

ATHENA SILVER CORP
Form 10-Q
August 05, 2016

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

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF
1934

For the quarterly period ended June 30, 2016

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

(State or other jurisdiction of incorporation or
organization)

2010A Harbison Drive #312, Vacaville, CA

(Address of principal executive offices)

90-0775276

(IRS Employer Identification Number)

95687

(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

Edgar Filing: ATHENA SILVER CORP - Form 10-Q

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 August 5, 2016, 2016, there were 36,202,320 shares of the registrant's common stock, \$.0001 par value, outstanding.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**ATHENA SILVER CORPORATION
CONSOLIDATED BALANCE SHEETS**

| | June 30, 2016 <i>(unaudited)</i> | December 31, 2015 |
|---|-------------------------------------|----------------------|
| ASSETS | | |
| Current Assets | \$ | \$ |
| Cash and cash equivalents | 2,208 | 1,055 |
| Prepaid expenses | 3,750 | - |
| Total current assets | 5,958 | 1,055 |
| Mineral rights and properties - unproven | 2,033,695 | 1,985,342 |
| | \$ | \$ |
| Total assets | 2,039,653 | 1,986,397 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | \$ | \$ |
| Accounts payable | 32,277 | 28,453 |
| Accrued liabilities | 64,500 | 43,167 |
| Accrued interest | 3,947 | 2,343 |
| Accrued interest - related parties | 215,633 | 176,733 |
| Deed amendment liability - short-term portion | 10,000 | 10,000 |
| Derivative liabilities | 88,570 | 8,670 |
| Convertible note payable | 51,270 | 51,270 |
| Convertible notes payable - related parties | 1,619,520 | 1,500,000 |
| Total current liabilities | 2,085,717 | 1,820,636 |
| Deed amendment liability | 120,000 | 130,000 |

| | | |
|--|-------------|-------------|
| Total liabilities | 2,205,717 | 1,950,636 |
| 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, 36,202,320 issued and outstanding | 3,620 | 3,620 |
| Additional paid-in capital | 6,602,028 | 6,602,028 |
| Accumulated deficit | (6,771,712) | (6,569,887) |
| Total stockholders' (deficit) equity | (166,064) | 35,761 |
| | \$ | \$ |
| Total liabilities and stockholders' (deficit) equity | 2,039,653 | 1,986,397 |

See notes to unaudited consolidated interim financial statements.

ATHENA SILVER CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

| | Three months ending June 30, | | Six months ending June 30, | |
|--|------------------------------|------------|----------------------------|------------|
| | 2016 | 2015 | 2016 | 2015 |
| Operating expenses: | \$ | \$ | | |
| Exploration costs | 163 | 35,586 | 163 | 64,257 |
| General and administrative expenses | 28,627 | 27,507 | 81,258 | 78,777 |
| Total operating expenses | 28,790 | 63,093 | 81,421 | 143,034 |
| Operating loss | (28,790) | (63,093) | (81,421) | (143,034) |
| Other income (expense): | | | | |
| Interest expense | (20,683) | (49,293) | (40,504) | (64,972) |
| Change in fair value of derivative liabilities | (21,750) | 80 | (79,900) | 1,080 |
| Total other income (expense) | (42,433) | (49,213) | (120,404) | (63,892) |
| | \$ | \$ | \$ | \$ |
| Net loss | (71,223) | (112,306) | (201,825) | (206,926) |
| | \$ | \$ | \$ | \$ |
| Basic and diluted net loss per common share | (0.00) | (0.00) | (0.01) | (0.01) |
| Basic and diluted weighted-average common shares outstanding | 36,202,320 | 36,202,320 | 36,202,320 | 36,171,381 |

See notes to unaudited consolidated interim financial statements.

ATHENA SILVER CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

| | Six Months Ended June 30, | |
|---|----------------------------------|-------------|
| | 2016 | 2015 |
| Cash flows from operating activities: | \$ | \$ |
| Net loss | (201,825) | (206,926) |
| Adjustments to reconcile net loss to net cash | | |
| used in operating activities: | | |
| Amortization of debt discount | - | 31,710 |
| Change in fair value of derivative liabilities | 79,900 | (1,080) |
| Changes in operating assets and liabilities: | | |
| Prepaid expenses | (3,750) | (4,695) |
| Accounts payable | 9,824 | 37,113 |
| Accrued interest - related parties | 38,900 | 32,505 |
| Accrued liabilities and other liabilities | 14,604 | 6,759 |
| Net cash used in operating activities | (62,347) | (104,614) |
| Cash flows from investing activities: | | |
| Acquisition of mineral rights | (46,020) | (40,000) |
| Net cash used in investing activities | (46,020) | (40,000) |
| Cash flows from financing activities: | | |
| Proceeds on advances from related parties | 5,050 | - |
| Payments on advances from related parties | (5,050) | - |
| Borrowings from notes payable - related parties | 119,520 | 140,000 |
| Payment on deed amendment liability | (10,000) | - |
| Net cash provided by financing activities | 109,520 | 140,000 |
| Net increase (decrease) in cash | 1,153 | (4,614) |
| Cash at beginning of period | 1,055 | 8,122 |
| | \$ | \$ |
| Cash at end of period | 2,208 | 3,508 |

Supplemental disclosure of cash flow information

| | | | |
|---|----|---------|----------|
| | \$ | | \$ |
| Cash paid for interest | | - | - |
| | \$ | | \$ |
| Cash paid for income taxes | | - | - |
| Supplemental disclosure of non-cash investing and financing activities: | | | |
| | \$ | | \$ |
| Increase in accrued liabilities applicable to mineral rights | | (2,333) | (12,083) |
| | \$ | | \$ |
| Conversion of accounts payable to convertible note payable | | - | 51,270 |
| | \$ | | \$ |
| Common stock issued for mineral rights | | - | 22,000 |
| | \$ | | \$ |
| Deed amendment liabilities | | - | 140,000 |

See notes to unaudited consolidated interim financial statements.

