

ATHENA SILVER CORP  
Form 10-Q  
May 15, 2015

**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 March 31, 2015**

**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)

**25-1909408**

(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 required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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  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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

On May 13, 2015, there were 36,002,320 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**

	March 31, 2015 <i>(unaudited)</i>	December 31, 2014
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 3,662	\$ 8,122
Prepaid expenses	6,570	-
Total current assets	10,232	8,122
Mineral rights and properties - unproven	1,788,737	1,758,820
Total assets	\$ 1,798,969	\$ 1,766,942
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 102,775	\$ 68,726
Accrued liabilities	4,667	23,750
Accrued interest - related parties	123,607	107,926
Derivative warrant liability	6,320	7,320
Convertible notes payable - related parties	1,321,000	1,246,000
Total current liabilities	1,558,369	1,453,722
Commitments and contingencies	-	-
Shareholders' 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 and 36,002,320 issued and outstanding	3,620	3,600
Additional paid-in capital	6,602,028	6,580,048

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Accumulated deficit	(6,365,048)	(6,270,428)
Total shareholders' equity	240,600	313,220
Total liabilities and shareholders' equity	\$ 1,798,969	\$ 1,766,942

See notes to unaudited consolidated interim financial statements.

## ATHENA SILVER CORPORATION

**CONSOLIDATED STATEMENTS OF OPERATIONS**

(unaudited)

	Three Months ended March 31,	
	2015	2014
Operating expenses:		
Exploration costs	\$ 28,671	\$ 463
General and administrative expenses	51,270	49,191
Total operating expenses	79,941	49,654
Operating loss	(79,941)	(49,654)
Other income (expense):		
Interest expense	(15,679)	(12,491)
Change in fair value of warrant liability	1,000	(22,900)
Total other income (expense)	(14,679)	(35,391)
Net loss	\$ (94,620)	\$ (85,045)
Basic and diluted net loss per common share	\$ (0.00)	\$ (0.00)
Basic and diluted weighted-average common shares outstanding	36,140,098	36,002,320

See notes to unaudited consolidated interim financial statements.

## ATHENA SILVER CORPORATION

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	<b>Three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
Cash flows from operating activities:		
Net loss	\$ (94,620)	\$ (85,045)
Adjustments to reconcile net loss to net cash used in operating activities:		
Change in fair value of derivative warrant liability	(1,000)	22,900
Changes in operating assets and liabilities:		
Prepaid expenses	(6,570)	(300)
Accounts payable	34,049	6,651
Accrued liabilities and other liabilities	18,681	12,491
Net cash used in operating activities	(49,460)	(43,303)
Cash flows from investing activities:		
Acquisition of mineral rights	(30,000)	(90,000)
Net cash used in investing activities	(30,000)	(90,000)
Cash flows from financing activities:		
Borrowings from notes payable - related parties	75,000	120,000
Net cash provided by financing activities	75,000	120,000
Net decrease in cash	(4,460)	(13,303)
Cash at beginning of period	8,122	16,934
Cash at end of period	\$ 3,662	\$ 3,631
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
Supplemental disclosure of non-cash investing and financing activities:		
Decrease in accrued liabilities applicable to mineral rights	\$ (22,083)	\$ (67,083)
Common stock issued for mineral rights	\$ 22,000	\$ -

See notes to unaudited consolidated interim financial statements.



**ATHENA SILVER CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(unaudited)**

**Note 1 – Organization, Basis of Presentation, 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 condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States (“GAAP”). The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with GAAP for interim financial information in accordance with Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In our opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2015 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, 2014.



*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 March 31, 2015, we had not yet achieved profitable operations and we have accumulated losses of \$6,365,048 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, 2014 we amended our credit agreement with Mr. John Gibbs, a related party, to increase the borrowing limit under the line of credit to \$1,500,000, which provides the Company an additional \$179,000 available under the credit line at March 31, 2015. 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:

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
Mineral properties	\$ 156,707	\$ 156,707
Mineral rights – Langtry Project	1,632,030	1,602,113
Mineral rights and properties	\$ 1,788,737	\$ 1,758,820

### *Mineral Properties*

In 2014, we purchased of 160 acres of land, 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.

Under Amendment No. 3 to the Lease, the Lessor was issued 200,000 shares of restricted Athena common stock as compensation for the modifications.

The following summarizes the current significant provisions of the Lease, as amended:

The Lease commenced March 15, 2010, and has a term of 20 years expiring March 15, 2030; with an option to extend an additional five years to 2035, and thereafter for so long as there is Commercial Silver Production, defined as at least 100,000 troy ounces of aggregate production per year.

The Lease requires us to pay annual cash lease rental payments, in arrears, of \$60,000 to \$100,000 on March 15th of each year during the first five years of the Lease.

