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ATHENA SILVER CORP

Form 10-Q

August 10, 2017

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2017

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

For the transition period from _____ to _____

Commission file number: 000-51808

ATHENA SILVER CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

900775276

(State or other jurisdiction of incorporation or organization) (IRS Employer Identification Number)

2010A Harbison Drive #312, Vacaville, CA

95687

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: **(707) 884-3766**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller Reporting Company ☒

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).
Emerging growth company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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On August 10, 2017, there were 36,202,320 shares of the registrant's common stock, \$0.0001 par value, outstanding.

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PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****ATHENA SILVER CORPORATION****CONSOLIDATED BALANCE SHEETS***(unaudited)*

	June 30, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash	\$ 1,208	\$ 1,582
Prepaid expenses	7,500	-
Total current assets	8,708	1,582
Mineral rights and properties - unproven	2,113,463	2,068,788
Total assets	\$ 2,122,171	\$ 2,070,370
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 21,700	\$ 16,346
Accrued liabilities – related parties	49,500	37,000
Accrued interest	7,285	5,569
Accrued interest - related parties	302,298	258,040
Deed amendment liability - short-term portion	10,000	10,000
Derivative liabilities	91,670	63,110
Convertible note payable	51,270	51,270
Note payable - related party	28,753	39,665
Convertible credit facility - related party	1,845,620	1,715,620
Total current liabilities	2,408,096	2,196,620
Deed amendment liability	110,000	120,000
Total liabilities	2,518,096	2,316,620

Commitments and contingencies

Stockholders' (deficit):

Preferred stock, \$0.0001 par value, 5,000,000 shares authorized, none outstanding	-	-
Common stock - \$0.0001 par value; 100,000,000 shares authorized, 36,202,320 issued and outstanding	3,620	3,620
Additional paid-in capital	6,602,028	6,602,028
Accumulated deficit	(7,001,573)	(6,851,898)
Total stockholders' (deficit)	(395,925)	(246,250)
Total liabilities and stockholders' (deficit)	\$ 2,122,171	\$ 2,070,370

See notes to unaudited consolidated financial statements.

ATHENA SILVER CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	Three months ending June 30,		Six months ending June 30,	
	2017	2016	2017	2016
Operating expenses:				
Exploration costs	\$281	\$163	\$761	\$163
General and administrative expenses	25,212	28,627	73,326	81,258
Total operating expenses	25,493	28,790	74,087	81,421
Operating loss	(25,493)	(28,790)	(74,087)	(81,421)
Other income (expense):				
Interest expense	(24,048)	(20,683)	(47,028)	(40,504)
Change in fair value of derivative liabilities	(28,890)	(21,750)	(28,560)	(79,900)
Total other income (expense)	(52,938)	(42,433)	(75,588)	(120,404)
Net loss	\$ (78,431)	\$ (71,223)	\$ (149,675)	\$ (201,825)
Basic and diluted net loss per common share				
Basic and diluted net loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
Basic and diluted weighted-average common shares outstanding	36,202,320	36,202,320	36,202,320	36,202,320

See notes to unaudited consolidated financial statements.

ATHENA SILVER CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Six Months Ended June 30,	
	2017	2016
Cash flows from operating activities:		
Net loss	\$ (149,675)	\$ (201,825)
Adjustments to reconcile net loss to net cash used in operating activities:		
Change in fair value of derivative liabilities	28,560	79,900
Changes in operating assets and liabilities:		
Prepaid expenses	(7,500)	(3,750)
Accounts payable	5,354	9,824
Accrued interest - related parties	44,258	38,900
Accrued liabilities and other liabilities	14,216	14,604
Net cash used in operating activities	(64,787)	(62,347)
Cash flows from investing activities:		
Acquisition of mineral rights	(44,675)	(46,020)
Net cash used in investing activities	(44,675)	(46,020)
Cash flows from financing activities:		
Proceeds on advances from related parties	4,700	5,050
Payments on advances from related parties	(4,700)	(5,050)
Borrowings from credit facility and notes payable - related parties	130,000	119,520
Payment on deed amendment liability	(10,000)	(10,000)
Payments on Note payable - related party	(10,912)	—
Net cash provided by financing activities	109,088	109,520
Net increase (decrease) in cash	(374)	1,153
Cash at beginning of period	1,582	1,055
Cash at end of period	\$1,208	\$2,208
Supplemental disclosure of cash flow information		
Cash paid for interest	\$1,054	\$—
Cash paid for income taxes	\$—	\$—

Supplemental disclosure of non-cash investing and
financing activities:

Addition of mineral rights and properties via accrued expenses	\$—	\$2,333
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See notes to unaudited consolidated financial statements.