ATHENA SILVER CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Note 1 Organization, Basis of Presentation, Liquidity and Going Concern:

Athena Silver Corporation (we, our, us, or Athena) is engaged in the acquisition and exploration of mineral resources. We were incorporated in Delaware on December 23, 2003, and began our mining operations in 2010.

In December 2009, we formed and organized a new wholly-owned subsidiary, Athena Minerals, Inc. (Athena Minerals) which owns and operates our mining interests. Since its formation, we have acquired various properties and rights and are currently determining whether those rights and properties could sustain profitable mining operations. We have not presently determined whether our mineral properties contain mineral reserves that are economically recoverable.

Our primary focus going forward will be to continue our evaluation of our properties, and the possible acquisition of additional mineral rights and additional exploration, development and permitting activities. Our mineral lease payments, permitting applications and exploration and development efforts will require additional capital. Further information regarding our mining properties and rights are discussed below in Note 2 Mineral Rights and Properties.

Basis of Presentation

We prepared these interim consolidated financial statements in accordance with accounting principles generally accepted in the United States (GAAP). The accompanying unaudited interim consolidated financial statements have been prepared in accordance with GAAP for interim financial information and 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 six-month periods ended June 30, 2016 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, 2015.

Liquidity and Going Concern

Our 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 June 30, 2016, we had not yet achieved profitable operations and we have accumulated losses of \$6,771,712 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. On December 31, 2015 we amended our credit agreement with Mr. John Gibbs, a related party, to increase the borrowing limit under the line of credit to \$1,650,000, which provides the Company an additional \$30,480 available under the credit line at June 30, 2016. We anticipate that additional funding will be in the form of additional loans from officers, directors or significant shareholders, or equity financing from the sale of our common stock. Currently, there are no arrangements in place for additional equity funding or new loans.

Note 2 Mineral Rights and Properties

Our mineral rights and mineral properties consist of:

| | June 30, 2016 | | December 31, 2015 |
|--------------------------------|----------------------|----|--------------------------|
| Mineral properties | \$ 156,707 | \$ | 156,707 |
| Mineral rights Langtry Project | 1,876,988 | | 1,828,635 |
| Mineral rights and properties | \$ 2,033,695 | \$ | 1,985,342 |

Mineral Properties

In 2014, we purchased 160 acres of land (Castle Rock), located in the eastern Calico Mining District, San Bernardino County, California. The parcel is the SE quarter of Section 25, Township 10 North, Range 1 East and is mostly surrounded by public lands. It was purchased for \$21,023 in a property tax auction conducted on behalf of the County.

The eastern part of the Calico Mining District is best known for industrial minerals and is not known to have any precious metal deposits. It is not known at this time if there has ever been any mineral exploration or production on the acquired property.

In 2012, we purchased 661 acres of land (Section 13 Property) 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, San Bernardino Base & Meridian.

The Section 13 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.

Mineral Rights

In 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 consisting of approximately 413 acres that comprise our Langtry Property. Effective November 28, 2012, December 19, 2013 and January 21, 2015, we executed Amendments No. 1, 2 and 3, respectively, to the Langtry Lease modifying certain terms.

Effective March 10, 2016, we executed and delivered a new Lease/Purchase Option (Lease/Option) covering our flagship Langtry Property located in the Calico Mining District, San Bernardino County, California. The Lease/Option also includes two unpatented mining claims in the Calico Mining District known as the Lilly #10 and Quad Deuce XIII (the Langtry Unpatented Claims), which we have previously owned and agreed to transfer to the Lessor subject to the Lease/Option. The new Lease/Option supersedes all prior agreements.

The following is a summary of the highlights of the new Lease/Option, which is qualified in its entirety by the provisions of the Lease/Option dated March 10, 2016:

The Lease/Option has a term of 20 years, and grants an exclusive right to explore, develop and purchase the Langtry property. Lease payments under the new agreement are a nominal \$1 per year, payable in advance. This amount was paid in March 2016. The lease requires us to also maintain the option to purchase in good standing as described below.

Option payments: in order to maintain the option to purchase, we are required to pay option payments (Option Payments) as follows: \$40,000 year 1; the greater of \$40,000 or the spot price of 2,500 ounces of silver in years 2 through 5; the greater of \$50,000 or the spot price of 2,500 ounces of silver in years 6 through 10; the greater of \$75,000 or the spot price of 3,750 ounces of silver in years 11 through 15; and the greater of \$100,000 or the spot price of 5,000 ounces of silver in years 16 through 20. 50% of all Option Payments are credited against the purchase price should the Company exercise the purchase option.

In Year 1, 50% of the annual option payment of \$20,000 was paid on March 15, 2016. The remaining payment of \$20,000 is due on September 15, 2016. In subsequent years, the option payment shall be due March 15.

