

DAKOTA TERRITORY RESOURCE CORP  
Form 10-Q  
February 14, 2019

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

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

For the quarterly period ended December 31, 2018

**OR**

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission file number 000-501191**

**Dakota Territory Resource Corp.**

(Exact Name of Registrant as Specified in its charter)

**Nevada**

(State or other jurisdiction of incorporation or organization)

**98-0201259**

(I.R.S. Employer  
Identification No.)

**10580 N. McCarran Blvd., Building 115-208**

**Reno, Nevada**

(Address of principal executive offices)

**89503**

(Zip Code)

**(775) 747-0667**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its Corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Emerging growth company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes  No

Number of shares of issuer's common stock outstanding at February 1, 2019: 60,916,787

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**DAKOTA TERRITORY RESOURCE CORP**  
**BALANCE SHEETS**  
(unaudited)

December 31, 2018      March 31, 2018

**ASSETS**

**CURRENT ASSETS**

|   |    |               |    |               |
|---|----|---------------|----|---------------|
| Cash and cash equivalents                 | \$ | 5,584         | \$ | 19,981        |
| Prepaid expenses and other current assets |    | 9,862         |    | 4,333         |
| <b>Total current assets</b>               |    | <b>15,446</b> |    | <b>24,314</b> |

|                    |  |         |  |         |
|--------------------|--|---------|--|---------|
| Mineral properties |  | 216,104 |  | 216,104 |
|--------------------|--|---------|--|---------|

|                     |           |                |           |                |
|---------------------|-----------|----------------|-----------|----------------|
| <b>TOTAL ASSETS</b> | <b>\$</b> | <b>231,550</b> | <b>\$</b> | <b>240,418</b> |
|---------------------|-----------|----------------|-----------|----------------|

**LIABILITIES AND SHAREHOLDERS' DEFICIT**

**CURRENT LIABILITIES**

|  |    |                  |    |                  |
|--|----|------------------|----|------------------|
| Accounts payable and accrued liabilities | \$ | 523,284          | \$ | 547,595          |
| Accounts payable, related party          |    | 1,597,713        |    | 1,321,345        |
| Line of credit                           |    | 36,410           |    | 37,601           |
| Notes payable                            |    | 305,550          |    | 305,550          |
| Note payable to related party            |    | 315,645          |    | 298,145          |
| Convertible notes payable                |    | 100,000          |    | 100,000          |
| <b>Total current liabilities</b>         |    | <b>2,878,602</b> |    | <b>2,610,236</b> |
| <b>Total liabilities</b>                 |    | <b>2,878,602</b> |    | <b>2,610,236</b> |

**COMMITMENTS AND CONTINGENCIES**

**SHAREHOLDERS' DEFICIT**

Preferred stock, par value \$0.001; 10,000,000 shares authorized, no shares issued and outstanding as of December 31, 2018 and March 31, 2018, respectively

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Common stock, par value \$0.001; 300,000,000 shares authorized, 60,916,787 and 59,566,787 shares issued and outstanding as of December 31, 2018 and March 31, 2018, respectively

60,917

59,567

Additional paid-in capital

2,137,677

1,955,036

|  |                   |                   |
|--|-------------------|-------------------|
| Accumulated deficit                                | (4,845,646)       | (4,384,421)       |
| Total shareholders' deficit                        | (2,647,052)       | (2,369,818)       |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT</b> | <b>\$ 231,550</b> | <b>\$ 240,418</b> |

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

**DAKOTA TERRITORY RESOURCE CORP**  
**STATEMENTS OF OPERATIONS**

(unaudited)

|                                      | <b>Nine Months ended</b> |              | <b>Three Months ended</b> |              |
|--------------------------------------|--------------------------|--------------|---------------------------|--------------|
|                                      | <b>December 31,</b>      |              | <b>December 31,</b>       |              |
|                                      | <b>2018</b>              | <b>2017</b>  | <b>2018</b>               | <b>2017</b>  |
| <b>OPERATING EXPENSES</b>            |                          |              |                           |              |
| Exploration costs                    | \$ 33,367                | \$ 42,355    | \$ 11,512                 | \$ 21,855    |
| General and administrative expenses  | 402,776                  | 275,111      | 108,117                   | 86,956       |
| Total operating expenses             | 436,143                  | 317,466      | 119,629                   | 108,811      |
| <b>LOSS FROM OPERATIONS</b>          | (436,143)                | (317,466)    | (119,629)                 | (108,811)    |
| <b>OTHER INCOME (EXPENSE)</b>        |                          |              |                           |              |
| Interest expense                     | (25,082)                 | (24,543)     | (8,260)                   | (8,181)      |
| Total other income (expense)         | (25,082)                 | (24,543)     | (8,260)                   | (8,181)      |
| <b>NET LOSS</b>                      | \$ (461,225)             | \$ (342,009) | \$ (127,889)              | \$ (116,992) |
| Net loss per share:                  |                          |              |                           |              |
| Basic and diluted net loss per share | \$ (0.01)                | \$ (0.01)    | \$ (0.00)                 | \$ (0.00)    |
| Weighted average shares outstanding: |                          |              |                           |              |
| Basic and diluted                    | 60,203,332               | 58,708,605   | 60,616,787                | 58,990,700   |

