SILVER BULL RESOURCES, INC.
Form 10-Q
June 06, 2014

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED April 30, 2014.

£ 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: 001-33125

SILVER BULL RESOURCES, INC.
(Exact name of registrant as specified in its charter)

Nevada	91-1766677
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)

925 West Georgia Street, Suite 1908
Vancouver, B.C. V6C 3L2
(Address of principal executive offices, including zip code)

Registrant's telephone number: 604-687-5800

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 R No o

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 R No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or smaller reporting company:

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

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

As of June 6, 2014, there were 159,072,657 shares of the Registrant's $0.01 par value Common Stock ("Common Stock"), the Registrant's only outstanding class of voting securities.

SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)

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PART I – FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

	April 30, 2014	October 31, 2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$3,095,193	$5,205,733
Value-added tax receivable, net of allowance for uncollectible taxes of $125,492 and $127,557 respectively (Note 6)	309,534	329,508
Income tax receivable	—	396
Other receivables	37,836	67,094
Prepaid expenses and deposits	152,499	236,739
Assets of discontinued operations held for sale (Note 4)	1,364,006	1,554,037
Total Current Assets	4,959,068	7,393,507
Office and mining equipment, net (Note 7)	389,966	483,621
Property concessions (Note 8)	6,758,707	6,741,974
Goodwill (Note 9)	18,495,031	18,495,031
TOTAL ASSETS	$30,602,772	$33,114,133
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$97,717	$467,016
Accrued liabilities and expenses	772,863	704,366
Income tax payable	9,297	—
Liabilities of discontinued operations held for sale (Note 4)	20,419	3,942
Total Current Liabilities	900,296	1,175,324
COMMITMENTS AND CONTINGENCIES (Notes 1, 10 and 15)		
STOCKHOLDERS' EQUITY (Notes 10, 11, 12 and 13)		
Common stock, $0.01 par value; 300,000,000 shares authorized, 159,072,657 and 159,072,657 shares issued and outstanding, respectively	1,590,726	1,590,726
Additional paid-in capital	124,753,703	124,641,777
Deficit accumulated during exploration stage	(96,733,449)	(94,386,856)
Other comprehensive income	91,496	93,162
Total Stockholders' Equity	29,702,476	31,938,809

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$30,602,772	$33,114,133

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

SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)

	Three Months Ended April 30,		Six Months Ended April 30,		Period from November 8, 1993 (Inception) to April 30,
	2014		2014		2014
REVENUES	$—	$ —	$—	$ —	$—
EXPLORATION AND PROPERTY HOLDING COSTS					
Exploration and property holding costs	239,668	767,334	724,660	1,984,625	49,391,220
Depreciation and asset impairment (Note 8)	348,660	664,762	380,288	773,512	3,425,877
TOTAL EXPLORATION AND PROPERY HOLDING COSTS	588,328	1,432,096	1,104,948	2,758,137	52,817,097
GENERAL AND ADMINISTRATIVE EXPENSES					
Personnel	152,183	192,503	333,126	425,975	18,059,555
Office and administrative	128,390	336,412	304,524	628,194	6,174,952
Professional services	77,525	90,869	178,260	232,675	8,998,041
Directors' fees	57,233	69,436	115,788	162,703	5,483,540
Provision for (recovery of) uncollectible value-added taxes	10,870	(17,358)	19,132	(860)	497,820
Depreciation	853	1,169	1,770	2,337	270,771
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	427,054	673,031	952,600	1,451,024	39,484,679
LOSS FROM OPERATIONS	(1,015,382)	(2,105,127)	(2,057,548)	(4,209,161)	(92,301,776)
OTHER INCOME (EXPENSES)					
Interest and investment income	4,320	3,318	6,749	6,930	1,135,085

Foreign currency transaction gain (loss)	20,648	(11,280)	5,377	33,048	(3,019,023)
Miscellaneous income	763	3,989	44,048	3,989	219,312
TOTAL OTHER INCOME (EXPENSES)	25,731	(3,973)	56,174	43,967	(1,664,626)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(989,651)	(2,109,100)	(2,001,374)	(4,165,194)	(93,966,402)
INCOME TAX EXPENSE	7,386	30,903	10,933	40,074	312,932
LOSS FROM CONTINUING OPERATIONS	(997,037)	(2,140,003)	(2,012,307)	(4,205,268)	(94,279,334)
LOSS FROM DISCONTINUED OPERATIONS, NET OF INCOME TAX EXPENSE (Note 4)	(272,167)	(70,930)	(334,286)	(109,747)	(2,328,025)
NET LOSS	$(1,269,204)	$ (2,210,933)	$(2,346,593)	$ (4,315,015)	$(96,607,359)
OTHER COMPREHENSIVE (LOSS) INCOME – Foreign currency translation adjustments	(566)	(15,371)	(1,666)	6,641	91,496
COMPHENSIVE LOSS	$(1,269,770)	$ (2,226,304)	$(2,348,259)	$ (4,308,374)	$(96,515,863)
BASIC AND DILUTED NET LOSS PER COMMON SHARE					
Loss from continuing operations	$(0.01)	$ (0.01)	$(0.01)	$ (0.03)	
Loss from discontinued operations	—	—	—	—	
Net loss	$(0.01)	$ (0.01)	$(0.01)	$ (0.03)	
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	159,072,657	155,725,887	159,072,657	145,780,875	