Option Purchase Price: We have the option to purchase fee title to the Langtry Property for the full 20-year term of the Lease/Option. The purchase price is:

.
Years 1 through 3 (3-15-2016 to 3-15-2019): \$5,000,000

.
Years 4 through 5 (3-15-2019 to 3-15-2021): the greater of \$5,000,000 or the spot price of 250,000 troy ounces of silver, plus payment of the deferred rent of \$130,000;

.
Years 6 through 10 (3-15-2021 to 3-15-26): the greater of \$7,500,000 or the spot price of 375,000 troy ounces of silver, plus payment of the deferred rent of \$130,000;

.
Years 11 through 20 (3-15-2026 to 3-15-2036): the greater of \$10,000,000 or the spot price of 500,000 troy ounces of silver, plus payment of the deferred rent of \$130,000.

.
During the lease term, and provided the purchase option has not been exercised, the lessor is entitled to receive a 2% NSR on silver production and a 3% to 5% royalty on other mineral production and certain other revenue streams;

.
After exercise of the purchase option, the lessor will not receive royalties on silver or other precious metals production but will receive a 5% royalty on barite production and other revenue streams.

Deferred rent of \$130,000 under the prior lease shall be payable upon exercise of the purchase option or upon Athena entering into a joint venture or other arrangement to develop the Langtry prospect. Accrued rent of \$20,000 under the prior lease is due September 15, 2016.

If we are in breach of the Lease/Option, 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.

The Langtry Property is also subject to a net smelter royalty in favor of Mobil Exploration and Producing North America Inc. from the sale of concentrates, precipitates or metals produced from ores mined from the royalty acreage.

The agreement dated April 30, 1987 granted a base net smelter royalty of 3% plus an additional incremental 2% royalty on net smelter proceeds from silver sales above \$10.00 per troy ounce plus an additional incremental 2% royalty on net smelter proceeds from silver sales above \$15.00 per troy ounce.

On May 28, 2015 we executed an amendment to the deed underlying the Langtry Lease to cap at 2% the net smelter royalty that would be due to Mobil Exploration and Producing North America Inc. (Mobil) from any future sales of concentrates, precipitates or metals produced from ores mined from the royalty acreage. In consideration for the amendment, we agreed to pay an amendment fee of \$150,000, with \$10,000 due at the time of the agreement and the balance payable \$10,000 each June 1st until paid in full. We paid the initial \$10,000 upon execution of the amendment. The scheduled \$10,000 due June 1, 2016 was paid during the quarter ended June 30, 2016. The next payment is due June 1, 2017. If we sell our interest in the Lease or enter into an agreement, joint venture or other agreement for the exploration and development of the Langtry Property, the amendment fee shall become due and payable immediately.

During the term of the Lease, Athena Minerals has the exclusive right to develop and conduct mining operations on the Langtry Property. Future option payments and/or exploration and development of this property will require new equity and/or debt capital.

On September 28, 2015, at the request of the Company and its advisors, the San Bernardino County Land Use Services Department (the Department) issued and recorded a Certificate of Land Use Compliance for Vested Land Use in which the Department formally determined that the Langtry property had the legally established right for mineral resource development activity (the Vested Right). The Vested Right is subject to certain conditions set forth in the Certificate and runs with the Langtry property in perpetuity.

In August 2015 the Company acquired by deed conveyance 15 unpatented mining claims in the Calico Mining District in San Bernardino, California from a third party. The claims are contiguous to our existing unpatented and patented claims known as the Langtry Property. In consideration of the conveyance, the Company agreed to pay \$10,000, payable in equal monthly installments of \$1,000 beginning on September 1, 2015. As of June 30, 2016, this obligation has been paid in full.

During the six months ended June 30, 2016 we capitalized a total of \$48,353 as mineral rights. This amount includes the \$40,020 option and lease payments due under the 2016 Mining Lease/Option to Purchase as discussed above. In addition, \$8,333 of lease rental obligations due under the 2010 agreement and subsequent amendments were accrued and capitalized during the period ended June 30, 2016.

At June 30, 2016 a total of \$40,000 of mining rights obligations have been accrued, and are composed of \$20,000 of lease rental obligations due under the 2010 agreement and amendments and is due on September 15, 2016, as well as \$20,000 representing the balance of the 2016 option payment under the 2016 Lease/Option to Purchase and is also due on September 15, 2016. These amounts are included in accrued liabilities on the accompanying balance sheet at June 30, 2016.

During the year ended December 31, 2015 we capitalized a total of \$226,522 of lease rental obligations and payments related to Amendment No. 3 of the Lease, the deed amendment with Mobil, and the acquisition of other unpatented mining claims, all as discussed above. The total amount capitalized includes the issuance of 200,000 shares of Athena common stock valued at \$0.11 per share issued as consideration for modifications to the Lease.

All commitments and obligations under our prior 2010 Lease and our new 2016 Lease/Option to Purchase have been fulfilled to date. Future option payments and/or exploration and development of this property may require new equity and/or debt capital.

Note 3 - Fair Value of Financial Instruments

Financial assets and liabilities recorded at fair value in our 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 June 30, 2016 | Fair Value Measurement | | |
|---|------------------------------------|------------------------|-----------------------------|---------|
| | | Level 1 | at June 30, 2016 Level 2 | Level 3 |
| Derivative liability - Warrants | \$ 9,960 | | | 9,960 |
| Derivative liability - Convertible note payable | \$ 78,610 | | | 78,610 |

| | Carrying Value at December 31, 2015 | Fair Value Measurement at | | |
|---|--|---------------------------|------------------------------|---------|
| | | Level 1 | December 31, 2015 Level 2 | Level 3 |
| Derivative liability - Warrants | \$ 530 | | | 530 |
| Derivative liability - Convertible note payable | \$ 8,140 | | | 8,140 |

A summary of the changes in the derivative liabilities is as follows:

| | | | |
|----------------------------|---|----|--------|
| | | \$ | |
| Balance, December 31, 2015 | | | 8,670 |
| | Total losses (unrealized/realized) included in net loss | | 79,900 |
| | | \$ | |
| Balance, June 30, 2016 | | | 88,570 |

The carrying values of cash and cash equivalents, accounts payable and accrued liabilities, approximate their fair value because of the short-term nature of these financial instruments.