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

**DAKOTA TERRITORY  
RESOURCE CORP**  
**STATEMENTS OF CASH  
FLOWS**  
(unaudited)

**Nine Months ended**

**December 31**

**2018      2017**

Net \$  
loss (461,225) \$ (342,009)

Adjustments

to  
reconcile  
net  
loss  
to  
net  
cash  
used  
in  
operating  
activities:

Stock  
Based  
Compensation ~~408,091~~      -

Changes  
in  
current  
assets  
and  
current  
liabilities:

Prepaid  
expenses  
and  
other  
assets (5,529)      -

Accounts payable  
&  
accrued 31,744      24,209



liabilities

Accounts payable, related party 220,313 232,103

Net cash used in operating activities (105,706) (85,697)

Cash Flows From Financing Activities:

Proceeds from the issuance of note payable - related party 17,500 (21,855)

Proceeds from the issuance of common stock 75,000 100,000

Proceeds from (repayments of) line of credit (1,191) 1,647

Net cash provided by financing activities 91,309 79,792

Net  
change  
in  
cash (14,397) (5,905)

Cash  
and  
Cash  
Equivalents,  
Beginning  
of  
Period 19,981 69,189

Cash\$  
and  
Cash  
Equivalents,  
End  
of  
Period 5,584 \$ 63,284

**Supplemental  
Disclosure  
of  
Cashflow  
Information**

Interst  
paid - \$ -  
Taxes\$  
paid - \$ -

**Supplemental  
Disclosure  
of  
Non  
cash  
Investing  
and  
Financing  
Activities - \$ -**

The accompanying notes are  
an integral part of these  
financial statements

**DAKOTA TERRITORY RESOURCES CORP.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

**(UNAUDITED)**

**Note 1—Basis of Presentation**

The accompanying unaudited interim financial statements of Dakota Territory Resource Corp. (“we”, “us”, “our”, the “Company”, the “Corporation”) have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission (“SEC”), and should be read in conjunction with the audited financial statements and notes thereto contained in our annual report on Form 10-K, for the year ended March 31, 2018 as filed with the SEC. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosures contained in the audited financial statements for the most recent fiscal year ended March 31, 2018 as reported in our annual report on Form 10-K, have been omitted.

The Company’s absence of revenues, recurring losses from operations, and its need for significant additional financing in order to fund its projected loss in 2019 raise substantial doubt about its ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

On July 6, 2018, Richard Bachman resigned his position as President and CEO of the Company. Mr. Bachman simultaneously accepted the new position of Chief Geological Officer (“CGO”) and remains a Director of the Company. Also, on July 6, 2018, Gerald Aberle assumed the position of President and CEO of the Company while still retaining the position of COO.

**Note 2—Related Party Transactions**

Effective October 1, 2005, we began paying a management consulting fee to Minera Teles Pires Inc., a company controlled by the CGO and director of the Company. The agreement provides a fixed fee of \$10,000 per month of

which \$5,000 is paid in cash and the other \$5,000 deferred until financing is obtained by us. Additionally, the agreement provides for a payment of \$1,500 per month for office rent and expenses. During the nine months ended December 31, 2018, we incurred \$103,749 in management fees and rent from Minera Teles Pires Inc. As of December 31, 2018, we owed Minera Teles Pires \$790,691 for management fees and out of pocket expenses.

Effective February 24, 2012, we began paying consulting fees to Jerikodie, Inc., a company controlled by our President and CEO and a director of the Company. The agreement provides a fixed fee of \$9,000 per month plus approved expenses. During the nine months ended December 31, 2018 we incurred \$85,860 in fees from Jerikodie, Inc. As of December 31, 2018, we owed Jerikodie, Inc. \$593,303 for consulting fees and out of pocket expenses.

On March 19, 2013, the Company entered into an agreement with Wm Chris Mathers to compensate Mr. Mathers as the Company's CFO and agreed to pay Mr. Mathers cash in the amount of \$3,000 per month. During the nine months ended December 31, 2018, we incurred \$27,000 in compensation to Mr. Mathers. As of December 31, 2018, we owed Mr. Mathers \$148,000 for consulting fees.

### **Note 3—Mineral Properties**

On September 26, 2012, the Company was re-organized with North Homestake Mining Company. With this re-organization, the Company acquired 84 unpatented lode mining claims covering approximately 1,600 acres known as the Blind Gold Property located in the Black Hills of South Dakota.

On December 28, 2012, the Company acquired 57 unpatented lode mining claims covering approximately 853 acres known as the West False Bottom Creek and Paradise Gulch Claim Group, the City Creek Claims Group, and the Homestake Paleoplacer Claims Group, all located in the Black Hills of South Dakota. The West False Bottom Creek and Paradise Gulch Claims were contiguous to the Blind Gold Property and have been incorporated into the Blind Gold Property. The purchase price was 1,000,000 restricted common shares valued at \$0.15 per share, or \$150,000.

On February 24, 2014 the Company acquired surface and mineral title to the 26.16 acres of the Squaw and Rubber Neck Lodes that comprise Mineral Survey 1706 in the Black Hills of South Dakota. Located immediately to the north and adjoining the Company's Paleoplacer Property, Mineral Survey 1706 was explored by Homestake Mining Company in the late 1980's. The Company is required to make annual lease payments of \$8,000 for a period of 5 years, of which \$8,000 was due upon execution of the agreement. The Company has an option to purchase the mineral property for \$120,000.