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

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SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (Unaudited)

	Common Stock Number of Shares	Amount	Additional Paid-in Capital	Deficit Accumulated During Exploration Stage	Other Comprehensive Income	Total
Balance at inception	—	$—	$—	$—	$ —	$—
Shares issued, net of transaction costs	159,072,657	1,590,726	106,846,826	—	—	108,437,552
Warrants issued	—	—	3,955,873	—	—	3,955,873
Options issued	—	—	13,712,988	—	—	13,712,988
Deemed dividend on exercise of warrants	—	—	126,090	(126,090)	—	—
Other Comprehensive Income – Foreign Currency Translation Adjustment	—	—	—	—	93,162	93,162
Net loss	—	—	—	(94,260,766)	—	(94,260,766)
Balance, October 31, 2013	159,072,657	$1,590,726	$124,641,777	$(94,386,856)	$ 93,162	$31,938,809
Options issued	—	—	111,926	—	—	111,926
Other Comprehensive Income – Foreign Currency Translation Adjustment	—	—	—	—	(1,666)	(1,666)
Net loss	—	—	—	(2,346,593)	—	(2,346,593)
Balance, April 30, 2014	159,072,657	$1,590,726	$124,753,703	$(96,733,449)	$ 91,496	$29,702,476

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

SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Six Months Ended April 30,		Period from November 8, 1993 (Inception) to April 30,
	2014	2013	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$(2,346,593)	$(4,315,015)	$(96,607,359)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation and asset impairment	580,901	783,309	5,793,071
Provision for (recovery of) uncollectible value-added taxes	19,132	(860)	551,418
Other income	(41,427)	—	(494,452)
Foreign currency transaction (gain) loss	(19,805)	(41,401)	3,010,334
Common stock issued for services	—	—	1,563,574
Common stock issued for compensation and directors' fees	—	—	1,753,222
Stock options issued for compensation	111,926	276,901	10,824,023
Stock options and warrants issued for services, general financing fees and directors' fees	—	—	4,769,840
Changes in operating assets and liabilities:			
Restricted cash	—	(481,949)	(4,880)
Value-added tax receivable	(4,306)	639,406	(1,051,000)
Other receivables	28,429	27,802	(25,510)
Prepaid expenses and deposit	72,365	73,553	(143,077)
Accounts payable	(327,733)	(287,923)	(78,461)
Accrued liabilities and expenses	(57,288)	(31,295)	715,423
Income tax payable	9,678	(4,267)	12,711
Net cash used by operating activities	(1,974,721)	(3,361,739)	(69,411,123)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	—	—	(21,609,447)
Proceeds from sale of investments	—	—	21,609,447
Cash acquired in merger with Dome Ventures	—	—	2,618,548
Equipment purchases	—	—	(3,095,062)
Proceeds from sale of equipment	85,970	—	696,644
Proceeds from mining concession option payment	—	—	200,000
Acquisition of property concessions	(247,845)	(216,984)	(8,406,789)
Net cash used by investing activities	(161,875)	(216,984)	(7,986,659)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock, net of offering costs	—	8,094,725	73,003,430
Proceeds from sales of options and warrants	—	—	949,890
Proceeds from exercise of options	—	—	188,913
Proceeds from exercise of warrants	—	—	6,350,286
Deferred cash offering costs	—	43,843	—

Payable to former joint venture partner	—	(11,234)	453,878
Proceeds from shareholder loans	—	—	30,000
Payment of note payable	—	—	(15,783)
Net cash provided by financing activities	—	8,127,334	80,960,614
Effect of exchange rates on cash and cash equivalents	6,854	3,298	(441,571)
Net (decrease) increase in cash and cash equivalents	(2,129,742)	4,551,909	3,121,261
Cash and cash equivalents beginning of period	5,251,003	3,201,240	—
Cash and cash equivalents end of period	$3,121,261	$7,753,149	$3,121,261

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

SILVER BULL RESOURCES, INC.
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (CONTINUED)

