

DAKOTA TERRITORY RESOURCE CORP  
Form 10-Q  
February 17, 2015

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

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

For the quarterly period ended December 31, 2014

**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

**98-0201259**  
(I.R.S. Employer Identification No.)

organization)

**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  .

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 13, 2015: 53,738,216

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**DAKOTA TERRITORY RESOURCE CORP****BALANCE SHEETS**

(Unaudited)

	<b>December 31, 2014</b>	<b>March 31, 2014</b>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 11,178	\$ 456,329
Prepaid expenses and other current assets	–	708
Total current assets	11,178	457,037
Other assets	20,829	2,834
Mineral properties	191,566	191,335
<b>TOTAL ASSETS</b>	<b>\$ 223,573</b>	<b>\$ 651,206</b>
<b><u>LIABILITIES AND SHAREHOLDERS' DEFICIT</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 368,230	\$ 349,946
Accounts payable, related party	384,114	338,079
Line of credit	25,102	27,950
Notes payable	305,550	305,550
Convertible notes payable	100,000	100,000
Total current liabilities	1,182,996	1,121,525
Note payable to related party	265,000	265,000
Total liabilities	1,447,996	1,386,525
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS' DEFICIT</b>		
Preferred stock, par value \$0.001; 10,000,000 shares authorized, no shares issued and outstanding as of December 31, 2014 and March 31, 2014, respectively	–	–
Common stock, par value \$0.001; 300,000,000 shares authorized, 53,509,256 shares issued and outstanding as of December 31, 2014 and 52,747,376 as of March 31, 2014, respectively	53,509	52,747
Additional paid-in capital	1,060,557	843,569
Deficit accumulated during the exploration stage	(2,338,489)	(1,631,635)
Total shareholders' deficit	(1,224,423)	(735,319)

<b>TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT</b>	\$	223,573	\$	651,206
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The accompanying notes are an integral part of these financial statements.

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

	Nine months ended		Three months ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
<b>OPERATING EXPENSES</b>				
Depreciation and amortization	\$ 333	\$ 6,375	\$ –	\$ 2,125
Impairment loss	–	–	–	–
Exploration costs	26,999	28,055	2,124	8,250
General and administrative expenses	656,121	486,591	178,770	113,722
Total operating expenses	683,453	521,021	180,894	124,097
<b>LOSS FROM OPERATIONS</b>	(683,453)	(521,021)	(180,894)	(124,097)
<b>O T H E R I N C O M E (EXPENSE)</b>				
Gain on debt extinguishment	–	–	–	–
Interest expense	(23,401)	(23,316)	(7,800)	(7,800)
Total other income (expense)	(23,401)	(23,316)	(7,800)	(7,800)
<b>NET LOSS</b>	\$ (706,854)	\$ (544,337)	\$ (188,694)	\$ (131,897)
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	53,205,867	45,109,100	53,458,266	46,207,159

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

**DAKOTA TERRITORY RESOURCE CORP****UNAUDITED STATEMENTS OF CASH FLOWS**

	<b>Nine months ended</b>	
	<b>December 31, 2014</b>	<b>December 31, 2013</b>
Net loss	\$ (706,854)	\$ (544,337)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	333	6,375
Shares issued for services	217,750	156,375
Impairment loss	-	-
Amortization of debt discount	-	-
Loss on debt extinguishment	-	-
Changes in current assets and current liabilities:		
Prepaid expenses and other assets	(17,620)	6,374
Accounts payable & accrued liabilities	18,284	36,850
Accounts payable, related party	46,035	109,268
Net cash used in operating activities	(442,072)	(229,095)
Cash Flows From Investing Activities:		
Investment in mineral properties	(231)	-
Net cash used in investing activities	(231)	-
Cash Flows From Financing Activities:		
Proceeds from the issuance of common stock	-	225,000
Proceeds from (repayments of) line of credit	(2,848)	(2,058)
Net cash provided by (used in) financing activities	(2,848)	222,942
Net change in cash	(445,151)	(6,153)
Cash and Cash Equivalents, Beginning of Period	456,329	68,121
Cash and Cash Equivalents, End of Period	\$ 11,178	\$ 61,968

**Supplemental Disclosure of Noncash Transactions**

Interest paid	\$ -	\$ -
Taxes paid	\$ -	\$ -
Accounts payable and accrued liability increased by reorganization	\$ -	\$ -
Line of credit increased by reorganization	\$ -	\$ -
Note payable increased by reorganization	\$ -	\$ -
Additional paid in capital decreased by reorganization	\$ -	\$ -
Convertible notes payable increased by reorganization	\$ -	\$ -
Common stock issued for convertible debt	\$ -	\$ -
Common stock issued for settlement of debt	\$ -	\$ -
Common stock issued for mineral properties	\$ -	\$ -

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Common stock issued for prepaid expense and other assets	\$	–	\$	–
Forgiveness of related party debt	\$	–	\$	–

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



**DAKOTA TERRITORY RESOURCES CORP**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2014**

**(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, 2014 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, 2014 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 2015 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.