**DAKOTA TERRITORY RESOURCES CORP.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

**(UNAUDITED)**

**Note 3—Mineral Properties (continued)**

On March 3, 2014, the Company completed the acquisition of approximately 565.24 mineral acres in the Northern Black Hills of South Dakota. The acquisition increased our mineral interests in the Homestake District by nearly 23%, to over 3,057 acres. As part of the property acquisition, the Company purchased an additional 64.39 mineral acres located immediately southwest and contiguous to our Paleoplacer Property, including mineral title to the historic Gustin, Minerva and Deadbroke Gold Mines. The three mines were the last of a string of mines that produced ores from fossil gold placers derived from the Homestake Lode and are located at the point where the channel disappears under the cover of younger sedimentary and intrusive rocks approximately one mile north of the Homestake Open Cut source. With this acquisition the Company consolidated and extended the Paleoplacer Property position to a distance extending approximately 3,100 feet along the south to north trend of the channel. The purchase price of the mineral interests was \$33,335.

On April 5, 2017 the Company acquired options to purchase a combination of surface and mineral titles to 284 acres in the Homestake District of the Northern Black Hills of South Dakota. The acquisition included 61 acres located immediately south and contiguous with our City Creek Property; 82 acres located approximately one half mile south of our Blind Gold Property at the western fringe of the historic Maitland Gold Mine; and 141 acres located immediately north and contiguous to our Homestake Paleoplacer Property. The Company is required to make annual lease payments totaling \$20,000 for a period of 5 years, of which \$20,000 was due upon execution of the agreement. The Company has an option to purchase the mineral properties for total price of \$626,392. As of December 31, 2018, the Company is not current on the lease payments.

On November 19, 2018 the Company announced the staking of 42 unpatented lode mining claims covering approximately 718 acres located immediately to the north and adjacent to the Company's City Creek Property. The acquisition was based on recently completed inversion modeling of its geophysical survey data. Through this staking, the City Creek project area was expanded from approximately 449 acres to 1,167 acres and the Company's overall land holdings in the Homestake District were increased 3,341 acres to approximately 4,059 acres in total.

As of December 31, 2018 and March 31, 2018, the total capitalized cost in mineral properties was \$216,104. The Company plans to commence an exploratory program on these mineral properties as soon as financing can be arranged.

#### Note 4—Notes Payable

The following promissory notes payable are unsecured and bear interest at 5% per annum. They are due on demand:

| <b>Date</b>  | <b>Maturity</b> | <b>Interest rate</b> | <b>Principal</b> | <b>Interest</b> | <b>Total</b> |
|--------------|-----------------|----------------------|------------------|-----------------|--------------|
| Nov 15, 2005 | On demand       | 5% per annum         | \$ 82,775        | \$ 53,307       | \$ 136,082   |
| Dec 01, 2005 | On demand       | 5% per annum         | \$ 18,800        | \$ 12,107       | \$ 30,907    |
| Jan 06, 2006 | On demand       | 5% per annum         | \$ 100,000       | \$ 64,400       | \$ 164,400   |
| Jul 14, 2006 | On demand       | 5% per annum         | \$ 103,975       | \$ 66,961       | \$ 170,936   |
| Total        |                 |                      | \$ 305,550       | \$ 196,775      | \$ 502,325   |

As of December 31, 2018, the interest amount has been accrued but is unpaid.

#### Notes Payable to Related Party

The Company had 11 notes payable to its CGO pursuant to advances which had historically been made by the CGO. The notes were dated between March 2011 and August 2012, were unsecured, ranged in amount from \$10,000 to \$50,000, and bore interest at 12% per annum. These notes were re-structured and combined on March 27, 2013 into a single promissory note payable (the “New Note”). In conjunction with this restructuring, the CGO forgave accrued interest totaling \$57,817 (recorded as an equity transaction). The New Note is unsecured, has a principal amount of \$265,000, and bears interest at 4% per annum. The Company will apply 10% of the gross proceeds from any equity financing in an amount exceeding \$0.5 million (whether one or more transactions) from and after the date hereof to prepay principal and accrued interest. All remaining unpaid principal and interest was due at December 31, 2018 and remains unpaid.

**DAKOTA TERRITORY RESOURCES CORP.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

**(UNAUDITED)**

**Note 4—Notes Payable (continued)**

On August 26, 2016, the Company issued a note payable in the amount of \$25,000 to Minera Teles Pires Inc., a Company controlled by our CGO, for the purpose of funding ongoing operating expenses. The note bears annual interest of 3% and was due and payable on October 26, 2016. The Company paid \$21,855 in principal during the year ended March 31, 2018. The remainder of the loan is outstanding as of the date of this filing.

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

On August 10, 2018, the Company issued a note payable in the amount of \$10,500 to Jerikodie, Inc., a Company controlled by our President and CEO, for the purpose of funding ongoing operating expenses. The note bears interest of 3% and is due and payable immediately upon closing its first financing.

During the nine months ended December 31, 2018, we received an advance from our CGO in the amount of \$7,000 for working capital.