	Six Months Ended April 30, 2014	2013	Period from November 8, 1993 (Inception) to April 30, 2014
SUPPLEMENTAL CASH FLOW DISCLOSURES:			
Income taxes paid	$10,398	$33,433	$301,389
Interest paid	$—	$—	$287,211
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Property concessions capitalized and included in accrued liabilities and expense	$100,000	$720,000	$100,000
Warrants issued for offering costs (Note 13)	$—	$51,672	$51,672
Common stock issued in merger with Dome Ventures	$—	$—	$24,840,886
Warrants issued in merger with Dome Ventures	$—	$—	$1,895,252
Common stock issued for equipment	$—	$—	$25,000
Common stock options issued for financing fees	$—	$—	$276,000
Common stock options issued for non-cash options	$—	$—	$59,947

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

NOTE 1 – ORGANIZATION, DESCRIPTION OF BUSINESS AND LIQUIDITY

Silver Bull Resources, Inc. (the "Company") was incorporated in the State of Nevada on November 8, 1993 as the Cadgie Company for the purpose of acquiring and developing mineral properties. The Cadgie Company was a spin-off from its predecessor, Precious Metal Mines, Inc. On June 28, 1996, the Company's name was changed to Metalline Mining Company. On April 21, 2011, the Company's name was changed to Silver Bull Resources, Inc. The Company's fiscal year-end is October 31. The Company has not realized any revenues from its planned operations and is considered an Exploration Stage Company. The Company has not established any reserves with respect to its exploration projects and may never enter into the development stage with respect to any of its projects.

The Company engages in the business of mineral exploration. The Company currently owns or has the option to acquire a number of property concessions in Mexico (collectively known as the "Sierra Mojada Property"). The Company conducts its operations in Mexico through its wholly-owned subsidiary corporations, Minera Metalin S.A. de C.V. ("Minera") and Contratistas de Sierra Mojada S.A. de C.V. ("Contratistas") and through Minera's wholly-owned subsidiary Minas de Coahuila SBR S.A. de C.V. ("Minas").

On April 16, 2010, Metalline Mining Delaware, Inc., a wholly-owned subsidiary of the Company, was merged with and into Dome Ventures Corporation ("Dome"). As a result, Dome became a wholly-owned subsidiary of the Company. Dome's subsidiaries include its wholly-owned subsidiaries Dome Asia Inc. and Dome International Global Inc. ("Dome International"), which are incorporated in the British Virgin Islands. Dome International's subsidiaries include its wholly-owned subsidiaries incorporated in Gabon, Dome Ventures SARL Gabon ("Dome Gabon") and African Resources SARL Gabon ("African Resources"), as well as its 99.99%-owned subsidiary, Dome Minerals Nigeria Limited, incorporated in Nigeria. The Company conducts its exploration activities in Gabon, Africa through Dome Gabon and African Resources. In May 2014, the Company entered into an agreement to sell Dome International, which holds, indirectly a 100% interest in the Ndjole license (Note 4).

The Company's efforts have been concentrated in expenditures related to exploration properties, principally in the Sierra Mojada Property located in Coahuila, Mexico. The Company has not determined whether its exploration properties contain ore reserves that are economically recoverable. The ultimate realization of the Company's investment in exploration properties is dependent upon the success of future property sales, the existence of economically recoverable reserves, the ability of the Company to obtain financing or make other arrangements for exploration, development, and future profitable production activities. The ultimate realization of the Company's investment in exploration properties cannot be determined at this time. Accordingly, no provision for any asset impairment that may result, in the event the Company is not successful in developing or selling these properties, has been made in the accompanying condensed consolidated financial statements, except as disclosed in Notes 4 and 8.

Liquidity, Financial Commitments and Management's Plans

Since its inception in November 1993, the Company has not generated revenue and has incurred a net loss of $96,607,359 from inception through April 30, 2014. Accordingly, the Company has not generated cash flow from operations, and since inception the Company has relied primarily upon proceeds from private placements and registered direct offerings of the Company's equity securities and warrant exercises as the primary sources of financing to fund the Company's operations. As of April 30, 2014, the Company had working capital of $4,058,772 and cash and cash equivalents of $3,095,193. Management will continue to evaluate the Company's ability to raise additional capital, and if it determines that additional capital is unavailable or available on terms that the Company determines are unacceptable then the Company will reduce exploration expenditures on the Company's property concessions and reduce general and administrative expenditures.

NOTE 2 – BASIS OF PRESENTATION

The Company's unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and applicable rules of the U.S. Securities and Exchange Commission ("SEC") regarding interim reporting. All intercompany transactions and balances have been eliminated during consolidation. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The condensed consolidated balance sheet at October 31, 2013 was derived from the audited consolidated financial statements. Accordingly, these unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended October 31, 2013.

The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements, except as disclosed in Notes 3 and Note 4. In the opinion of management, these unaudited interim condensed consolidated financial statements furnished herein include all adjustments, all of which are of a normal recurring nature, necessary for a fair statement of the results for the interim periods presented. Uncertainties with respect to estimates and assumptions are inherent in the preparation of the Company's condensed consolidated financial statements; accordingly, operating results for the six months ended April 30, 2014 are not necessary indicative of the results that may be expected for the fiscal year ending October 31, 2014.

NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are defined in the Company’s Form 10-K for the year ended October 31, 2013 filed on January 13, 2014, except as follows.

Reclassifications

Certain reclassifications of prior year balances have been made to conform to the current year presentation. The Company reclassified the Dome International consolidated balance sheet amounts and consolidated statements of operations from historical presentation to assets and liabilities of operations held for sale on the consolidated balance sheets and to loss from discontinued operations in the consolidated statements of operations for all periods presented. The consolidated statements of cash flow have not been adjusted to reflect assets held for sale and discontinued operations for all periods presented.

Recent Accounting Pronouncements Adopted in the Six Month Period Ended April 30, 2014

Effective November 1, 2013, the Company adopted Accounting Standards Update (“ASU”) 2011-11, "Balance Sheet (Topic 201): Disclosures about Offsetting Assets and Liabilities." This ASU added certain additional disclosure requirements about financial instruments and derivative instruments that are subject to netting arrangements. The adoption of this guidance did not have a material impact on the disclosure for the Company’s consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

In July 2013, the Financial Accounting Standard Board (“FASB”) issued ASU 2013-11, “Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carry Forward, a Similar Tax Loss, or a Tax Credit Carry Forward Exists.” The updated guidance requires an entity to net its unrecognized tax benefits against the deferred tax assets for all same jurisdiction net operating loss carry forwards, a similar tax loss, or tax credit carry forwards. A gross presentation will be required only if such carry forwards are not available or would not be used by the entity to settle any additional income taxes resulting from disallowance of the uncertain tax provision. The update is effective prospectively for the Company's fiscal year beginning November 1, 2014. The Company does not believe the adoption of this update will have a material impact on the Company’s financial position, results of operations or cash flows, and the disclosure requirements for the Company’s consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08, “Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.” Under ASU 2014-08, only disposals representing a strategic shift in operations are presented as discontinued operations. In addition, ASU 2014-08 requires expanded disclosures about discontinued operations that will provide additional information about the assets, liabilities, income, and expenses of discontinued operations. ASU 2014-08 also requires disclosure of the pre-tax income attributable to a disposal of a significant part of an organization that does not qualify for discontinued operations reporting. The update is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2014. The Company has not determined the effects of this update on the Company’s financial position, result of operations or cash flows and disclosures at this time.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force) and the SEC did not or are not believed to have a material impact on the Company's present or future consolidated financial statements.

NOTE 4 – DISCONTINUED OPERATIONS

On December 13, 2013, the Company entered into a binding letter of agreement and on May 21, 2014 the Company executed a share purchase agreement (the "Transaction") with BHK Resources, Inc. ("BHK") to sell all of the issued and outstanding securities of Dome International, a subsidiary of the Company which holds, indirectly, a 100% interest in and to the Ndjole manganese and gold license, for cash consideration of $1,500,000. The Transaction is expected to be completed in the three months ended July 31, 2014.

The proposed Transaction is subject to the completion of a financing by BHK generating minimum proceeds of $CDN 4.0 million from the sale of its securities (condition may be waived at the option of BHK) and the approval of the TSX-V and other applicable regulatory authorities. The Company was paid a $25,000 non-refundable deposit upon the signing of the binding letter of agreement. Prior to the closing of the Transaction, the Company will transfer all of the issued and outstanding securities of African Resources SARL Gabon from Dome International to another subsidiary of the Company. As at April 30, 2014, the Company classified Dome International and its wholly-owned subsidiary Dome Gabon as an asset held for sale criteria were met. Consequently, for all of the periods presented, loss from Dome International and Dome Gabon has been presented within discontinued operations in the consolidated statement of operations and comprehensive loss. During the six months ended April 30, 2014 the Company determined that the Ndjole concession was impaired as its carrying amount was not recoverable based on the implied fair value due to expected net proceeds of $1,343,587 from the Transaction.

The following table details selected financial information included in the loss from discontinued operations for the three months and six months ended April 30, 2014 and 2013 and the period from inception to date.