**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 President and director of the Company. The agreement provides a fixed fee of \$10,000 per month of which \$5,000 is paid 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. On March 27, 2013, Minera Teles Pires, Inc. agreed to a re-structure of the amounts due under the agreement and agreed to forgive a total of \$522,579. This amount was recorded to additional paid in capital. During the nine months ended December 31, 2014, we incurred approximately \$103,500 in management fees and rent from Minera Teles Pires Inc. As of December 31, 2014, we owed Minera Teles Pires approximately \$212,000 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 Vice President 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, 2014, we incurred approximately \$81,000 in consulting fees from Jerikodie, Inc. As of December 31, 2014, we owed Jerikodie, Inc. approximately \$156,000 for consulting fees and out of pocket expenses.

On October 3, 2012 we entered into a consulting agreement with, and issued 500,000 shares to, our former Director, Gerry Berg, at a price of \$0.02 per share for a total of \$10,000. The Company has also agreed to issue up to an additional 200,000 shares, at a price of \$0.02 per share for a total of \$4,000, subject to a vesting schedule which begins January 2, 2013 and ended December 31, 2013, based on the amount of time served. For the nine months ended December 31, 2014, we issued 25,000 shares to Mr. Berg as stock based compensation valued at \$10,000.

### **Note 3 Mineral Properties**

On September 26, 2012, we re-organized with North Homestake Mining Company. With this re-organization, we 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 we acquired 57 unpatented lode mining claims covering approximately 835 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 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 and are located immediately to the north and adjoining the Company's Paleoplacer Property. 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.

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 purchase price of the mineral interests was \$33,335.

We plan to commence an exploratory program on these mineral properties as soon as financing can be arranged.

	<b>December 31, 2014</b>		<b>March 31, 2014</b>	
Capitalized costs	\$	191,566	\$	191,335
Accumulated amortization		-		-
Impairment		-		-
Capitalized costs, net	\$	191,566	\$	191,335

#### **Note 4 Notes Payable**

The following 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	\$	37,884	\$ 120,659
Dec 01, 2005	On demand	5% per annum	\$	18,800	\$	8,560	\$ 27,360
Jan 06, 2006	On demand	5% per annum	\$	100,000	\$	45,008	\$ 145,008
Jul 14, 2006	On demand	5% per annum	\$	103,975	\$	43,932	\$ 147,907
Total			\$	305,550	\$	135,384	\$ 440,934

#### Note Payable to Related Party

We had 11 notes payable to our President pursuant to advances which had historically been made by the President. 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 President forgave accrued interest totalling \$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. We 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 is due March 27, 2016.

As of December 31, 2014, the balance of the promissory note payable amounted to \$265,000.

### **Note 5 Convertible Note Payable**

On August 14, 2008, we 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 (\$31,097 as of September 30, 2014) 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 (\$20.00 per share after adjustment due to 1 for 200 reverse stock split; \$200 per share after a further adjustment due to a 1 for 10 reverse stock split). The conversion price shall be subject to adjustments. The minimum amount to be converted is \$10,000. As of December 31, 2014, this note is outstanding.

**Note 6 Line of Credit**

We executed a Line of Credit with Wells Fargo Bank in California. The Line of Credit allows us to borrow up to \$47,500. The balance of this Line of Credit at December 31, 2014 was approximately \$25,100.

**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 April 9, 2014 we issued 25,000 shares of our restricted common stock, at \$0.40 per share, to a former director for services valued at \$10,000.

On May 14, 2014, we issued 203,960 shares of our restricted common stock, at \$0.235 per share, to two consultants for services valued at \$48,000.

On June 24, 2014, we issued 25,000 shares of our restricted common stock, at \$0.35 per share, to a consultant for services valued at \$8,750.

On July 8, 2014

we issued 203,960 shares of our restricted common stock, at \$0.235 per share, to two consultants for services valued at \$48,000.

On July 8, 2014 we issued 100,000 shares of our restricted common stock, at \$0.20 per share, to a consultant for services valued at \$20,000.

On October 23, 2014 we issued 203,960 shares of our restricted common stock, at \$0.235 per share, to a consultant for services valued at \$48,000.