Note 4 Derivative Liabilities and Note Payable

Warrants:

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 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:

| | | |
|---|----|-------|
| | \$ | |
| Balance, December 31, 2015 | | 530 |
| Total losses (unrealized/realized) included in net loss | | 9,430 |
| | \$ | |
| Balance, June 30, 2016 | | 9,960 |

We estimate the fair value of our derivative warrants on the date of issuance and each subsequent balance sheet date using the Black-Scholes 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 remaining life of the derivative warrants.

The following table summarizes the assumptions used to value our derivative warrants at June 30, 2016:

| Fair value assumptions | derivative warrants: | June 30, 2016 |
|-------------------------------|-----------------------------|----------------------|
| Risk free interest rate | | 0.45% |
| Expected term (years) | | 0.61 |
| Expected volatility | | 245% |
| Expected dividends | | 0% |

The following table summarizes the assumptions used to value our derivative warrants at December 31, 2015:

| Fair value assumptions | derivative warrants: | December 31, 2015 |
|-------------------------------|-----------------------------|--------------------------|
| Risk free interest rate | | 0.65% |
| Expected term (years) | | 1.1 |
| Expected volatility | | 146% |
| Expected dividends | | 0% |

Convertible Note Payable:

Effective April 1, 2015, the Company executed a convertible promissory note (the "Note") in the principal amount of \$51,270 in favor of Clifford Neuman, the Company's legal counsel, representing accrued and unpaid fees for past legal services. The Note accrues interest at the rate of 6% per annum, compounded quarterly, and is due on demand. The principal and accrued interest due under the Note may be converted, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.0735 per share, which represented the market price of the Company's common stock on the date the Note was made. The conversion price is subject to adjustment in the event the Company sells shares of common stock or common stock equivalent at a price below the conversion price.

The Note contains certain anti-dilution provisions that would reduce the conversion price should the Company issue common stock equivalents at a price less than the Note conversion price. Accordingly, the conversion features of the Note are considered a discount to the Note. However, since the Note is payable upon demand by the note holder, the value of the discount is considered interest expense at the time of its inception. The Note is evaluated quarterly, and upon any quarterly valuations in which the value of the discount changes we recognize a gain or loss due to a decrease or increase in the fair value of the derivative liability, respectively. At the inception of the Note, we recognized \$31,710 of interest expense representing the amortization of the discount and the establishment of derivative liability.

The change in fair value of our derivative liability convertible note payable is as follows:

| | | |
|---|----|--------|
| | \$ | |
| Balance, December 31, 2015 | | 8,140 |
| Total losses (realized/unrealized) included in net loss | | 70,470 |
| | \$ | |
| Balance, June 30, 2016 | | 78,610 |

We estimate the fair value of this derivative at each balance sheet date until such time the Note is paid or converted.

We estimated the fair value of the derivative on the date of issuance and at June 30, 2016 using the Black-Scholes option pricing model, which includes assumptions for expected dividends, expected share price volatility, risk-free interest rate, and expected life of the Note. Our expected volatility assumption is based on our historical weekly closing price of our stock over a period equivalent to the expected remaining life of the Note.

The following table summarizes the assumptions used to value the derivative Note discount at June 30, 2016 and December 31, 2015:

| Fair value assumptions derivative: | June 30, 2016 |
|---|----------------------|
| Risk free interest rate | 0.45% |
| Expected term (years) | 1.0 |
| Expected volatility | 249% |
| Expected dividends | 0% |

The following table summarizes the assumptions used to value the derivative Note discount at December 31, 2015:

| Fair value assumptions | derivative: | December 31, 2015 |
|-------------------------------|--------------------|--------------------------|
| Risk free interest rate | | 0.65% |
| Expected term (years) | | 1.0 |
| Expected volatility | | 195% |
| Expected dividends | | 0% |

Accrued interest totaled \$3,947 and \$2,343 at June 30, 2016 and December 31, 2015, respectively, and is included in Accrued interest on the accompanying balance sheets.

Note 5 Convertible Notes Payable Related Party

Notes Payable Related Parties

Effective July 18, 2012, we entered into a Credit Agreement with Mr. Gibbs, a significant shareholder, 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, was due in full on July 31, 2014, and is convertible, at the option of the lender, into common shares at a conversion price of \$0.50 per share. On December 31, 2013 we amended the credit agreement to increase the borrowing limit under the line of credit to \$1,250,000 and extend the maturity date to December 31, 2014. On December 31, 2014 we again amended the credit agreement to increase the borrowing limit under the line of credit to \$1,500,000 and extended the maturity date to December 31, 2015. Finally, on December 31, 2015 we amended the credit agreement to increase the borrowing limit under the line of credit to \$1,650,000 and extended the maturity date to December 31, 2016. All other provisions under the agreement remained unchanged. The Company evaluated the convertible line of credit for derivative and beneficial feature conversion and concluded that there is no beneficial conversion since the conversion price at inception was greater than the market value of shares that would be issued upon conversion.