	For the Three Months Ended April 30, 2014	For the Three Months Ended April 30, 2013	For the Six Months Ended April 30, 2014	For the Six Months Ended April 30, 2013	Period from November 8, 1993 (Inception) To April 30, 2014
Exploration and property holding costs	$86,102	$38,486	$139,144	$112,828	$630,834
Depreciation and asset impairment	195,166	3,428	198,843	7,460	2,128,066
Provision for uncollectible value-added taxes	—	—	—	—	60,573
Foreign currency transaction (gain) loss	(9,101)	29,016	(3,701)	(10,541)	—
Miscellaneous income	—	—	—	—	(491,448)
Net loss	$272,167	$70,930	$334,286	$109,747	$2,328,025

The major classes of assets and liabilities of Dome International and Dome Gabon presented as assets held for sale in the consolidated balance sheets are as follows:

Assets	April 30, 2014	October 31, 2013
Cash and cash equivalents	$26,068	$45,270
Value-added tax receivable	8,833	8,767
Prepaid expenses and deposits	11,845	—

Office and mining equipment, net	17,950	25,130
Property concession	1,299,310	1,474,870
Total assets of discontinued operations held for sale	$1,364,006	$1,554,037
Liabilities		
Accounts payable	$20,419	$3,942
Total liabilities of discontinued operations held for sale	$ 20,419	$ 3,942

NOTE 5 – LOSS PER SHARE

The Company had stock options and warrants to purchase common stock in the aggregate of 21,788,977 shares and 20,331,834 shares outstanding at April 30, 2014 and April 30, 2013, respectively. They were not included in the calculation of loss per share because they would have been considered anti-dilutive.

NOTE 6 – VALUE-ADDED TAX RECEIVABLE

Value-added tax ("VAT") receivable relates to VAT paid in Mexico and Gabon. The Company estimates net VAT of $309,534 will be received within twelve months of the balance sheet date. The allowance for uncollectible VAT taxes was estimated by management based upon a number of factors including the length of time the returns have been outstanding, responses received from tax authorities, general economic conditions in Mexico and Gabon and estimated net recovery after commissions. During the six months ended April 30, 2014, a provision of uncollectible VAT of $19,132 has been recorded.

A summary of the changes in the allowance for uncollectible VAT taxes for the six months ended April 30, 2014 is as follows:

Allowance for uncollectible VAT taxes – October 31, 2013	$127,557
Provision for uncollectible VAT Taxes	19,132
Write-off VAT receivable	(19,151)
Foreign currency translation adjustment	(2,046)
Allowance for uncollectible VAT taxes – April 30, 2014	$125,492

NOTE 7 – OFFICE AND MINING EQUIPMENT

The following is a summary of the Company's office and mining equipment at April 30, 2014 and October 31, 2013, respectively:

	April 30, 2014	October 31, 2013
Mining equipment	$ 502,726	$ 645,084
Vehicles	81,261	81,261
Buildings and structures	191,966	191,966
Computer equipment and software	85,618	85,618
Well equipment	39,637	39,637
Office equipment	53,900	53,900
	955,108	1,097,466
Less: Accumulated depreciation	(565,142)	(613,845)
	$ 389,966	$ 483,621

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NOTE 8 – PROPERTY CONCESSIONS

The following is a summary of the Company's property concessions in Mexico and Gabon as at April 30, 2014 and October 31, 2013, respectively:

	Sierra Mojada, Mexico	Mitzic, Gabon	Total
Property Concessions – October 31, 2013	$6,419,833	$322,141	$6,741,974
Acquisitions	347,845	—	347,845
Impairment	(8,971)	(324,560)	(333,531)
Foreign currency translation adjustments	—	2,419	2,419
Property Concessions – April 30, 2014	$6,758,707	$—	$6,758,707

Sierra Mojada, Mexico

During the six months ended April 30, 2014, the Company decided to not to pursue further work on a concession in Sierra Mojada, Mexico. As a result, the Company has written off the capitalized property concession balance related to this concession of $8,971.

During the six months ended April 30, 2013, the Company decided not to pursue further work on certain concessions in Sierra Mojada, Mexico. As a result, the Company has written off the capitalized property concession balance related to these concessions of $709,290.

Gabon, African

During the six months ended April 30, 2014, the Company has written off the capitalized property concession balance related to the Mitzic concession of $324,560 as the recoverability is highly uncertain.

NOTE 9 – GOODWILL

Goodwill represents the excess, at the date of acquisition, of the purchase price of the business acquired over the fair value of the net tangible and intangible assets acquired. At April 30, 2014, the Company elected to perform a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. Based on this assessment management determined it is not more likely than not that the fair value of the reporting unit is less than its carrying amount.

The following is a summary of the Company's goodwill balance as at April 30, 2014 and October 31, 2013, respectively:

Goodwill – October 31, 2013	$18,495,031
Goodwill – April 30, 2014	$18,495,031

NOTE 10 – SHAREHOLDER RIGHTS PLAN

On June 11, 2007, the Board of Directors adopted a Shareholders' Right Plan through the adoption of a Rights Agreement, which became effective immediately. In connection with the adoption of the Rights Agreement, the

Board of Directors declared a distribution of one Right for each outstanding share of the Company's common stock, payable to shareholders of record at the close of business on June 22, 2007. In accordance with the Rights Plan, one Right is attached to each share of Company common stock issued since that date. Each Right is attached to the underlying common stock and will remain with the common stock if the stock is sold or transferred. As of April 30, 2014, there are 159,072,657 shares outstanding with Rights attached.