**Note 5—Convertible Notes Payable**

On August 14, 2008, the Company executed a 5% convertible note of \$100,000 that was due August 13, 2010. The note is now due and payable; however, the lender has to date made no request for payment. The note may be converted from time to time, all or any part of the principal plus any unpaid accrued interest (\$52,819 as of December 31, 2018) thereof into common stock of the Company at a conversion price per share equal to the greater of i) the

closing market price per share of the common stock on the trading day immediately preceding the date of conversion as quoted on the OTC-BB or such other exchange upon which the Company's shares are then listed or traded, or ii) \$200 per share. As of December 31, 2018, this note is outstanding. There is no derivative liability associated with this note at December 31, 2018 as the market price of the stock would have to be above \$200 to trigger a derivative, which is unlikely based on the Company's stock price as of December 31, 2018.

**Note 6—Line of Credit**

The Company executed a Line of Credit with Wells Fargo Bank in California. The Line of Credit allows the Company to borrow up to \$47,500. The Line of Credit bears interest at 7.75% per annum, is unsecured, and due on demand. The balance on this Line of Credit at December 31, 2018 was approximately \$36,400. The line of credit is guaranteed by an officer.

**Note 7—Common Stock**

Our authorized capital stock consists of 300,000,000 shares of common stock, with a par value of \$0.001 per share, and 10,000,000 preferred shares with a par value of \$0.001 per share.

On May 21, 2018, the Board approved the issuance of 1,300,000 common stock plan options with an exercise price of \$0.08 per share. The options were granted to replace Mr. Mathers 1,000,000 options which expired on March 19, 2018. The term of the new options is 7 years and vest immediately. The Black-Scholes pricing model was used to estimate the fair value of the 1,300,000 options issued during the period, using the assumptions of a risk free interest rate of 1.1%, dividend yield of 0%, volatility of 295%, and an expected life of 7 years. We have determined these options to have an approximate fair value of \$91,000. These options have been expensed in full during the quarter ended June 30, 2018.



**DAKOTA TERRITORY RESOURCES CORP.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2018****(UNAUDITED)****Note 7—Common Stock (continued)**

On August 21, 2018, the Company completed a sale of our restricted common shares to a private investor. The Company sold a total of 750,000 shares of restricted common stock at a price of \$0.10 per share for an aggregate amount of \$75,000 received by the Company. In addition, the Company issued a Warrant to purchase an additional 750,000 shares of our restricted common stock at an exercise price of \$0.10 per share on or before August 20, 2019. We have determined that the 750,000 common stock warrants have an approximate fair value of \$20,100. The Black-Scholes pricing model was used to estimate the fair value of the 750,000 warrants issued during the period, using the assumptions of a risk free interest rate of 1.1%, dividend yield of 0%, volatility of 291%, and an expected life of one year. The warrant has not been exercised.

At December 31, 2018, the total issued and outstanding shares were 60,916,787.

**Common Stock Options and Warrants**

A summary of the Company's stock option activity and related information for the two year period ended December 31, 2018 is as follows:

|                            | <b>Options</b> | <b>Price Range</b> | <b>Weighted<br/>Average<br/>Remaining<br/>Life (Years)</b> |
|----------------------------|----------------|--------------------|--|
| Outstanding March 31, 2017 | 7,350,000      | \$ 0.06 – 0.14     | 6.78   |
| Granted                    | -              | -                  | -  |
| Cancelled/Expired          | (1,000,000)    | \$ 0.14            | -  |

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|                               |           |             |      |
|-------------------------------|-----------|-------------|------|
| Exercised                     | -         | -           | -    |
| Outstanding March 31, 2018    | 6,350,000 | 0.06 – 0.13 | 6.69 |
| Granted                       | 1,300,000 | \$ 0.07     | 6.69 |
| Cancelled/Expired             | -         | -           | -    |
| Exercised                     | -         | -           | -    |
| Outstanding December 31, 2018 | 7,650,000 | 0.06 – 0.13 | 6.69 |

A summary of the Company's stock warrant activity and related information for the two year period ended December 31, 2018 is as follows:

|                               | <b>Warrants</b> | <b>Price Range</b> | <b>Weighted<br/>Average<br/>Remaining<br/>Life<br/>(Years)</b> |
|-------------------------------|-----------------|--------------------|--|
| Outstanding March 31, 2017    | 1,500,000       | \$ 0.11            | 0.17   |
| Granted                       | -               | -                  | -  |
| Cancelled/Expired             | (1,500,000)     | 0.11               | 0.17   |
| Exercised                     | -               | -                  | -  |
| Outstanding March 31, 2018    | -               | -                  | -  |
| Granted                       | 750,000         | \$ 0.10            | 0.10   |
| Outstanding December 31, 2018 | 750,000         | \$ 0.10            | 0.10   |

**DAKOTA TERRITORY RESOURCES CORP.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

**(UNAUDITED)**

**Note 8 – Consulting agreement**

On October 2, 2018, the Company entered into a geological consulting agreement with an individual. As consideration for the consulting agreement, the Company granted this individual 300,000 shares of Common Stock at a price \$0.03 per share, or \$9,000 total consideration.

**Note 9 – Subsequent events**

On December 29, 2018, the Company issued a note payable to an entity controlled by its CEO in the amount of \$10,000 for ongoing operating expenses. The funds were received by the Company subsequent to December 31, 2018.