At December 31, 2014, the total issued and outstanding shares were 53,509,256.

## Note 8 Consulting Agreements

On March 19, 2013, we entered into an agreement with Wm Chris Mathers to compensate Mr. Mathers as the Company's CFO with 100,000 shares of the Company's stock upon execution of the consulting agreement, and an option to purchase 1,000,000 shares valued at \$0.14 per share under a 5 year term expiring March 19, 2018.

These options vest 25% upon the execution of the agreement and 25% upon each six month anniversary from the date of the agreement, provided Mr. Mathers continues to provide consulting or employment services to the Company on the vesting dates. The Black-Scholes pricing model was used to estimate the fair value of the 1,000,000 options issued during the period, using the assumptions of a risk free interest rate of 1.1%, dividend yield of 0%, volatility of 482%, and an expected life of 5 years. We have determined these options to have an approximate fair value of \$140,000. Since Mr. Mathers award vests over an 18 month period, the Company is expensing a total of approximately \$5,833 monthly, beginning in April 2013, for this award over the 18 month vesting period in accordance with FASB ASC 718. A total of \$35,000 was expensed for the period ended December 31, 2014 as stock based compensation.

Additionally, the Company agreed to pay Mr. Mathers cash in the amount of \$1,000 per month increasing to \$2,000 per month on September 1, 2013 and to \$3,000 per month on March 1, 2014. As of December 31, 2014, we have incurred \$27,000 in compensation to Mr. Mathers, of which \$16,000 has not yet been paid.

On November 11, 2013 the Company entered into a one-year consulting agreement with Lyons Capital, LLC to provide strategic advisory services and to provide the Company introductions to potential institutional investors through Lyons Capital's Wall Street Conferences. Lyons Capital received 1,000,000 warrants to purchase restricted common shares of our stock with a strike price of \$0.23 per share, expiring on December 10, 2016. The fair value of the warrants issued was \$349,224 and vest upon issuance. Variables used in the Black-Scholes option-pricing model for the warrants issued include: (1) discount rate of 1.10%, (2) term of 2.75 years, (3) expected volatility of 361%, and (4) zero expected dividends. As of September 30, 2014, the warrants remain outstanding and exercisable.

On January 31, 2014 the Company entered into a consulting agreement with Dr. Michael Terry, a former Homestake Geologic Researcher, to provide guidance to the Company in the execution of its exploration strategies. In recent years, Dr. Terry and fellow scientists proposed a Fault Block Concept that provides new insights into the gold metallogenesis of the northern Black Hills of South Dakota. The one-year agreement provides for compensation of 50,000 restricted shares of fully-earned Company common stock upon execution of the agreement and cash consideration in the amount of \$1,500 per month, plus approved expenses.

On April 28, 2014, we entered into a consulting agreement with a third party for professional consulting, strategic planning and business development services for a one year term in exchange for \$48,000 of restricted common stock at \$0.23534 per share to be issued per quarter, and a cash fee of \$9,000 per quarter. We issued 203,960 of these shares on May 14, 2014. On July 8, 2014 and on October 23, 2014, we issued an additional 203,960 shares, respectively, of restricted common stock valued at \$48,000.

On May 15, 2014, we entered into a consulting agreement for professional web development for a two year term in exchange for 100,000 shares at \$0.35 per share, issuable over the term of the agreement. We issued 25,000 of these shares on June 24, 2014.

On June 14, 2014, we entered into a consulting agreement with CDM Smith for professional services related to permitting the Blind Gold and Homestake Paleoplacer properties. The agreement provides for compensation to be paid for services performed at hourly rates ranging from \$65 to \$200 per hour and the reimbursement of approved expenses.

On July 1, 2014, we entered into a one year agreement for scientific research with Dr. James Fox for scientific research on the Homestake Paleoplacer Property. The agreement calls for payment of 100,000 shares of our restricted common stock and a cash fee of \$50.00 per hour up to a maximum of 20 hours per month as compensation.

## **Note 9 Subsequent Events**

On January 25, 2015 the Company filed on Form 8K the Company's issuance of a total of 5,200,000 options to purchase the Company's restricted common stock. The Company's Board of Directors authorized and implemented the options by virtue of its adopting a plan entitled the 2015 Omnibus Incentive Plan. The options are good for a period of ten years from January 25, 2015, expiring on January 25, 2025. The exercise price per share is \$0.08 cents based upon the closing price of the Company's common stock on January 23, 2015 of \$0.07 cents per share.

On January 28, 2015, we issued 25,000 shares of our restricted common stock, at \$0.35 per share, to a consultant for services valued at \$8,750.

