Options outstanding at December 31, 2010	125,000
Options granted	150,000
Options expired	(75,000)
Options outstanding at September 30, 2011	200,000

On July 14, 2011, we granted 150,000 options to a director which vested 50% on the grant date and vests 50% on August 1, 2012. These options expire on August 1, 2016, and have an exercise price of $0.43 per share which was the market price of our common stock on the date of grant.

The following table summarizes the assumptions used to value these stock options:

Weighted-average:	
Risk free interest rate	0.66%
Expected option life (years)	2.76
Expected volatility	166%
Expected dividends	None

7.

Related Party Transactions:

Conflicts of Interests:

Magellan Gold Corporation is a company under common control. John C. Power is a significant investor, director and the CEO of Athena and is also a significant investor, director and CEO of Magellan. John D. Gibbs is a significant investor in both Athena and Magellan.

Silver Saddle Resources, LLC is also a company under common control. Mr. Power and Mr. Gibbs are significant investors and managing members of Silver Saddle.

Athena, Magellan and Silver Saddle are all exploration stage companies involved in the business of acquisition and exploration of mineral resources. In addition, the common ownership could result in significant conflicts of interest both in terms of the allocation of working capital as well as under the doctrine of corporate opportunity, inasmuch as all three entities are engaged in mineral exploration in the United States. To address the potential of these conflicts of interest, Messrs. Power and Gibbs have adopted the following policies: opportunities to acquire potential resource will first be analyzed by Silver Saddle which may undertake claim acquisition and/or staking and grass roots evaluation. If a property is deemed viable, it will be offered to Athena if its primary resource is silver, and will be offered to Magellan if its primary resource is gold. In each instance, a determination must be made if Athena or Magellan, as the case may be, has or can reasonably expect to acquire sufficient capital to undertake the exploration and development of the property. If an opportunity is assigned to Athena or Magellan, the terms of assignment will be (i) the amount expended by Silver Saddle on the property, including all acquisition and exploration costs, plus (ii) a 2% net smelter return royalty on all future production. If it is determined that neither Athena nor Magellan has the capital to undertake a new acquisition, Silver Saddle will either abandon the claims or undertake further exploration itself or it will attempt to identify another buyer.

While the foregoing will mitigate the conflicts of interest inherent in the interlocking interests, it will not eliminate all potential future conflicts. Our investors should be cognizant that the interests of Athena may, in the future, be in conflict with the other activities of our control persons.

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:

On January 1, 2011, we entered into a 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. During the three and nine months ended September 30, 2011, we incurred $7,500 and $22,500, respectively, of management fees to Mr. Power and these costs are included in general and administrative expenses in our condensed consolidated statement of operations.

Legal Fees:

During the three and nine months ended September 30, 2011, we incurred $6,762 and $43,905, respectively, of legal fees to Clifford L. Neuman, a significant investor who is also our legal counsel. During the three and nine months ended September 30, 2010, we incurred legal fees to Mr. Neuman of $22,598 and $54,585, respectively. These amounts are included in general and administrative expenses in our condensed consolidated statements of operations.

Advances from Related Party:

At September 30, 2011, and December 31, 2010, noninterest bearing advances owed to Mr. Power were $0 and $14,950, respectively.

Notes Payable Related Party, Current Portion:

At September 30, 2011, and December 31, 2010, notes payable to Mr. Gibbs totaled $30,000. These notes bear interest at 6% per annum, are uncollateralized and mature on December 31, 2011.

Interest Expense and Interest Payable to Related Parties:

Interest expense to related parties, included in interest expense in our condensed consolidated statements of operations, was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
John C. Power (1)	$	$ 9,195	$	$ 27,569
John D. Gibbs	453	1,061	1,347	2,073
Clifford L. Neuman		713		2,138
	$ 453	$ 10,969	$ 1,347	$ 31,780

(1)

Includes entities controlled by Mr. Power

Related party interest expense included in net loss from discontinued operations during the three and nine months ended September 30, 2010, was $9,533 and $29,331, respectively.