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ATHENA SILVER CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

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

Nature of Operations

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

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

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

Basis of Presentation

We prepared these interim consolidated financial statements in accordance with accounting principles generally accepted in the United States (“GAAP”). The accompanying unaudited interim consolidated financial statements have been prepared in accordance with GAAP for interim financial information and in accordance with Article 8 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In our opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six-month periods ended June 30, 2017 are not necessarily indicative of the results for the full year. While we believe that the disclosures presented herein are adequate and not misleading, these interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the footnotes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2016.

Liquidity and Going Concern

Our interim consolidated financial statements have been prepared on a going concern basis, which assumes that we will be able to meet our obligations and continue our operations during the next fiscal year. Asset realization values may be significantly different from carrying values as shown in our consolidated financial statements and do not give effect to adjustments that would be necessary to the carrying values of assets and liabilities should we be unable to continue as a going concern.

At June 30, 2017, we had not yet achieved profitable operations and we have accumulated losses of \$7,001,573 since our inception. We expect to incur further losses in the development of our business, all of which cast substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern depends on our ability to generate future profits and/or to obtain the necessary financing to meet our obligations arising from normal business operations when they come due. Effective March

31, 2017, we amended our credit agreement with Mr. John Gibbs, a related party, to increase the borrowing limit under the convertible credit facility to \$2,000,000. The maturity date of the credit line is December 31, 2017.

We anticipate that additional funding will be in the form of additional loans from officers, directors or significant shareholders, or equity financing from the sale of our common stock. Currently, there are no arrangements in place for additional equity funding or new loans.

Note 2 – Mineral Rights and Properties

Our mineral rights and mineral properties consist of:

	June 30, 2017	December 31, 2016
Mineral properties	\$ 185,290	\$ 185,290
Mineral rights – Langtry Project	1,928,173	1,883,498
Mineral rights and properties	\$ 2,113,463	\$ 2,068,788

Mineral Properties

On August 8, 2016, we purchased 33+/- acres of land (“Section 16 Property”) for \$28,582, net of \$18 of title fees, located in San Bernardino County, California. The property is located in the Calico Mining District in the SE ¼ of the SE ¼ of Section 16; T 10 North, R 1 East. The State of California patented this land to a private party in 1935 and reserved in favor of the State one-sixteenth of all coal, oil, gas and other mineral deposits contained in the land.

In 2014, we purchased 160 acres of land (“Castle Rock”), located in the eastern Calico Mining District, San Bernardino County, California. The parcel is the SE quarter of Section 25, Township 10 North, Range 1 East and is mostly surrounded by public lands. It was purchased for \$21,023 in a property tax auction conducted on behalf of the County. The eastern part of the Calico Mining District is best known for industrial minerals and is not known to have any precious metal deposits.

In 2012, we purchased 661 acres of land (“Section 13 Property”) in fee simple for \$135,685 cash, located in San Bernardino County, California, that was sold in a property tax auction conducted on behalf of the County. The parcel is all of Section 13 located in Township 7 North, Range 4 East, San Bernardino Base & Meridian.

The Section 13 property is near the Lava Beds Mining District and has evidence of historic mining. It is adjacent to both the Silver Cliffs and Silver Bell historic mines. The property is located in the same regional geologic area known as the Western Mojave Block that includes our flagship Langtry Project. The property is approximately 28 miles southeast of our Langtry Project.