On January 28, 2015 we issued 203,960 shares of our restricted common stock, at \$0.235 per share, to two consultants for services valued at \$48,000.



## 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 could, would, might or will be taken, occur or be achieved) are not statements of historical fact and may constitute 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 2014-2015 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:

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

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

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risks associated with our limited operating history;

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

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

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

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risks associated with our exploration activities not being commercially successful;

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risks associated with ownership of surface rights at our Project;

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risks associated with increased costs affecting our financial condition;

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

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risks associated with mining and mineral exploration being inherently dangerous;

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risks associated with mineralization estimates;

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

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risks associated with uninsured risks;

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

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risks associated with fluctuations in commodity prices;

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risks associated with permitting, licenses and approval processes;

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risks associated with the governmental and environmental regulations;

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

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risks associated with potential environmental lawsuits;

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risks associated with our land reclamation requirements;

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risks associated with gold mining presenting potential health risks;

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risks related to title in our properties

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risks related to competition in the gold mining industries;



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risks related to economic conditions;

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risks related to our ability to manage growth;

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

·  
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 a mining exploration stage company engaged in the business of the acquisition and exploration of mineral properties. Dakota Territory 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 3,057 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. Mineral Survey 1706 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. With this acquisition we have consolidated and extended the Paleoplacer Property position to a distance extending approximately 3,100 feet along the south to north trend of the channel.

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 and exploration 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***

We plan on concentrating all exploration activities on our gold property in South Dakota. During fiscal year 2015, we will require additional new financing of approximately \$2.5 million to carry out our planned exploration, none of which we have secured as of the date hereof.

Our planned exploration program will consist primarily of airborne geophysical surveys, surface sampling and diamond drill programs. Additionally, the budget and any use of proceeds covering any equity based financing would provide for the annual maintenance requirements for the Company's claims, leases, and concessions and our general operating needs.

**Table: Fiscal Year 2015 Proposed Exploration Expenditures (\$000)**

Salaries & Wages	\$	254
General & administrative	\$	251
Airborne survey	\$	400
Field programs	\$	60
Site preparation	\$	55
Diamond Drilling	\$	790
Assays	\$	93
Geologic & project support	\$	256
Equipment & project operations	\$	75
Permitting & environmental	\$	65
Property costs	\$	20
Project contingency	\$	181
<b>TOTAL</b>	<b>\$</b>	<b>2,500</b>

Our estimated working capital requirements and projected operating expenses for the next twelve-month period total approximately \$2.5 million. 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, 2014, we had a working capital deficit of approximately \$1,172,000.

During our fiscal year ending March 31, 2015, we plan to spend approximately \$400,000 for airborne geophysical surveys, \$790,000 for diamond drilling, \$60,000 for surface sampling and \$93,000 for assays, as well as approximately \$324,000 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, 2015 will be approximately \$750,000 to include payroll, legal and accounting services and other general and other expenses necessary to conduct our operations.

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.

On April 9, 2014 we issued 25,000 shares of our restricted common stock, at \$0.40 per share, to a director for services.

On April 28, 2014, we entered into a consulting agreement with a third party for professional consulting, strategic planning and business development services for a one year term in exchange for \$48,000 of restricted common stock at \$0.235 per share to be issued per quarter, and a cash fee of \$9,000 per quarter. We issued 203,960 of these shares on May 14, 2014. On July 8, 2014 and on October 23, 2014, we issued an additional 203,960 shares, respectively, of restricted common stock valued at \$48,000.

On June 24, 2014, we issued 25,000 shares of our restricted common stock, at \$0.35 per share, to a consultant for services.

On July 8, 2014 we issued 100,000 shares of our restricted common stock, at \$0.20 per share, to a consultant for services valued at \$20,000.

## **Results of Operations**

### Nine months ended December 31, 2014 and 2013

We had no operating revenues for the nine months ended December 31, 2014 and 2013. We are not currently profitable. As a result of ongoing operating losses, we had an accumulated deficit of approximately \$2,338,000 as of December 31, 2014.

Our general and administrative expenses for the nine months ended December 31, 2014 were approximately \$656,000. This amount includes non-cash stock compensation expenses of approximately \$218,000 of stock compensation for consultants and one of our executive officers. The remaining general and administrative expenditures totaling approximately \$438,000 were primarily for legal, accounting & professional fees, investor relations and other general and administrative expenses necessary for our operations.