On January 2, 2019, the Company entered into a Strategic Advisory agreement with an individual. As consideration for this position, the Company granted this individual 300,000, 10-year common stock options at an exercise price of \$0.08 per share. These options will be valued using the Black-Scholes model in the period ending March 31, 2019.

On January 2, 2019, the Company's Board of Directors consented to reprice 900,000 Incentive Plan options previously granted at \$0.13 per share in March 2015 to three individuals. By Board consent, these options have been repriced at \$0.08 per share. These options will be valued using the Black-Scholes model in the period ending March 31, 2019.

On February 5, 2019, the Company entered into an agreement for legal services in regards to various Corporate and securities law matters. In consideration of services to be performed, the Company has agreed to pay a monthly fee of \$2,000 in cash and issue upon the date hereof a warrant to purchase up to 500,000 shares of our common stock, at the exercise price of \$0.08 per share, on or before December 31, 2024. Effective February 5, 2019, and continuing on the first day of each subsequent calendar month thereafter, 41,667 shares of our common stock shall vest and become exercisable under this warrant (all 500,000 shares shall vest on January 1, 2020), provided that on such vesting date,

our legal engagement with us has not been terminated by us.

Between January 2019 and February 2019, Dakota Territory Resource Corp. sold for \$230,000 in cash an aggregate of 2,300,000 shares of common stock, \$0.001 par value, and warrants to purchase an aggregate of 2,300,000 shares of Common Stock at a purchase price of \$0.10 per share on or before June 30, 2020.

These shares of Common Stock and Warrants were issued pursuant to the exemption from registration contained in to Section 4(a)(2) of the Securities Act as privately negotiated, isolated, non-recurring transactions not involving any public offering or solicitation. Each purchaser represented that such purchaser's intention to acquire the shares for investment only and not with a view toward distribution. None of the securities were sold through an underwriter and, accordingly, there were no underwriting discounts or sales commissions involved.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

In this Quarterly Report on Form 10-Q, unless the context requires otherwise, references to "Dakota Territory Resource Corp.," "the Corporation" "we," "our" or "us" refer to Dakota Territory Resource Corp.. *You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and related notes appearing elsewhere in this quarterly report. This Quarterly Report on Form 10-Q may also contain statistical data and estimates we obtained from industry publications and reports generated by third parties. Although we believe that the publications and reports are reliable, we have not independently verified their data.*

### FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q and the exhibits attached hereto contain "forward-looking statements". Such forward-looking statements concern our anticipated results and developments in our operations in future periods, planned exploration and development of our properties, plans related to our business and other matters that may occur in the future. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "estimates" or "intends", or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements. Forward-looking statements in this Quarterly Report on Form 10-Q, include, but are not limited to:

the progress, potential and uncertainties of our 2019-2020 exploration program at our properties located in the Homestake District of the Black Hills of South Dakota (the "Project");

the success of getting the necessary permits for future drill programs and future project exploration;

expectations regarding the ability to raise capital and to continue our exploration plans on our properties; and

plans regarding anticipated expenditures at the Project.

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation:

risks associated with lack of defined resources that are not SEC Guide 7 Compliant Reserves, and may never be;

risks associated with our history of losses and need for additional financing;

risks associated with our limited operating history;

risks associated with our properties all being in the exploration stage;

risks associated with our lack of history in producing metals from our properties;

risks associated with our need for additional financing to develop a producing mine, if warranted;

risks associated with our exploration activities not being commercially successful;

risks associated with ownership of surface rights at our Project;

risks associated with increased costs affecting our financial condition;

risks associated with a shortage of equipment and supplies adversely affecting our ability to operate;

risks associated with mining and mineral exploration being inherently dangerous;

risks associated with mineralization estimates;

risks associated with changes in mineralization estimates affecting the economic viability of our properties;

risks associated with uninsured risks;

risks associated with mineral operations being subject to market forces beyond our control;

risks associated with fluctuations in commodity prices;

risks associated with permitting, licenses and approval processes;

risks associated with the governmental and environmental regulations;

risks associated with future legislation regarding the mining industry and climate change;

risks associated with potential environmental lawsuits;

risks associated with our land reclamation requirements;

risks associated with gold mining presenting potential health risks;

risks related to title in our properties

risks related to competition in the gold mining industries;

risks related to economic conditions;

risks related to our ability to manage growth;

risks related to the potential difficulty of attracting and retaining qualified personnel;

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risks related to our dependence on key personnel;

risks related to our United States Securities and Exchange Commission (the "SEC") filing history; and

risks related to our securities.

This list is not exhaustive of the factors that may affect our forward-looking statements. Although we have attempted to identify important factors that could cause actual results to differ materially from those described in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. We caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Except as required by law, we disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. **We qualify all the forward-looking statements contained in this Quarterly Report by the foregoing cautionary statements.**

## Overview and Organizational History

We are an exploration stage company engaged in the business of the acquisition and exploration of mineral properties. The Company maintains 100% ownership of three mineral properties located in the Black Hills of South Dakota, including the Blind Gold, City Creek and Homestake Paleoplacer Properties, all of which are located in the heart of the Homestake District and cover a total of approximately 3,341 acres. We currently have limited operations and have not established that any of our projects or properties contain any proven or probable reserves under SEC Industry Guide 7.