The 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).

Total principal amounts owed under the credit facility notes payable were \$1,619,520 and \$1,500,000 at June 30, 2016 and December 31, 2015, respectively.

Borrowings under our convertible note payable to Mr. Gibbs were \$119,520 and \$140,000 for the six months ended June 30, 2016 and 2015, respectively, and were generally used to pay certain mining lease obligations as well as operating expenses. No principal or interest payments were made to Mr. Gibbs during either the six months ended June 30, 2016 or 2015.

Total accrued interest on the notes payable to Mr. Gibbs was \$215,633 and \$176,733 at June 30, 2016 and December 31, 2015, respectively, and are included in Accrued interest - related parties on the accompanying consolidated balance sheets.

Interest Expense Related Parties

Total related party interest expense was \$38,900 and \$32,505 for the six months ended June 30, 2016 and 2015, respectively. Total related party interest expense was \$19,881 and \$16,826 for the three months ended June 30, 2016 and 2015, respectively.

Note 6 - Commitments and Contingencies

We are subject to various commitments and contingencies under the Langtry Lease/Option to Purchase as discussed in Note 2 Mining Rights and Properties. All commitments and obligations under the agreement have been fulfilled to date.

Note 7 - Share-based Compensation***2004 Equity Incentive Plan***

A summary of our stock option activity for options issued under the 2004 Equity Incentive Plan as well as options outstanding that were issued outside the Plan is as follows:

| | Shares | Weighted Average Exercise Price |
|----------------------------------|---------------|--|
| Outstanding at December 31, 2015 | 750,000 | \$0.29 |
| Options granted or expired | - | |
| Outstanding at June 30, 2016 | 750,000 | \$0.29 |

The weighted average contractual life of all outstanding options was 1.4 years at June 30, 2016. No share based compensation expense was recorded for either the three or six months ended June 30, 2016 or for the year ended December 31, 2015.

Note 8 Related Party Transactions***Conflicts of Interests***

Magellan Gold Corporation (Magellan) 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 and creditor (see Note 5 Convertible Notes Payable Related Party), in both Athena and Magellan. Athena and Magellan are both involved in the business of acquisition and exploration of mineral resources.

Silver Saddle Resources, LLC (Silver Saddle) 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 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

The Company is subject to 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. For each of the three and six months ended June 30, 2016 and 2015, a total of \$7,500 and \$15,000 was recorded as management fees and are included in general and administrative expenses in the accompanying Consolidated Statements of Operations. As of June 30, 2016 and December 31, 2015, \$12,500 and \$2,500 of management fees due Mr. Power had not been paid and are included in accrued liabilities on the accompanying consolidated balance sheets at June 30, 2016 and December 31, 2015, respectively.

Accrued Interest - Related Parties

At June 30, 2016 and December 31, 2015, Accrued interest - related parties represented accrued interest payable to Mr. Gibbs in the amounts of \$215,633 and \$176,733, respectively.

Advances Payable - Related Parties

Mr. Power has on occasion advanced the Company funds generally utilized for day-to-day operating requirements. These advances are non-interest bearing and are generally repaid as cash becomes available.

During the six months ended June 30, 2016, Mr. Power made short-term advances to the Company of \$5,050 that were repaid during the period. Mr. Power advanced no funds to the Company during the six months ended June 30, 2015. There were no outstanding advances at either June 30, 2016 or December 31, 2015.

The Company also utilizes credit cards owned by Mr. Power to pay various obligations when an online payment is required, the availability of cash is limited, or the timing of the payments is considered critical. At both June 30, 2016 and December 31, 2015, no amounts were due Mr. Power regarding usage of his credit cards.

Note 9 - Subsequent Events

Subsequent to June 30, 2016 the Company borrowed an additional \$41,100 under the credit agreement from Mr. Gibbs.

On August 1, 2016, options to purchase 150,000 shares of the Company's common stock at an exercise price of \$0.43 expired unexercised.

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, 2015, filed with the Commission on April 5, 2016, 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. These forward-looking statements include, but are not limited to, statements that include terms such as may, will, intend, anticipate, estimate, expect, continue, believe, plan, or the 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

We were incorporated on December 23, 2003, in Delaware and our principal business is the acquisition and exploration of mineral resources.

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. We also entered into amendments #1, #2 and #3 to the lease.

In March 2016, we entered into a new lease/option agreement that replaced the prior mining lease and its amendments #1, #2 and #3. In addition to the patented claims controlled through this mining lease, the Company has staked and acquired unpatented mining claims that together represent the Langtry project.

During the first quarter of 2011, we 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, performed metallurgical studies and hired an independent firm to estimate our resources. In May 2012, our independent consultant issued a N I 43-101 report following 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. Since the completion of these work programs on the property, we have not had the resources to do further field work and have focused on other ways to maximize value through the renegotiation of our lease obligation into a more favorable lease/option agreement, renegotiating the net smelter royalty on the Langtry patented claims, acquiring additional mining claims adjacent to the Langtry patented claims and working with San Bernardino County to confirm our vested mining right for the Langtry patented claims held under the lease/option agreement.

We continue to evaluate strategies to enhance the value of our mining assets subject to restrictions based on our limited capital available under our line of credit. Our ongoing mineral lease payments, exploration and development efforts and general and administrative expenses will require additional capital.

Results of Operations:

Our analysis presented below is organized to provide the information we believe will be instructive for understanding our historical performance and relevant trends going forward. This discussion should be read in conjunction with our consolidated financial statements, including the notes thereto, included in this Quarterly Report on Form 10-Q.