The Lease requires us to pay annual cash lease rental payments, in arrears, of \$100,000 to \$200,000 (or the market price of 10,000 to 20,000 troy ounces of silver, whichever is higher (the “Silver Price Link to Rent”)) on March 15th of each year during the final 15 years of the Lease (i.e. 2016 through 2030).

Rent for the years 2016 through 2025 is capped at \$100,000 per year unless Commercial Silver Production has been achieved, in which case the Silver Price Link to Rent shall apply.

The annual cap on rent of \$100,000 shall be eliminated, and the Silver Price Link to Rent shall apply, for any year ending December 31 (for the following March 15 rent payment) in which the London Silver Fix is \$60 or more for the

continuous six month period beginning July 1 and ending December 31.

The annual lease payment of \$100,000 due on March 15, 2015 was paid \$30,000 in cash and \$70,000 deferred until 12 months after Commercial Silver Production is achieved.

The annual lease payment of \$100,000 due on March 15, 2016 will be payable \$40,000 in cash and \$60,000 deferred until 12 months after Commercial Silver Production is achieved.

We have the right to eliminate the Silver Price Link to Rent from 2020 through March 15, 2026 by making a one-time payment to the Lessor in an amount equal to the London Silver Fix price of 25,000 troy ounces of silver. The elimination of the Silver Price Link to Rent will be rescinded, however, if and when we achieve Commercial Silver Production.

The lessor is entitled to a net smelter royalty of 3% of mineral production beginning in the sixth year of the Lease.

Upon payment in full of both the Equity Consideration (which was completed in 2013), and Cash Consideration payments totaling \$1,750,000 (of which a total of \$250,000 was paid during 2012 and 2013), the Lessor's 3% net smelter royalty on production will be eliminated entirely. Any payments already made, or made in the future, towards the Cash Consideration will reduce the 3% net smelter production royalty to the Lessor on a pro-rata basis. The remaining optional Cash Consideration payments of \$250,000, \$250,000, \$500,000 and \$500,000 are due on January 15<sup>th</sup> of 2017, 2018, 2019 and 2020, respectively.

We shall have the option to purchase the Langtry patented claims during the period beginning January 15, 2015 and ending March 15, 2020 for \$10 million plus transaction costs upon 30 days written notice to the Lessor provided that all payments due to the lessor are current as of the date of the exercise of the option to purchase.

If we are in breach of the Lease, 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 15<sup>th</sup> of each year during the Lease term by giving the lessor 30 days written notice of termination on or before February 13<sup>th</sup> of each year.

The Langtry Property is also subject to a three percent (3%) 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. In addition, there is 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.

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

During the three months ended March 31, 2015 we capitalized a total of \$29,917 of lease rental obligations and lease amendment payments related to Amendment 3 of the lease. This amount 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. These amounts are an increase to mineral rights and properties. The Company accrues amounts monthly for lease obligations due and paid in March each year. For the three months ended March 31, 2015 we realized a \$22,083 decrease in our accrued lease obligations.

During the year ended December 31, 2014 we capitalized a total of \$69,523 as mineral properties and rights. This amount included the purchase of the 160 acres located in the Calico Mining District in San Bernardino County, California as discussed above in Mineral properties. It also includes various other payments and accruals for obligations related to our Langtry lease also as discussed above. The Company accrues amounts monthly for lease obligations due and paid in March each year. For the three months ended March 31, 2014 we realized a \$67,083 decrease in our accrued lease obligations.

All commitments and obligations under the Lease have been fulfilled to date. Future lease payments and/or exploration and development of this property will require new equity and/or debt capital.

### **Note 3 - Fair Value of Financial Instruments**

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

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

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

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

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

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



**Fair Value at**

	<b>March 31, 2015</b>	<b>Fair Value Measurement at March 31, 2015</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Derivative warrant liability	\$ 6,320	\$ —	\$ —	\$ 6,320

**Fair Value at**

	<b>December 31, 2014</b>	<b>Fair Value Measurement at December 31, 2014</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Derivative warrant liability	\$ 7,320	\$ —	\$ —	\$ 7,320

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

**Note 4 – Derivative Warrant Liability**

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

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

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

Balance, December 31, 2013		\$ 17,500
	Total gains (unrealized/realized) included in net loss	(10,180)
Balance, December 31, 2014		7,320
	Total gains (unrealized/realized) included in net loss	(1,000)
Balance, March 31, 2015		\$ 6,320

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 March 31, 2015:

<b>Fair value assumptions – derivative warrants:</b>	<b>March 31, 2015</b>
Risk free interest rate	0.56%

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Expected term (years)	1.9
Expected volatility	143%
Expected dividends	0%

The following table summarizes the assumptions used to value our derivative warrants at December 31, 2014:

<b>Fair value assumptions – derivative warrants:</b>	<b>December 31, 2014</b>
Risk free interest rate	0.67%
Expected term (years)	2.1
Expected volatility	112%
Expected dividends	0%



**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. Again, on December 31, 2014 we 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. 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 \$1,321,000 and \$1,246,000 at March 31, 2015 and December 31, 2014, respectively.