Mineral Rights

In 2010, we entered into a 20 year Mining Lease with Option to Purchase (the “Langtry Lease” or the “Lease”) granting us the exclusive right to explore, develop and conduct mining operations on a group of 20 patented mining claims consisting of approximately 413 acres that comprise our Langtry Property. Effective November 28, 2012, December 19, 2013 and January 21, 2015, we executed Amendments No. 1, 2 and 3, respectively, to the Langtry Lease modifying certain terms.

Effective March 10, 2016, we executed and delivered a new Lease/Purchase Option (“Lease/Option”) covering our flagship Langtry Property located in the Calico Mining District, San Bernardino County,

California. The Lease/Option also includes two unpatented mining claims in the Calico Mining District known as the Lilly #10 and Quad Deuce XIII (the “Langtry Unpatented Claims”), which we have previously owned and agreed to transfer to the Lessor subject to the Lease/Option. The new Lease/Option supersedes all prior agreements.

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

- The Lease/Option has a term of 20 years, and grants an exclusive right to explore, develop and purchase the Langtry property. Lease payments under the new agreement are a nominal \$1 per year, payable in advance. This amount was paid in March 2016. The lease requires us to also maintain the option to purchase in good standing as described below.
- Option payments: in order to maintain the option to purchase, we are required to pay option payments (“Option Payments”) as follows: \$40,000 year 1; the greater of \$40,000 or the spot price of 2,500 ounces of silver in years 2 through 5; the greater of \$50,000 or the spot price of 2,500 ounces of silver in years 6 through 10; the greater of \$75,000 or the spot price of 3,750 ounces of silver in years 11 through 15; and the greater of \$100,000 or the spot price of 5,000 ounces of silver in years 16 through 20. 50% of all Option Payments are credited against the purchase price should the Company exercise the purchase option.
- In Year 1, 50% of the annual option payment of \$20,000 was paid on March 15, 2016. The remaining payment of \$20,000 was paid on September 15, 2016. In March 2017 we made the required year 2 payment totaling \$44,675. In all subsequent years, the option payment shall be due March 15.
- Option Purchase Price: We have the option to purchase fee title to the Langtry Property for the full 20-year term of the Lease/Option. The purchase price is:
 - Years 1 through 3 (3-15-2016 to 3-15-2019): \$5,000,000
 - Years 4 through 5 (3-15-2019 to 3-15-2021): the greater of \$5,000,000 or the spot price of 250,000 troy ounces of silver, plus payment of the deferred rent of \$130,000;
 - Years 6 through 10 (3-15-2021 to 3-15-26): the greater of \$7,500,000 or the spot price of 375,000 troy ounces of silver, plus payment of the deferred rent of \$130,000;
 - Years 11 through 20 (3-15-2026 to 3-15-2036): the greater of \$10,000,000 or the spot price of 500,000 troy ounces of silver, plus payment of the deferred rent of \$130,000.

- During the lease term, and provided the purchase option has not been exercised, the lessor is entitled to receive a 2% NSR on silver production and a 3% to 5% royalty on other mineral production and certain other revenue streams;
 - After exercise of the purchase option, the lessor will not receive royalties on silver or other precious metals production but will receive a 5% royalty on barite production and other revenue streams.
 - Deferred rent of \$130,000 under the prior lease shall be payable upon exercise of the purchase option or upon Athena entering into a joint venture or other arrangement to develop the Langtry prospect. Accrued rent of \$20,000 under the prior lease was due and paid September 15, 2016.
 - If we are in breach of the Lease/Option, the Lessor will have the option to terminate the Lease by giving us 30 days' written notice. The Lease also provides us with the right to terminate the Lease without
-

penalty on March 15th of each year during the Lease term by giving the lessor 30 days' written notice of termination on or before February 13th of each year.

- The Langtry Property is also subject to a net smelter royalty in favor of Mobil Exploration and Producing North America Inc. from the sale of concentrates, precipitates or metals produced from ores mined from the royalty acreage. The agreement dated April 30, 1987 granted a base net smelter royalty of 3% plus an additional incremental 2% royalty on net smelter proceeds from silver sales above \$10.00 per troy ounce plus an additional incremental 2% royalty on net smelter proceeds from silver sales above \$15.00 per troy ounce.