Results of Operations for the Three Months Ended June 30, 2016 and 2015

A summary of our results from operations is as follows:

| | Three Months Ended June 30, | |
|-------------------------------------|-----------------------------|--------|
| | 2016 | 2015 |
| Operating expenses: | \$ | \$ |
| Exploration costs | 163 | 35,586 |
| General and administrative expenses | 28,627 | 27,507 |
| Total operating expenses | 28,970 | 63,093 |

Edgar Filing: ATHENA SILVER CORP - Form 10-Q

| | | | |
|----------------|---------------------------|----------|-----------|
| Operating loss | | (28,970) | (63,093) |
| | Total other expenses, net | (42,433) | (49,213) |
| | | \$ | \$ |
| Net loss | | (71,223) | (112,306) |

During the three months ended June 30, 2016, our net loss was \$71,223 as compared to a net loss of \$112,306 during the same period in 2015. The \$41,083 decrease in our loss was mainly attributable to reduced exploration costs incurred during the three months ended June 30, 2015 and certain non-cash charges due to changes in the values of our derivative liabilities associated with a convertible note payable and outstanding warrants.

Operating expenses:

During the three months ended June 30, 2016, our total operating expenses decreased \$34,303, or 54%, from \$63,093 to \$28,790 for the three months ended June 30, 2015 and 2016, respectively.

During the three months ended June 30, 2016, we incurred \$163 exploration costs consisting of minor survey expenses, as compared to \$35,586 during the same period in 2015. For the three months ended June 30, 2015, exploration costs primarily consisted of legal expenses associated with the preparation and filing of a certificate of compliance with San Bernardino County regarding the Langtry project and consulting fees paid to our consulting geologist for analysis of other potential mineral opportunities.

Our general and administrative expenses increased \$1,120, or 4%, from \$27,507 to \$28,627 for the three months ended June 30, 2015 and 2016, respectively. The increase is primarily attributable to increases in professional services fees.

Other income and expense:

Our total other expenses were \$42,433 during the three months ended June 30, 2016, as compared to total other expenses of \$49,213 during the three months ended June 30, 2015.

For the three months ended June 30, 2016 we incurred \$19,881 in interest expense associated with our related party convertible notes payable, as well as \$802 of interest expense associated with a convertible note payable originating in April 2015, from the conversion of certain amounts due our primary legal counsel.

For the three months ended June 30, 2015 we incurred \$16,824 in interest expense associated with our related party convertible notes payable. In addition, on April 1, 2015 we agreed to convert certain amounts due our primary legal counsel to a convertible note payable in the face amount of \$51,270, for which \$759 of interest expense was charged for the period ended June 30, 2015. Certain features of the convertible note payable resulted in an initial discount to the note of \$31,710, which was charged to interest expense upon its inception.

The resulting liability represents a derivative liability that is evaluated at the end of each reporting period. At June 30, 2016 our evaluation of the derivative liability resulted in a \$20,100 increase of the liability that was recorded as a loss as a change in value of the derivative liability on the accompanying consolidated statement of operations for the three months ended June 30, 2016. For the three months ended June 30, 2015 our evaluation of the derivative liability resulted in a \$470 increase of the liability that was recorded as a loss as a change in value of the derivative liability.

Our quarterly evaluation and mark-to-market of our derivative liability associated with outstanding common stock purchase warrants at June 30, 2016 resulted in a \$1,650 increase in the liability as compared to a \$550 decrease in the liability for the three months ended June 30, 2015.

Results of Operations for the Six Months Ended June 30, 2016 and 2015

A summary of our results from operations is as follows:

| | Six Months Ended June 30, | |
|-------------------------------------|---------------------------|-----------|
| | 2016 | 2015 |
| Operating expenses: | \$ | \$ |
| Exploration costs | 163 | 64,257 |
| General and administrative expenses | 81,258 | 78,777 |
| Total operating expenses | 81,421 | 143,034 |
| Operating loss | (81,421) | (143,034) |
| Total other expenses, net | (120,404) | (63,892) |
| | \$ | \$ |
| Net loss | (201,825) | (206,926) |

During the six months ended June 30, 2016, our net loss was \$201,825 as compared to a net loss of \$206,926 during the same period in 2015. The \$5,101 decrease in our loss was mainly attributable to exploration costs incurred during the six months ended June 30, 2015 and certain non-cash charges due to changes in the values of our derivative liabilities associated with a convertible note payable and outstanding warrants.

Operating expenses:

During the six months ended June 30, 2016, our total operating expenses decreased \$61,613, or 43%, from \$143,034 to \$81,421 for the six months ended June 30, 2015 and 2016, respectively.

During the six months ended June 30, 2016, we incurred \$163 exploration costs consisting of minor survey expenses, as compared to \$64,257 during the same period in 2015. For the six months ended June 30, 2015 exploration costs primarily consisted of legal expenses associated with the preparation and filing of a certificate of compliance with San Bernardino County regarding the Langtry project and consulting fees paid to our consulting geologist for analysis of other potential mineral opportunities.

Our general and administrative expenses increased \$2,481, or 3%, from \$78,777 to \$81,258 for the six months ended June 30, 2015 and 2016, respectively. The increase is primarily attributable to increases in professional services fees.

Other income and expense:

Our total other expenses were \$120,404 during the six months ended June 30, 2016, as compared to total other expenses of \$63,892 during the six months ended June 30, 2015.