Borrowings under our convertible note payable to Mr. Gibbs were \$75,000 and \$120,000 for the three months ended March 31, 2015 and 2014, respectively, and were generally used to pay certain mining lease obligations as discussed in Note 2 – Mineral Rights and Properties, as well as operating expenses. No principal or interest payments were made to Mr. Gibbs during either the three months ended March 31, 2015 or 2014.

Total accrued interest on the notes payable to Mr. Gibbs were \$123,607 and \$107,926 at March 31, 2015 and December 31, 2014, respectively, and are included in Accrued interest - related parties on the accompanying balance sheets.

***Interest Expense – Related Parties***

Total related party interest expense was \$15,679 and \$12,491 for the three months ended March 31, 2015 and 2014, respectively.

**Note 6 - Commitments and Contingencies**

We are subject to various commitments and contingencies under the Langtry Lease as discussed in Note 2 – Mining Rights and Properties. All commitments and obligations under the Lease 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 for the year ended December 31, 2014 and the three months ended March 31, 2015 is as follows.

***Stock Options***

A summary of our stock option activity for the years ended December 31, 2014 and 2013 is as follows:

	<b>Shares</b>	<b>Weighted Average Exercise Price</b>
Outstanding at December 31, 2013	750,000	\$0.29
Options granted or expired	-	
Outstanding at December 31, 2014	750,000	\$0.29
Options granted or expired	-	
Outstanding at March 31, 2015	750,000	\$0.29

The weighted average contractual life of all outstanding options was 2.7 years at March 31, 2015. No share based compensation expense was recorded for either the three months ended March 31, 2015 or 2014.





## **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 6 – 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 months ended March 31, 2015 and 2014, a total of \$7,500 was recorded as management fees and are included in general and administrative expenses in the accompanying Consolidated Statements of Operations. As of March 31, 2015 all management fees due Mr. Power had been paid.

### ***Accrued Interest - Related Parties***

At March 31, 2015 and December 31, 2014, Accrued interest - related parties represented accrued interest payable to Mr. Gibbs in the amounts of \$123,607 and \$107,926, 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.

Mr. Power made no advances to the Company during the three months ended March 31, 2015. During the three months ended March 31, 2014, Mr. Power advanced the Company a total of \$275, all of which was repaid during the quarter. There were no outstanding advances at either March 31, 2015 or December 31, 2014.

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 March 31, 2015 a total of \$262 of Company charges was outstanding on his credit cards and is included in the accounts payable balance. At December 31, 2014 a total of \$806 of Company charges was outstanding on his credit cards and is included in the accounts payable balance.

#### **Note 9 - Subsequent Events**

Subsequent to March 31, 2015 the Company borrowed an additional \$15,000 under the credit agreement from Mr. Gibbs.

Effective April 1, 2015, the Company executed a convertible promissory note (the "Note") in the principal amount of \$51,270.41 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 monthly, 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.

## **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, 2014, filed with the Commission on April 3, 2015, 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.

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.

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 March 31, 2015 and 2014*

A summary of our results from operations is as follows:

	Three Months Ended March 31,	
	2015	2014
Operating expenses:	\$	\$
Exploration costs	28,671	463
General and administrative expenses	51,270	49,191
Total operating expenses	79,941	49,654
Operating loss	(79,941)	(49,654)
Total other expenses, net	(14,679)	(35,391)
Net loss	\$	\$

(94,620)

(85,045)

During the three months ended March 31, 2015, our loss from operations was \$79,941 as compared to an operating loss of \$49,654 during the same period in 2014. The \$30,287 increase in our loss was mainly attributable to an increase in our exploration costs.

*Operating expenses:*

During the three months ended March 31, 2015, our total operating expenses increased \$30,287, or 61%, from \$49,654 to \$79,941 for the three months ended March 31, 2014 and 2015, respectively.

During the three months ended March 31, 2015, we incurred \$28,671 of exploration costs as compared to \$463 during the same period in 2014, an increase of \$28,208. For the three months ended March 31, 2015, exploration costs primarily consisted of legal expenses associated with the Langtry project and consulting fees paid to our consulting geologist for analysis of other potential mineral opportunities. For the three months ended March 31, 2014, exploration costs consisted of minor geological expenses associated with the Langtry project.

Our general and administrative expenses increased \$2,079, or 4%, from \$49,191 to \$51,270 for the three months ended March 31, 2014 and 2015, respectively. The increase is primarily attributable to small increases in professional services fees.