Our general and administrative expenses for the nine months ended December 31, 2013 were approximately \$487,000. This amount includes non-cash stock compensation expenses of approximately \$156,000 of stock compensation for consultants and one of our executive officers. The remaining general and administrative expenditures totaling approximately \$331,000 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, 2014 totaling approximately \$683,000 and a net loss for the nine months ended December 31, 2014 totaling approximately \$707,000. We accrued interest on notes payable totaling approximately \$23,000 for the nine months ended December 31, 2014.

Three months ended December 31, 2014 and 2013

We had no operating revenues for the three months ended December 31, 2014 and 2013.

Our general and administrative expenses for the three months ended December 31, 2014 were approximately \$179,000. This amount includes non-cash stock compensation expenses of approximately \$48,000 of stock compensation for consultants and one of our executive officers. The remaining general and administrative expenditures totaling approximately \$131,000 were primarily for legal, accounting & professional fees, investor relations and other general and administrative expenses necessary for our operations.

Our general and administrative expenses for the three months ended December 31, 2013 were approximately \$114,000. This amount includes non-cash stock compensation expenses of approximately \$19,000 of stock compensation for consultants and one of our executive officers. The remaining general and administrative expenditures totaling approximately \$95,000 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 three months ended December 31, 2014 of approximately \$181,000 and approximately \$124,000 for the three months ended December 31, 2013. We had net losses for the three months ended December 31, 2014 of approximately \$189,000 and approximately \$132,000 for the three months ended December 31, 2013. We accrued interest on notes payable totaling approximately \$7,800 for the three months ended December 31, 2014 and for the three months ended December 31, 2013.

### **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.

### **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 have 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, 2014 as filed with the Commission on June 30, 2014.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

The following table describes all securities we issued during the period covered by this report without registering the securities under the Securities Act.

				<b>Proceeds</b>		<b>Exemption</b>
<b>Date</b>	<b>Description</b>	<b>Number</b>	<b>Purchaser</b>	<b>(\$)</b>	<b>Consideration</b>	<b>(A)</b>
April 2014	Common Stock	25,000	Director	-	Services	4(2)
May 2014	Common Stock	203,960	Consultant	-	Services	4(2)
June 2014	Common Stock	25,000	Consultant	-	Services	4(2)
July 2014	Common Stock	203,960	Consultant	-	Services	4(2)
July 2014	Common Stock	100,000	Consultant	-	Services	4(2)
October 2014	Common Stock	203,960	Consultant	-	Services	4(2)

(A)

With respect to sales designated by Sec. 4(2), these shares were issued pursuant to the exemption from registration contained in to Section 4(2) of the Securities Act of 1933 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 shares for investment only and not with a view toward distribution. We requested our stock transfer agent to affix appropriate legends to the stock certificate issued to each purchaser and the transfer agent affixed the appropriate legends. Each purchaser was given adequate access to sufficient information about us to make an informed investment

decision. Except as otherwise set forth in this Quarterly Report, 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 May 31, 2013, 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>
3.1 (i), (ii)	Articles and Bylaws incorporated by reference from our Registration Statement on Form 10-SB filed on February 27, 2003.
3.2	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.
3.3	Certificate of Change dated June 2, 2005 incorporated by reference from our quarterly report on Form 10-QSB filed on November 17, 2006.
3.4	Certificate of Amendment to the Articles of Incorporation incorporated by reference from our annual report on Form 10-KSB filed on July 14, 2006
3.5	Certificate of Change incorporated by reference from our annual report on Form 10-KSB filed on July 14, 2006.
3.6	Articles of Incorporation of Urex Energy Corp. incorporated by reference from our annual report on Form 10-KSB filed on July 14, 2006.
3.7	Articles of Merger incorporated by reference from our Current Report on Form 8-K filed on July 5, 2006.
3.8	Certificate of Change incorporated by reference from our Current Report on Form 8-K filed on July 5, 2006.
3.9	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.
3.10	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.
3.11	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.
16.1	Letter from PLS, CPA dated April 2, 2013 incorporated by reference from our Current Report on Form 8-K filed on April 5, 2013.
14.1	Our Code of Ethics adopted April 26, 2013 incorporated by reference from our annual report on Form 10-K filed on July 1, 2013.
31.1*	Section 302 Certification of Richard Bachman, Chief Executive Officer
31.2*	Section 302 Certification of Wm. Chris Mathers, Chief Financial Officer
32.1*	Section 906 Certification of Richard Bachman, Chief Executive Officer
32.2*	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/ Richard Bachman

By: Richard Bachman, duly authorized officer  
Chief Executive Officer and Principal Executive Officer  
Dated: February 17, 2015

/s/ Wm. Chris Mathers

By: Wm. Chris Mathers, duly authorized officer  
Chief Financial Officer and Principal Accounting Officer  
Dated: February 17, 2015