On March 9, 2012 the Company entered into an agreement with North Homestake Mining Company to exchange common stock to affect the acquisition of North Homestake's gold exploration properties located in South Dakota. The Agreement was completed on September 26, 2012 and the Company concurrently effected a 10 for 1 reverse stock split. The merger was recorded as a reverse recapitalization and the issuances of common stock were recorded as a reclassification between paid-in capital and par value of Common Stock. North Homestake Mining Company was incorporated in the State of Nevada on April 12, 2011.

On December 31, 2012, the Company completed an agreement to acquire 57 unpatented lode mining claims covering approximately 853 acres in the Black Hills of South Dakota in exchange for 1,000,000 shares of the Company's common stock, which was valued at \$0.15 per share on the transaction date.



On February 24, 2014 the Company acquired surface and mineral title to the 26.16 acres of the Squaw and Rubber Neck Lodes that comprise Mineral Survey 1706 in the Black Hills of South Dakota. The property is located immediately to the north and adjoining the Company's Paleoplacer Property.

On March 3, 2014, we completed an acquisition of approximately 565.24 mineral acres in the Northern Black Hills of South Dakota. The acquisition increased our mineral interests in the Homestake District by nearly 23%, to over 3,057 acres. As part of the property acquisition, we purchased an additional 64.39 mineral acres located immediately southwest and contiguous to our Paleoplacer Property, including mineral title to the historic Gustin, Minerva and Deadbroke Gold Mines.

On April 5, 2017, we acquired a combination of surface and mineral title to 284 acres in the Homestake District of the Northern Black Hills of South Dakota. The acquisition included 61 acres located immediately south and contiguous with our City Creek Property; 82 acres located approximately one half mile south of our Blind Gold Property at the western fringe of the historic Maitland Gold Mine; and 141 acres located immediately north and contiguous to our Homestake Paleoplacer Property.

On November 19, 2018 the Company announced the staking of 42 unpatented lode mining claims covering approximately 718 acres located immediately to the north and adjacent to the Company's City Creek Property. The acquisition was based on recently completed inversion modeling of its geophysical survey data. Through this staking, the City Creek project area was expanded from approximately 449 acres to 1,167 acres and the Company's overall land holdings in the Homestake District were increased 3,341 acres to approximately 4,059 acres in total.

We were incorporated in the State of Nevada on February 6, 2002 under the name Lakefield Ventures, Inc. In September 2012, the Company changed its name from Mustang Geothermal Corp. to Dakota Territory Resource Corp., reflecting a change in business. The Company has been in the exploration stage since its formation and has not realized any revenues from its planned operations. The Company is primarily engaged in the acquisition, exploration, and development of mineral properties.

There is substantial doubt about our ability to continue as a going concern as the continuation of our business is dependent upon obtaining further long-term financing, successful exploration and development of our property interests and, finally, achieving a profitable level of operations. The issuance of additional equity securities by us could result in a significant dilution in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

### ***Current Plan of Operations***

During fiscal years 2019 and 2020, the Company will require additional new financing of approximately \$4.80 million to carry out our planned acquisition and exploration strategy in the Homestake District of the Black Hill of South Dakotas, including general and administrative expenses of approximately \$675,000.

Our Corporate development strategy and 2-year budget is focussed on expanding our high quality brownfields mining interests in the District, continuing to build on our extensive historic data sets, permitting the Blind Gold and City Creek Properties for drilling, completing a new airborne geophysical survey, conducting several new field programs and the commencement of our first drill programs on the Homestake Paleoplacer Property. Our current working capital will not be sufficient to cover our estimated capital requirements during the next twelve-month period; we will be required to raise additional funds through the issuance of equity securities or through debt financing. There can be no assurance that we will be successful in raising the required capital or that actual cash requirements will not exceed our estimates.

Since we are an exploration stage company and have not generated revenues to date, our cash flow projections are subject to numerous contingencies and risk factors beyond our control, including exploration and development risks, competition from well-funded competitors, and our ability to manage growth. We can offer no assurance that our expenses will not exceed our projections.

### **Liquidity and Capital Resources**

As of December 31, 2018, we had a working capital deficit of approximately \$2.8 million and our accumulated deficit as of December 31, 2018 was approximately \$4.8 million. We had a loss for the nine months ended December 31, 2018 of approximately \$461,000.

During the nine months ending December 31, 2018, we received \$75,000 from an investor in a private placement for the purchase of 750,000 shares of our common stock at \$0.10 per share.

During our fiscal year ending March 31, 2019, we plan to spend approximately \$897,000 for diamond drilling, \$23,000 for field programs and \$90,000 for assays, as well as approximately \$691,000 for expenses related to exploration programs. The timing of these expenditures is dependent upon a number of factors, including the availability of drill contractors. We estimate that general and administrative expenses during fiscal year ending March 31, 2019 will be approximately \$400,000 to include payroll, legal and accounting services and other general and other expenses necessary to conduct our operations, not including planned exploration costs of approximately \$1,600,000.

We have no employees. Our management, all of whom are consultants, conduct our operations. We do not expect any material changes in the number of employees over the next twelve-month period. Given the early stage of our exploration properties, we intend to continue to outsource our professional and personnel requirements by retaining consultants on an as needed basis. However, if we are successful in our initial and any subsequent drilling programs, we may retain employees.