In certain circumstances, in the event that any person acquires beneficial ownership of 20% or more of the outstanding shares of the Company's common stock, each holder of a Right, other than the acquirer, would be entitled to receive, upon payment of the purchase price, which is initially set at $20 per Right, a number of shares of the Company's common stock having a value equal to two times such purchase price. The Rights will expire on June 11, 2017.

NOTE 11 - COMMON STOCK

No common stock was issued during the six months ended April 30, 2014.

On February 14, 2013, the Company closed a public offering (the “Offering”) for the sale of 22,912,500 units at a price of $0.40 per unit for gross proceeds of $9,165,000. Each unit was comprised of one share of common stock of the Company and one-half of one common stock purchase warrant, with each whole warrant exercisable to purchase one share of common stock, at an exercise price of $0.55, for a period of 18 months from the closing of the Offering. The Company paid the agents on the Offering a cash commission equal to 6.0% of the gross proceeds, except for $2.5 million in units sold to purchasers arranged by the Company for which the agents received a 3.0% cash commission. In addition, the agents received 1,187,250 compensation warrants with the same terms as the other warrants issued in the Offering. The total cash commission paid to the agents was $474,900, the fair value of the agents’ compensation warrants was determined to be $51,672, and the Company incurred other offering costs of $595,375 (Note 13).

NOTE 12 - STOCK OPTIONS

The Company has two active stock option plans. Under the 2006 Stock Option Plan (the “2006 Plan”), the Company may grant non-statutory and incentive options to employees, directors and consultants for up to a total of 5,000,000 shares of common stock. Under the 2010 Stock Option and Stock Bonus Plan (the “2010 Plan”), the lesser of (i) 30,000,000 shares or (ii) 10% of the total shares outstanding are reserved for issuance upon the exercise of options or the grant of stock bonuses.

Options are typically granted with an exercise price equal to the closing market price of the Company’s stock at the date of grant, have a graded vesting schedule over approximately 1 to 2 years and have a contractual term of 5 to 10 years.

A summary of the range of assumptions used to value stock options granted for the six months ended April 30, 2014 and 2013 are as follows:

	Six Months Ended April 30,	
Options	2014	2013
Expected volatility	—	58% - 70%
Risk-free interest rate	—	0.29% - 0.39%
Dividend yield	—	—
Expected term (in years)	—	2.50 – 3.50

No options were granted or exercised during the six months ended April 30, 2014.

During the six months ended April 30, 2013, the Company granted options to acquire 300,000 shares of common stock with a weighted-average grant-date fair value of $0.18. No options were exercised during the six months ended April 30, 2013.

The following is a summary of stock option activity for the six months ended April 30, 2014:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at October 31, 2013	9,205,477	$0.58	3.45	—
Forfeited or Cancelled	(60,000)	0.47		
Outstanding at April 30, 2014	9,145,477	$0.58	2.83	$—
Vested or Expected to Vest at April 30, 2014	9,145,477	$0.58	2.83	$—
Exercisable at April 30, 2014	7,313,809	$0.63	2.58	$—

The Company recognized stock-based compensation costs for stock options of $111,926 and $276,901 for the six months ended April 30, 2014 and 2013, respectively. The Company typically does not recognize any tax benefits for stock options due to the Company's recurring losses. The Company currently expects all outstanding options to vest. Compensation cost is revised if subsequent information indicates that the actual number of options that will vest is likely to differ from previous estimates.

Summarized information about stock options outstanding and exercisable at April 30, 2014 is as follows:

	Options Outstanding			Options Exercisable	
Exercise Price	Number Outstanding	Weighted Ave. Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$0.37 - 0.73	8,283,333	2.92	$0.52	6,451,665	$0.56
1.00 - 1.20	805,000	1.81	1.11	805,000	1.11
2.18	57,144	3.72	2.18	57,144	2.18
$0.37 - 2.18	9,145,477	2.83	$0.58	7,313,809	$0.63

As of April 30, 2014, there was $76,669 of total unrecognized compensation costs related to non-vested share based compensation arrangements granted under the qualified stock option plans. That cost is expected to be recognized over a weighted average period of 0.42 years.

NOTE 13 - WARRANTS

A summary of warrant activity for the three months ended April 30, 2014 is as follows:

Warrants	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value

Outstanding at October 31, 2013	12,643,500	$0.55	0.79	—
Outstanding at April 30, 2014	12,643,500	$0.55	0.29	$—
Exercisable at April 30, 2014	12,643,500	$0.55	0.29	$—

No warrants were issued or exercised during the six months ended April 30, 2014.