*Other income (expense):*

Our total other expenses were \$14,679 during the three months ended March 31, 2015, as compared to total other expenses of \$35,391 during the three months ended March 31, 2014. For the three months ended March 31, 2015 we incurred \$15,679 in interest expense associated with our related party convertible notes payable. Interest expense for the three months ended March 31, 2014 was \$12,491, which was also associated with our related party convertible notes payable.

Our periodic evaluation and mark-to-market of our derivative warrant liability at March 31, 2015 resulted in a \$1,000 decrease in the liability as compared to a \$22,900 increase in the liability for the three months ended March 31, 2014.

**Liquidity and Capital Resources:**

*Liquidity*

During the three months ended March 31, 2015, we required capital principally for funding of our operating activities and required periodic mineral rights payments. To date, we have financed our capital requirements through the sale of unregistered equity securities and borrowings primarily from related parties. We expect to meet our future financing needs and working capital and capital expenditure requirements through 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 financings could be highly dilutive to existing shareholders.

On March 31, 2015, we had \$3,662 of cash and cash equivalents and negative working capital of \$1,548,137. This compares to cash on hand of \$8,122 and negative working capital of \$1,445,600 at December 31, 2014.

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 \$1,500,000. The aggregate principal amount borrowed, together with interest at the rate of 5% per annum, is due in full on December 31, 2015, 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 March 31, 2015 total borrowings under the Credit Agreement were \$1,321,000.

The Langtry lease and option to purchase originated in March 2010, and has been subject to various amendments, the most recent on January 21, 2015 which, among other things, deferred certain payments due to the lessor to future years and are partially dependent upon the results of future silver production, if any. The lease is also subject to certain future optional cash consideration payments that would provide for the elimination of a 3% net smelter production royalty due the lessor upon silver production. The lease also provides an option for the purchase of the leased property for a one-time payment of \$10 million due anytime beginning January 15, 2015 and ending March 15, 2020. While we anticipate making the required payments on the lease in a timely manner, our ability to meet the optional payments under the lease are dependent upon available financial resources.

### *Cash Flows*

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

	Three Months Ended March 31,	
	2015	2014
	\$	\$
Net cash used in operating activities	(49,460)	(43,303)
Net cash used in investing activities	(30,000)	(90,000)
Net cash provided by financing activities	75,000	120,000
Net decrease in cash	(4,460)	(13,303)
Cash and cash equivalents, beginning of period	8,122	16,934
	\$	\$
Cash and cash equivalents, end of period	3,662	3,631

*Net cash used in operating activities:*

Net cash used in operating activities was \$49,460 and \$43,303 during the three months ended March 31, 2015 and 2014, respectively.

Cash used in operating activities during the three months ended March 31, 2015 mainly related to our \$(94,620) net loss as adjusted for the non-cash decrease in the fair value of our derivative warrant liability of \$1,000 and changes in operating assets and liabilities. Our changes in operating assets consisted of certain prepaid professional service fees totaling \$6,570. Current operating liabilities were comprised of a net \$52,730 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.

Cash used in operating activities during the three months ended March 31, 2014 mainly related to our \$85,405 net loss as adjusted for the non-cash increase in the fair value of our derivative warrant liability of \$22,900 and changes in operating assets and liabilities. Our changes in operating assets and liabilities were comprised of a \$300 decrease in prepaid expenses, and a net \$19,142 increase in current liabilities applicable to operations consisting of accounts payable and accrued liabilities.

*Net cash used in investing activities:*

Cash used in investing activities was \$(30,000) during the three months ended March 31, 2015 as compared to \$(90,000) during the three months ended March 31, 2014.

Cash used in investing activities during the three months ended March 31, 2015 represents our annual lease rental payments under our Langtry Lease of \$30,000. Cash used in investing activities during the three months ended March 31, 2014 also represents annual lease rental payments under our Langtry Lease of \$90,000.

*Net cash provided by financing activities:*

Cash provided by financing activities during the three months ended March 31, 2015 was \$75,000 compared to cash provided by financing activities of \$120,000 during the same period in 2014, both 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 March 31, 2015. No impairment loss was recognized during either the three months ended March 31, 2015 and 2014, and mineral rights are net of \$0 of impairment losses as of March 31, 2015.

### ***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, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon this evaluation, our CEO concluded that our disclosure controls and procedures were not effective as of such date as a result of a material weakness in our internal control over financial reporting due to lack of segregation of duties and a limited corporate governance structure as discussed in Item 9A of our Form 10-K for the fiscal year ended December 31, 2014.

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, 2013.

**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**

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\* 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: May 14, 2015

By: /s/ John C. Power  
John C. Power  
Chief Executive Officer, President,  
Chief Financial Officer, Secretary & Director  
(Principal Executive Officer)  
(Principal Accounting Officer)