We currently do not have sufficient funds to complete exploration and development work on our properties, which means that we will be required to raise additional capital, enter into joint venture relationships or find alternative means to finance placing one or more of our properties into commercial production, if warranted. Failure to obtain sufficient financing may result in the delay or indefinite postponement of exploration and development or production on one or more of our properties and any properties we may acquire in the future or even a loss of property interests. We cannot be certain that additional capital or other types of financing will be available when needed or that, if available, the terms of such financing will be favorable or acceptable to us. Our ability to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions as well as our business performance.

## Going Concern

The unaudited financial statements accompanying the report have been prepared on a going concern basis, which implies that our company will continue to realize its assets and discharge its liabilities and commitments in the normal course of business. Our company has not generated revenues since inception and it's unlikely to pay cash dividends or generate earnings in the immediate or foreseeable future. The continuation of our company as a going concern is dependent upon the continued financial support from related party advances, the ability of our company to obtain necessary equity financing to achieve our operating objectives, and the attainment of profitable operations. As of December 31, 2018, we had cash of \$5,584. In addition to funding our general and administrative expenses, we are obligated to address our current obligations totaling \$2,878,602. This includes current obligation amounts for accounts payable – related party of \$1,597,713 and notes payable – related party of \$315,645.

These circumstances raise substantial doubt about our ability to continue as a going concern, as described in Note 1 of our December 31, 2018 unaudited financial statements. The financial statements do not include any adjustments that might result from the outcome of that uncertainty. The continuation of our business is dependent upon obtaining further long-term financing, successful exploration and development of our property interests and, finally, achieving a profitable level of operations. The issuance of additional equity securities by us could result in a significant dilution in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

There are no assurances that we will be able to obtain further funds required for our continued operations. We are pursuing various financing alternatives to meet our immediate and long-term financial requirements. There can be no assurance that additional financing will be available to us when needed or, if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain the additional financing on a timely basis, we will be forced to scale down or perhaps even cease the operation of our business.

## Results of Operations

Nine months ended December 31, 2018 and 2017

We had no operating revenues for the nine months ended December 31, 2018 and 2017. We are not currently profitable. As a result of ongoing operating losses, we had an accumulated deficit of \$4,845,646 as of December 31, 2018.

Our exploration costs were approximately \$33,400 and \$42,400 for the nine months ended December 31, 2018 and 2017, respectively. Our general and administrative expenses for the nine months ended December 31, 2018 were approximately \$403,000 and approximately \$275,000 for the nine months ended December 31, 2017. Our general and administrative expenditures were primarily for legal, accounting & professional fees, investor relations and other general and administrative expenses necessary for our operations.

We had losses from operations for the nine months ended December 31, 2018 and 2017 totaling approximately \$436,000 and \$317,000, respectively, and a net loss for the nine months ended December 31, 2018 and 2017 totaling approximately \$462,000 and \$342,000, respectively. We accrued interest expense on notes payable totaling approximately \$25,000 and \$25,000 for the nine months ended December 31, 2018 and 2017, respectively.

Three months ended December 31, 2018 and 2017

We had no operating revenues for the three months ended December 31, 2018 and 2017. We are not currently profitable. As a result of ongoing operating losses, we had an accumulated deficit of \$4,845,646 as of December 31, 2018.

Our general and administrative expenses for the three months ended December 31, 2018 and 2017 were approximately \$108,000 and \$87,000, respectively. Our general and administrative expenditures were primarily for legal, accounting & professional fees, investor relations and other general and administrative expenses necessary for our operations. Our exploration expenses for the three months ended December 31 30, 2018 and 2017 were approximately \$12,000 and \$22,000, respectively.

We had losses from operations for the three months ended December 31, 2018 and 2017 totaling approximately \$120,000 and \$109,000, respectively, and a net loss for the three months ended December 31, 2018 and 2017 totaling approximately \$128,000 and \$117,000, respectively. We accrued interest expense on notes payable totaling approximately \$8,000 and \$8,000 for three months ended December 31, 2018 and 2017.

### **Off-Balance Sheet Arrangements**

We do not have any off balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, revenues, results of operations, liquidity or capital resources.

### **Critical Accounting Estimates**

Management's discussion and analysis of financial condition and results of operations is based on our financial statements, which have been prepared in accordance with GAAP. Preparation of financial statements requires management to make assumptions, estimates and judgments that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and the related disclosures of contingencies. Management bases its estimates on various assumptions and historical experience, which are believed to be reasonable; however, due to the inherent nature of estimates, actual results may differ significantly due to changed conditions or assumptions. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are fairly presented in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material. Management believes that the following critical accounting estimates and judgments have a significant impact on our financial statements; Valuation of options granted to Directors and Officers using the Black-Scholes model, and fair value of mineral properties.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Not applicable.

### **Item 4. Controls and Procedures**

#### **Disclosure Controls and Procedures**

At the end of the period covered by this Quarterly Report on Form 10-Q, an evaluation was carried out under the supervision of and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operations of our disclosure controls and procedures (as

defined in Rule 13a – 15(e) and Rule 15d – 15(e) under the Exchange Act). Based on that evaluation the CEO and CFO have concluded that as of the end of the period covered by this Quarterly Report, our disclosure controls and procedures were not effective in ensuring that: (i) information required to be disclosed by us in our reports that we file or submit to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and (ii) material information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow for accurate and timely decisions regarding required disclosure.