For the six months ended June 30, 2016 we incurred \$38,900 in interest expense associated with our related party convertible notes payable, as well as \$1,604 of interest expense associated with a convertible note payable originating in April 2015, from the conversion of certain amounts due our primary legal counsel.

For the six months ended June 30, 2015 we incurred \$32,503 in interest expense associated with our related party convertible notes payable. In addition, on April 1, 2015 we agreed to convert certain amounts due our primary legal counsel to a convertible note payable in the face amount of \$51,270, for which \$759 of interest expense was charged for the six months ended June 30, 2015. Certain features of the convertible note payable resulted in an initial discount to the note of \$31,710, which was charged to interest expense upon its inception.

The resulting liability represents a derivative liability that is evaluated at the end of each reporting period. At June 30, 2016 our evaluation of the derivative liability resulted in a \$70,470 increase of the liability that was recorded as a loss as a change in value of the derivative liability on the accompanying consolidated statement of operations for the six months ended June 30, 2016. For the six months ended June 30, 2015 our evaluation of the derivative liability resulted in a \$470 increase of the liability that was recorded as a loss as a change in value of the derivative liability.

Our quarterly evaluation and mark-to-market of our derivative liability associated with outstanding common stock purchase warrants at June 30, 2016 resulted in a \$9,430 increase in the liability as compared to a \$1,550 decrease in the liability for the six months ended June 30, 2015.

Liquidity and Capital Resources:

Going Concern

Our 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 June 30, 2016, we had not yet achieved profitable operations and we have accumulated losses of \$6,771,712 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. On December 31, 2015 we amended our credit agreement with Mr. John Gibbs, a related party, to increase the borrowing limit under the line of credit to \$1,650,000, which provides the Company an additional \$30,480 available under the credit line at June 30, 2016.

We have financed our capital requirements primarily through borrowings from related parties. We expect to meet our future financing needs and working capital and capital expenditure requirements through additional 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 financing could be highly dilutive to existing shareholders. Currently, there are no arrangements in place for additional equity funding or new loans.

Liquidity

On June 30, 2016, we had \$2,208 of cash and cash equivalents and negative working capital of \$2,079,759. This compares to cash on hand of \$1,055 and negative working capital of \$1,819,581 at December 31, 2015.

We have a Credit Agreement, as amended, with a significant shareholder, which provides us with an unsecured credit facility in the maximum borrowing amount of \$1,650,000. The aggregate principal amount borrowed, together with interest at the rate of 5% per annum, is due in full on December 31, 2016, and is convertible, at the option of the lender, into common shares at a conversion price of \$0.50 per share.

The 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 June 30, 2016 total borrowings under the Credit Agreement were \$1,619,520.

The Langtry lease and option to purchase originated in March 2010, and had been subject to various amendments. A new Lease/Purchase Option dated March 10, 2016, which modified the rental, option payments and lessor royalties covering the Langtry Property, replaced the lease and subsequent amendments thereto in its entirety. Details of the terms of the new Lease/Purchase Option are contained in Note 2 of the financial statements in this quarterly report.

Cash Flows

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

| | Six Months Ended June 30, | |
|--|---------------------------|-----------|
| | 2016 | 2015 |
| | \$ | \$ |
| Net cash used in operating activities | (62,347) | (104,614) |
| Net cash used in investing activities | (46,020) | (40,000) |
| Net cash provided by financing activities | 109,520 | 140,000 |
| Net increase (decrease) in cash | 1,153 | (4,614) |
| Cash and cash equivalents, beginning of period | 1,055 | 8,122 |
| | \$ | \$ |
| Cash and cash equivalents, end of period | 2,208 | 3,508 |

Net cash used in operating activities:

Net cash used in operating activities was \$62,347 and \$104,614 during the six months ended June 30, 2016 and 2015, respectively.

Cash used in operating activities during the six months ended June 30, 2016 primarily attributed to our \$(201,825) net loss. During the period, we prepaid certain amounts related to investor relations totaling \$3,750. In addition, we

realized increases in accounts payable of \$9,824, accrued interest on our related party convertible notes of \$38,900, and other accrued liabilities of \$14,604.

Cash used in operating activities during the six months ended June 30, 2015 mainly related to our \$(206,926) net loss as adjusted for the non-cash amortization of the debt discount resulting from the conversion of certain accounts payable due our primary legal counsel into a convertible note payable, a net decrease in the fair value of our derivative liabilities of \$1,080, and changes in operating assets and liabilities. Our changes in operating assets represent certain prepaid professional service fees totaling \$4,695. Current operating liabilities were comprised of a net \$76,377 increase in current liabilities applicable to operations consisting of accounts payable and accrued liabilities generally representing accrued interest on our related party convertible notes payable.

Net cash used in investing activities:

Cash used in investing activities was \$(46,020) during the six months ended June 30, 2016 as compared to \$(40,000) during the six months ended June 30, 2015.

Cash used in investing activities during the six months ended June 30, 2016 totaling \$46,020 primarily represents payments due under the 2016 Lease/Purchase Option for lease rental payments due of \$20,000, payment for the purchase option of \$20,000, and \$20 representing the 20-year lease payment at \$1 per year. In addition, we paid \$6,000 due on our purchase of 15 unpatented mining claims in the Calico Mining District in San Bernardino, California from a third party. The claims are contiguous to our existing unpatented and patented claims known as the Langtry Property. The Company agreed to pay \$10,000, payable in equal monthly installments of \$1,000 beginning on September 1, 2015. As of June 30, 2016, this obligation has been paid in full.