- On May 28, 2015 we executed an amendment to the deed underlying the Langtry Lease to cap at 2% the net smelter royalty that would be due to Mobil Exploration and Producing North America Inc. ("Mobil") from any future sales of concentrates, precipitates or metals produced from ores mined from the royalty acreage. In consideration for the amendment, we agreed to pay an amendment fee of \$150,000, with \$10,000 due at the time of the agreement and the balance payable \$10,000 each June 1st until paid in full. We paid the initial \$10,000 upon execution of the amendment, \$10,000 which was due in June 2016, and \$10,000 which was due in June 2017. The next payment is due June 1, 2018. If we sell our interest in the Lease or enter into an agreement, joint venture or other agreement for the exploration and development of the Langtry Property, the amendment fee shall become due and payable immediately.

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

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

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

All commitments and obligations under our prior 2010 Lease and the 2016 Lease/Option to Purchase have been fulfilled to date. Future option payments and/or exploration and development of this property may require new equity and/or debt capital. In addition, as of June 30, 2017 all regulatory obligations due or accrued regarding our mineral rights had been paid, and all our claims remain in good standing.

Note 3 - Fair Value of Financial Instruments

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

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

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

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

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

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

	Carrying Value at June 30, 2017	Fair Value Measurement at June 30, 2017		
		Level 1	Level 2	Level 3
Derivative liability – Convertible note payable	\$ 91,670	\$ -	\$ -	\$ 91,670

	Carrying Value at December 31, 2016	Fair Value Measurement at December 31, 2016		
		Level 1	Level 2	Level 3
Derivative liability - Warrants	\$ 1,130	\$ -	\$ -	\$ 1,130
Derivative liability – Convertible note payable	\$ 61,980	\$ -	\$ -	\$ 61,980

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

Balance, December 31, 2016	\$63,110
Total gains, (unrealized, realized) included in net loss	28,560
Balance, June 30, 2017	\$91,670

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

Note 4 – Derivative Liabilities and Note Payable

Warrants:

Effective February 7, 2012, and pursuant to an Advisor Agreement with GVC Capital, LLC dated January 30, 2012, we sold and issued warrants exercisable to purchase an aggregate of 143,000 common shares at an exercise price of \$0.25 per share at any time within five years of the date of their issuance in consideration of \$100 cash and investor relation services with a fair value of \$35,793. The warrants had anti-dilution provisions, including a provision for adjustments to the exercise price and to the number of warrant shares purchasable if we issue or sell common shares at a price less than the then current exercise price. None of the warrants were exercised and expired February 7, 2017.

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

The change in fair value of our derivative warrant liability for the six months ended June 30, 2017 is as follows:

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Balance, December 31, 2016	1,130
Total gain recognized upon expiration of warrants	(1,130)
Balance, June 30, 2017	\$—

We estimated the fair value of our derivative warrants on the date of issuance and each subsequent balance sheet date using the Black-Scholes option pricing model, which included assumptions for expected dividends, expected share price volatility, risk-free interest rate, and expected life of the warrants. Our expected volatility assumptions were based on our historical weekly closing price of our stock over a period equivalent to the expected remaining life of the derivative warrants.

The following table summarizes the assumptions used to value our derivative warrants at December 31, 2016:

Fair value assumptions – derivative warrants: December 31, 2016

Risk free interest rate	0.51 %
Expected term (years)	0.1
Expected volatility	269 %
Expected dividends	0 %

Convertible Note Payable:

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

The Note contains certain anti-dilution provisions that would reduce the conversion price should the Company issue common stock equivalents at a price less than the Note conversion price. Accordingly, the conversion features of the Note are considered a discount to the Note. However, since the Note is payable upon demand by the note holder, the value of the discount is considered interest expense at the time of its inception. The Note is evaluated quarterly, and

upon any quarterly valuations in which the value of the conversion option changes we recognize a gain or loss due to a decrease or increase in the fair value of the derivative liability, respectively.