### **Changes in Internal Control over Financial Reporting**

There were no changes to our internal control over financial reporting that occurred during our most recent fiscal quarter that ave materially affected, or are reasonably likely to materially effect, our internal controls 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 as previously disclosed in our Form 10-K for the year ended March 31, 2018.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Except as set forth below, all unregistered sales of equity securities during the period covered by this Quarterly Report were previously disclosed in our current reports on Form 8-K or quarterly reports on Form 10-Q and up to the date of this filing.

| Date                       | Description                       | Number    | Purchaser       | Proceeds<br>(\$) | Consideration | Exemption<br>(A) |
|----------------------------|-----------------------------------|-----------|-----------------|------------------|---------------|------------------|
| October 2018               | Common Stock                      | 300,000   | Consultant      | \$Nil            | Services      | Sec. 4(a)(2)     |
| January -February<br>2019  | Common Stock                      | 2,300,000 | PP<br>Investors | \$230,000        | Cash          | Sec. 4(a)(2)     |
| January – February<br>2019 | Common Stock Purchase<br>Warrants | 2,300,000 | PP<br>Investors | \$Nil            | --            | Sec. 4(a)(2)     |

**(A)** With respect to sales designated by “Sec. 4(a)(2),” these securities were issued pursuant to the exemption from registration contained in to Section 4(a)(2) of the Securities Act as privately negotiated, isolated, non-recurring transactions not involving any public offer or solicitation. Each purchaser represented that such purchaser’s intention to acquire the securities for investment only and not with a view toward distribution. None of the securities were sold through an underwriter and accordingly, there were no underwriting discounts or commissions involved.



**Item 3. Defaults upon Senior Securities**

Not applicable.

**Item 4. Mine Safety Disclosure**

Pursuant to Section 1503(a) of the recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act (The “Dodd-Frank Act”), issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities. During the quarter ended September 30, 2017, our U.S. exploration properties were not subject to regulation by the Federal Mine Safety and Health Administration (“MSHA”) under the *Federal Mine Safety and Health Act of 1977* (the “Mine Act”).

**Item 5. Other Information**

None.

**Item 6. Exhibits.**

The following exhibits are attached hereto or are incorporated by reference:

| <b>Exhibit Number</b> | <b>Description</b>  |
|-----------------------|---|
| <u>3.1 (i), (ii)</u>  | Articles and Bylaws incorporated by reference from our Registration Statement on Form 10-SB filed on February 27, 2003.   |
| <u>3.2</u>            | Certificate of Amendment to the Articles of Incorporation dated June 2, 2005 incorporated by reference from our quarterly report on Form 10-QSB filed on November 17, 2006. |
| <u>3.3</u>            | Certificate of Change dated June 2, 2005 incorporated by reference from our quarterly report on Form 10-QSB filed on November 17, 2006.                                     |
| <u>3.4</u>            | Certificate of Amendment to the Articles of Incorporation incorporated by reference from our annual report on Form 10-KSB filed on July 14, 2006                            |
| <u>3.5</u>            | Certificate of Change incorporated by reference from our annual report on Form 10-KSB filed on July 14, 2006.   |
| <u>3.6</u>            | Articles of Incorporation of Urex Energy Corp.. incorporated by reference from our annual report on Form 10-KSB filed on July 14, 2006.                                     |
| <u>3.7</u>            | Articles of Merger incorporated by reference from our Current Report on Form 8-K filed on July 5, 2006.   |
| <u>3.8</u>            | Certificate of Change incorporated by reference from our Current Report on Form 8-K filed on July 5, 2006.  |
| <u>3.9</u>            | Certificate of Correction with respect to the Certificate of Change incorporated by reference from our Current Report on Form 8-K filed on July 5, 2006.                    |
| <u>3.10</u>           | Certificate of Correction with respect to the Articles of Merger incorporated by reference from our Current Report on Form 8-K filed on July 5, 2006.                       |
| <u>3.11</u>           | Amended Articles and Plan of Merger filed on September 14, 2012 incorporated by reference from our Current Report on Form 8-K filed on October 3, 2012.                     |
| <u>16.1</u>           | Letter from PLS, CPA dated April 2, 2013 incorporated by reference from our Current Report on Form 8-K filed on April 5, 2013.  |
| <u>14.1</u>           | Our Code of Ethics adopted April 26, 2013 incorporated by reference from our annual report on Form 10-K filed on July 1, 2013.  |
| <u>31.1*</u>          | Section 302 Certification of Richard Bachman, Chief Executive Officer   |
| <u>31.2*</u>          | Section 302 Certification of Wm. Chris Mathers, Chief Financial Officer   |
| <u>32.1*</u>          | Section 906 Certification of Richard Bachman, Chief Executive Officer   |
| <u>32.2*</u>          | Section 906 Certification of Wm. Chris Mathers, Chief Financial Officer   |

**\*Filed herewith**



**SIGNATURES**

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.

**DAKOTA TERRITORY RESOURCE CORP..**

*/s/ Gerald Aberle*

By: Gerald Aberle, duly authorized officer  
Chief Executive Officer and Principal Executive Officer

Dated: February 14, 2019

*/s/ Wm. Chris Mathers*

By: Wm. Chris Mathers, duly authorized officer  
Chief Financial Officer and Principal Accounting Officer

Dated: February 14, 2019