Cash used in investing activities during the six months ended June 30, 2015 primarily represents our annual lease rental payments under our Langtry Lease of \$30,000. In addition, on May 28, 2015 we successfully negotiated an amendment to the deed underlying the Langtry Lease to cap at 2% the net smelter royalty that would be due to Mobil Exploration and Producing North America Inc. (Mobil) from any future sales of concentrates, precipitates or metals produced from ores mined from the royalty acreage. In consideration for the amendment, we agreed to pay an amendment fee of \$150,000, with \$10,000 due at the time of the agreement and the balance payable \$10,000 each June 1st until paid in full. If we sell our interest in the Lease or enter into an agreement, joint venture or other agreement for the exploration and development of the Langtry Property, the amendment fee shall become due and payable immediately. The initial payment of \$10,000 was capitalized as mineral rights associated with the Langtry Lease.

Net cash provided by financing activities:

Cash provided by financing activities during the six months ended June 30, 2016 was \$109,520 compared to cash provided by financing activities of \$140,000 during the same period in 2015.

During the six months ended June 30, 2016 we borrowed \$119,520 representing borrowings under our credit agreement with a significant shareholder. Also during the six months ended June 30, 2016 the Company's President had advanced a total of \$5,050, all of which were repaid during the period. In addition, we made the scheduled \$10,000 payment due June 1st on our deed amendment liability.

Cash provided by financing activities during the six months ended June 30, 2015 was \$140,000 representing borrowings under our credit agreement with a significant shareholder.

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.

Critical Accounting Policies

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates, assumptions and judgments that affect the amounts reported in our financial statements. The accounting positions described below are significantly affected by critical accounting estimates.

We believe that the significant estimates, assumptions and judgments used when accounting for items and matters such as capitalized mineral rights, asset valuations, recoverability of assets, asset impairments, taxes, and other provisions were reasonable, based upon information available at the time they were made. Actual results could differ from these estimates, making it possible that a change in these estimates could occur in the near term.

Mineral Rights

We have determined that our mining rights meet the definition of mineral rights, as defined by accounting standards, and are tangible assets. As a result, our direct costs to acquire or lease mineral rights are initially capitalized as tangible assets. Mineral rights include costs associated with: leasing or acquiring patented and unpatented mining claims; leasing mining rights including lease signature bonuses, lease rental payments and advance minimum royalty payments; and options to purchase or lease mineral properties.

If we establish proven and probable reserves for a mineral property and establish that the mineral property can be economically developed, mineral rights will be amortized over the estimated useful life of the property following the commencement of commercial production or expensed if it is determined that the mineral property has no future economic value or if the property is sold or abandoned. For mineral rights in which proven and probable reserves have not yet been established, we assess the carrying values for impairment at the end of each reporting period and whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

The net carrying value of our mineral rights represents the fair value at the time the mineral rights were acquired less accumulated depletion and any impairment losses. Proven and probable reserves have not been established for mineral rights as of June 30, 2016. No impairment loss was recognized during either the six months ended June 30, 2016 and 2015, and mineral rights are net of \$-0- of impairment losses as of June 30, 2016.

Impairment of Long-lived Assets

We continually monitor events and changes in circumstances that could indicate that our carrying amounts of long-lived assets, including mineral rights, may not be recoverable. When such events or changes in circumstances occur, we assess the recoverability of long-lived assets by determining whether the carrying value of such assets will be recovered through their undiscounted expected future cash flows. If the future undiscounted cash flows are less than the carrying amount of these assets, we recognize an impairment loss based on the excess of the carrying amount over the fair value of the assets.

Exploration Costs

Mineral exploration costs are expensed as incurred. When it has been determined that it is economically feasible to extract minerals and the permitting process has been initiated, exploration costs incurred to further delineate and develop the property are considered pre-commercial production costs and will be capitalized and included as mine development costs in our consolidated balance sheets.

Share-based Payments

We measure and recognize compensation expense or professional services expense for all share-based payment awards made to employees, directors and non-employee consultants based on estimated fair values. We estimate the fair value of stock options on the date of grant 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 options. 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 options.

We expense share-based compensation, adjusted for estimated forfeitures, using the straight-line method over the vesting term of the award for our employees and directors and over the expected service term for our non-employee consultants. We estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from our estimates. Our excess tax benefits, if any, cannot be credited to stockholders' equity until the deduction reduces cash taxes payable; accordingly, we realized no excess tax benefits during any of the periods presented in the accompanying consolidated financial statements.

Income Taxes

We account for income taxes through the use of the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and for income tax carry-forwards. A valuation allowance is recorded to the extent that we cannot conclude that realization of deferred tax assets is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date.

We follow a two-step approach to recognizing and measuring tax benefits associated with uncertain tax positions taken, or expected to be taken in a tax return. The first step is to determine if, based on the technical merits, it is more likely than not that the tax position will be sustained upon examination by a taxing authority, including resolution of any related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement with a taxing authority. We recognize interest and penalties, if any, related to uncertain tax positions in our provision for income taxes in the consolidated statements of operations. To date, we have not recognized any tax benefits from uncertain tax positions.

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 and CFO, 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 and CFO 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, 2015.

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, 2015.

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

None

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

EXHIBIT

NUMBER

DESCRIPTION

| | |
|---------|--|
| 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** |

*

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: August 5, 2016

By: /s/ John C. Power

John C. Power
Chief Executive Officer, President,
Chief Financial Officer, Secretary &
Director

(Principal Executive Officer)

(Principal Accounting Officer)