During the six months ended April 30, 2013, the Company issued 11,456,250 warrants in connection with the Offering and issued 1,187,250 compensation warrants to the agents. The fair value of the agent's compensation warrants was determined to be $51,672 based upon the Black-Scholes pricing model using risk free interest rate of 0.22%, expected volatility of 50%, dividend yield of 0%, and a contractual term of 1.5 years.

No warrants were exercised during the six months ended April 30, 2013.

Summarized information about warrants outstanding and exercisable at April 30, 2014 is as follows:

	Warrants Outstanding			Warrants Exercisable	
Exercise Price	Number Outstanding	Weighted Ave. Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$0.55	12,643,500	0.29	$0.55	12,643,500	$0.55

NOTE 14 – FINANCIAL INSTRUMENTS

Fair Value Measurements

All financial assets and financial liabilities are recorded at fair value on initial recognition. Transaction costs are expensed when they are incurred, unless they are directly attributable to the acquisition of qualifying assets, in which case they are added to the costs of those assets until such time as the assets are substantially ready for their intended use or sale.

The three levels of the fair value hierarchy are as follows:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;

Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

Under fair value accounting, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As of April 30, 2014 and October 31, 2013, the Company had no financial assets or liabilities required to be reported for fair value purposes.

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, other receivables, accounts payable and accrued liabilities and expenses approximate fair value at April 30, 2014 and October 31, 2013 due to the short maturities of these financial instruments.

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Company by failing to discharge its obligations. To mitigate exposure to credit risk on financial assets the Company has established policies to ensure liquidity of funds and ensure counterparties demonstrate minimum acceptable credit worthiness.

The Company maintains its U.S. Dollar and Canadian Dollar (“$CDN”) cash and cash equivalents in bank and demand deposit accounts with major financial institutions with high credit standings. Cash deposits held in the United States are insured by the Federal Deposit Insurance Corporation (“FDIC”) for up to $250,000 and $CDN cash deposits held in Canada are insured by the Canada Deposit Insurance Corporation (“CDIC”) for up to $CDN 100,000. Certain United States and Canadian bank accounts held by the Company exceed these federally insured limits or are uninsured as they relate to U.S. Dollar deposits held in Canadian financial institutions. As of April 30, 2014 and October 31, 2013, the Company’s cash and cash equivalent balances held in United States and Canadian financial institutions included $2,630,988 and $4,844,049, respectively, which was not insured by the FDIC or CDIC. The Company has not experienced any losses on such accounts and management believes that using major financial institutions with high credit ratings mitigates the credit risk in cash.

The Company also maintains cash in bank accounts in Mexico and Gabon. These accounts are denominated in the local currency and are considered uninsured. As of April 30, 2014 and October 31, 2013, the U.S. dollar equivalent balance for these accounts was $164,347 and $87,889, respectively.

Interest Rate Risk

The Company holds substantially all of the Company’s cash and cash equivalents in bank and demand deposit accounts with major financial institutions. The interest rates received on these balances may fluctuate with changes in economic conditions. Based on the average cash and cash equivalent balances during the six months ended April 30, 2014, a 1% decrease in interest rates would have resulted in a reduction in interest income for the period of approximately $2,594.

Foreign Currency Exchange Risk

Certain purchases of labor, operating supplies and capital assets are denominated in $CDN, Mexican Peso (“$MXN”), Central African Francs (“$CFA”) or other currencies. As a result, currency exchange fluctuations may impact the costs of our operations. Specifically, the appreciation of the $MXN, $CDN or $CFA against the U.S. dollar may result in an increase in operating expenses and capital costs in U.S. dollar terms. As of April 30, 2014, the Company maintained the majority of its cash balance in U.S. Dollars. The Company currently does not engage in any currency hedging activities.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Compliance with Environmental Regulations

The Company’s activities are subject to laws and regulations controlling not only the exploration and mining of mineral properties, but also the effect of such activities on the environment. Compliance with such laws and regulations may necessitate additional capital outlays or affect the economics of a project, and cause changes or delays in the Company’s activities.

Property Concessions Mexico

To properly maintain property concessions in Mexico, the Company is required to pay a semi-annual fee to the Mexican government and complete annual assessment work.

In addition, five of the concessions in the Sierra Mojada project are subject to options to purchase from existing third party concession owners. Pursuant to the option purchase agreements, the Company is required to make certain payments over the terms of these contracts to obtain full ownership of these concessions as set forth in the table below:

Nuevo Dulces Nombres (Centenario) and Yolanda III (2 concessions)

Payment Date	Payment Amount(1)
Monthly payment beginning August 2014 and ending July 2016	$20,000 per month

(1) Until July 2016, the Company has the option of acquiring Nuevo Dulces Nombres (100% interest) for $4 million and Yolanda III (100% interest) for $2 million plus a lump sum payment equal to any remaining monthly payments.