Interest payable to related parties, included in due to related parties in our condensed consolidated balance sheets, was as follows:

	September 30, 2011		December 31, 2010	
John C. Power	$		$	538
John D. Gibbs		2,650		4,167
	$	2,650	$	4,705

Accounts Payable to Related Parties:

Accounts payable to related parties, included in due to related parties in our condensed consolidated balance sheets, was as follows:

	September 30, 2011		December 31, 2010	
John C. Power	$		$	2,098
Clifford L. Neuman		32,740		23,835
	$	32,740	$	25,933

Equity Transactions:

On March 23, 2011, we issued 1,000,000 common shares at $0.25 per share to Mr. Gibbs for total cash proceeds of $250,000.

8.

Business Disposition:

In late 2008, we decided to discontinue our brewery operations at our Chico, California brewery. In January 2009, we closed our brewery and during the first half of 2009, we completed the sale of all of our brewery equipment. During 2009, we continued our craft brewing business by outsourcing the manufacture of our craft brew products.

In December 2009, we decided to exit our craft brewing operations in order to focus exclusively on the acquisition and exploration of mineral resources. During the first half of 2010, we disposed of our craft brewing business assets. Our exit costs associated with our decision to exit the brewing business were insignificant.

In December 2010, we sold our 100% equity interest in our wholly owned brewing business subsidiary, Golden West Brewing Company, a California corporation (GWBC-CA) to Mr. Power and Mr. Gibbs (together the Buyers), for $100 cash and the Buyers agreement to indemnify and hold us harmless against any liability or obligation for GWBC-CA s debts in accordance with the terms of an Indemnity Agreement and Amendment No.1 thereto (together, the Indemnity Agreement) each dated December 31, 2010, between Athena and the Buyers. As additional consideration for the Indemnity Agreement, we issued 2,500,000 common shares to the Buyers with a fair value of $675,000, or $0.27 per share, which was the closing price of our common stock on December 31, 2010. As a result, we recognized a gain of $320,232 on the disposition of GWBC-CA and recorded this as an increase in additional paid-in capital due to the related party nature of this transaction. As a result of this disposition, we no longer have any involvement in the craft brewing business.

The results of continuing operations were reduced by the revenue and costs associated with our craft brewing business which are included in loss from discontinued operations in our condensed consolidated statements of operations.

Operating results of discontinued operations were as follows:

	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2010
Discontinued craft brewing operations:		
Revenues discontinued brewing operations	$ 4,583	$ 62,332
Expenses discontinued brewing operations	(962)	(55,149)
Loss on sale of assets discontinued brewery operations		(9,993)
Net income (loss) discontinued brewing operations	3,621	(2,810)
Discontinued remaining brewing business:		
Revenues discontinued residual brewing operations	2,091	5,034
Expenses discontinued residual brewing operations	(15,972)	(55,031)
Net loss discontinued residual brewing operations	(13,881)	(49,997)
Net loss discontinued operations	$ (10,260)	$ (52,807)

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

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 Form 10-K for the fiscal year ended December 31, 2010, filed with the Securities and Exchange Commission (SEC) on April 15, 2011, and our unaudited condensed consolidated financial statements and notes thereto included with this Quarterly Report on Form 10-Q in Part I. Item 1.

Business Overview:

During 2010, we completed our transition from a craft brewing business to a mineral resource exploration and development company.

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 (the Langtry Property , or the Property), also with an option to purchase the Property. This Property is located in the Calico Mining District at the base of the Calico Mountains northeast of Barstow, in San Bernardino County, California.

Effective December 31, 2010, we sold our operating subsidiary related to our brewing business to two of our principal shareholders and in consideration of their agreement to indemnify us from any obligation to pay the approximately $1.0 million in debts of the brewing business, issued to them an aggregate of 2,500,000 common shares.

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 Proper