Poder de Dios, Anexas a Poder de Dios, and Ampliacion a Poder de Dios (3 concessions)

Payment Date	Payment Amount(1)
October 2014	$6 million
April 2015(1)	$7 million

(1) Payments shown reflect the option purchase price for a period of six months from the payment date for the acquisition of 100% of the concessions. Subsequent to April 2015 the option purchase price is $7 million for the acquisition of 100% of the concession. In addition, the Company is required to make payments of $300,000 in April and October of each year until the option purchase is made otherwise the Company will lose its interest in the concessions. The option purchase price until October 2014 is $6 million.

Property Concessions Gabon

The Company holds title to the Ndjole (Note 4) and Mitzic concessions in Gabon, Africa that require the Company to spend minimum amounts each term to renew the concessions. Each concession is renewable twice with each renewal lasting for three years. The initial renewal of the Ndjole concession was granted on June 21, 2012 and the initial renewal of the Mitzic concession was granted on July 24, 2012. Per the renewed concession licenses, the Company must spend $CFA 2,926,000,000 ($6,186,047) on exploration work on the Ndjole concession and $CFA 901,000,000 ($1,903,241) on exploration work on the Mitzic concession in order to renew these concessions for a third term of three years. The expenditures during the second period are reduced by $CFA 2,767,565,658 ($5,851,090) for Ndjole and $CFA 255,702,933 ($540,598) for Mitzic which represent amounts spent in the second period to April 30, 2014 and amounts carried forward from the initial term for expenditures incurred in excess of the renewal requirements. The Company must spend $CFA 800,000,000 ($1,691,332) in the third term per Gabonese law. The Company may apply for a mining license at any time during these periods. As of April 30, 2014, one U.S. dollar approximates $CFA 473.

Royalty

The Company has agreed to pay a 2% net smelter return royalty on certain property concessions within the Sierra Mojada Property. Total payments under this royalty are limited to $6.875 million.

Office Lease Commitment

The Company entered into a five-year office lease agreement from April 1, 2012 to March 31, 2017 for the Company's corporate office in Vancouver, Canada. The monthly lease payment is $CDN 7,743, increasing to $CDN 7,981 on April 1, 2016. As of April 30, 2014, one U.S. dollar approximates $CDN 1.10.

NOTE 16 – SEGMENT INFORMATION

The Company operates in a single reportable segment: the exploration of mineral property interests. The Company has mineral property interests in Sierra Mojada, Mexico and Gabon, Africa.

Geographic information is approximately as follows:

	For the Three Months Ended April 30, 2014	For the Three Months Ended April 30, 2013	For the Six Months Ended April 30, 2014	For the Six Months Ended April 30, 2013	Period from November 8, 1993 (Inception) To April 30, 2014
Net loss for the period					
Mexico	$ (247,000)	$ (1,393,000)	$ (704,000)	$ (2,710,000)	$ (50,278,000)
Canada	(418,000)	(698,000)	(937,000)	(1,454,000)	(7,918,000)
Gabon	(332,000)	(49,000)	(371,000)	(41,000)	(1,774,000)
United States	—	—	—	—	(34,309,000)
Loss from Continuing Operations	(997,000)	(2,140,000)	(2,012,000)	(4,205,000)	(94,279,000)
Discontinued Operations	(272,000)	(71,000)	(334,000)	(110,000)	(2,328,000)
Net Loss	$ (1,269,000)	$ (2,211,000)	$ (2,346,000)	$ (4,315,000)	$ (96,607,000)

The following table details allocation of assets included in the accompanying balance sheet at April 30, 2014:

	United States	Canada	Mexico	Gabon	Total
Cash and cash equivalents	$ 1,328,000	$ 1,629,000	$ 126,000	$ 13,000	$ 3,096,000
Value-added tax receivable, net	-	-	307,000	3,000	310,000
Other receivables	-	6,000	32,000	-	38,000
Prepaid expenses and deposits	-	64,000	86,000	1,000	151,000
Assets of discontinued operations held for sale	-	-	-	1,364,000	1,364,000
Office and mining equipment, net	-	2,000	388,000	-	390,000
Property concessions	-	-	6,759,000	-	6,759,000
Goodwill	-	-	18,495,000	-	18,495,000
	$ 1,328,000	$ 1,701,000	$ 26,193,000	$ 1,381,000	$ 30,603,000

The following table details allocation of assets included in the accompanying balance sheet at October 31, 2013:

	United States	Canada	Mexico	Gabon	Total
Cash and cash equivalents	$ 3,076,000	$ 2,087,000	$ 23,000	$ 20,000	$ 5,206,000
Value-added tax receivable, net	-	-	327,000	3,000	330,000
Other receivables	-	20,000	47,000	-	67,000

Prepaid expenses and deposits	-	137,000	98,000	1,000	236,000
Assets of discontinued operations held for sale	-	-	-	1,554,000	1,554,000
Office and mining equipment, net	-	4,000	480,000		