The change in fair value of our derivative liability – convertible note payable for the six months ended June 30, 2017 is as follows:

Balance, December 31, 2016	61,980
Total losses, (unrealized, realized) included in net loss	29,690
Balance, June 30, 2017	\$91,670

We estimate the fair value of this derivative at inception and at each balance sheet date until such time the Note is paid or converted using the Black-Scholes option pricing model, which includes assumptions for

expected dividends, expected share price volatility, risk-free interest rate, and expected life of the Note. Our expected volatility assumption is based on our historical weekly closing price of our stock over a period equivalent to the expected remaining life of the Note.

The following table summarizes the assumptions used to value the derivative liability at June 30, 2017:

Fair value assumptions – derivative:	June 30, 2017
Risk free interest rate	1.24 %
Expected term (years)	1.0
Expected volatility	183 %
Expected dividends	0 %

The following table summarizes the assumptions used to value the derivative liability at December 31, 2016:

Fair value assumptions – derivative:	December 31, 2016
Risk free interest rate	0.85 %
Expected term (years)	1.0
Expected volatility	259 %
Expected dividends	0 %

Accrued interest totaled \$7,285 and \$5,569 at June 30, 2017 and December 31, 2016, respectively, and is included in Accrued interest on the accompanying consolidated balance sheets.

Note 5 – Credit Agreement and Notes Payable – Related Parties

Convertible Credit Facility – Related Party

Effective July 18, 2012, we entered into a Credit Agreement with Mr. Gibbs, a significant shareholder, providing us with an unsecured credit facility in the maximum amount of \$1,000,000. The aggregate principal amount borrowed, together with interest at the rate of 5% per annum, is convertible, at the option of the lender, into common shares at a conversion price of \$0.50 per share. Since its inception we have amended the credit agreement several times to either increase the borrowing limit and/or extend the maturity date. An amendment effective October 13, 2016 extended the maturity date to December 31, 2017, and effective March 31, 2017 we amended the credit agreement to increase the

borrowing limit under the line of credit to \$2,000,000. All other provisions under the agreement have remained unchanged. The Company evaluated the convertible line of credit for derivative and beneficial feature conversion and concluded that there is no beneficial conversion since the conversion price at inception was greater than the market value of shares that would be issued upon conversion. Likewise, derivative accounting did not apply to the embedded conversion option.

The credit facility also contains customary representations and warranties (including those relating to organization and authorization, compliance with laws, payment of taxes and other obligations, absence of defaults, material agreements and litigation) and customary events of default (including those relating to monetary defaults, covenant defaults, cross defaults and bankruptcy events).

Total principal amounts owed under the credit facility notes payable were \$1,845,620 and \$1,715,620 at June 30, 2017 and December 31, 2016, respectively. Borrowings under our convertible note payable to Mr. Gibbs were \$130,000 and \$119,520 for the six months ended June 30, 2017 and 2016, respectively, and were generally used to pay certain mining lease obligations as well as operating expenses. No principal or interest payments have made to Mr. Gibbs since the inception of the convertible credit facility. As of June 30, 2017 there remained \$154,380 of credit available for future borrowings.

Total accrued interest on the notes payable to Mr. Gibbs was \$302,196 and \$257,916 at June 30, 2017 and December 31, 2016, respectively, and are included in Accrued interest - related parties on the accompanying consolidated balance sheets.

Note Payable – Related Party

On September 12, 2016 we executed a Note Payable (“Note”) with Mr. John Power, the Company’s President and Chief Executive Officer in the amount of \$45,000. The Note accrues interest at 6% per year, and matures on September 12, 2018. The Note requires monthly principal and interest payments of \$1,994 beginning on October 12, 2016. During the six months ended June 30, 2017 a total of \$10,912 of regularly scheduled principal payments were made. At June 30, 2017 and December 31, 2016 the Note balance was \$28,753 and \$39,665, respectively. A total of \$102 of interest had accrued since the last payment and is included in Accrued interest – related parties on the accompanying consolidated balance sheets.

Interest Expense – Related Parties

Total related party interest expense was \$45,312 and \$38,900 for the six months ended June 30, 2017 and 2016, respectively. Total related party interest expense was \$23,173 and \$19,881 for the three months ended June 30, 2017 and 2016, respectively.

Note 6 - Commitments and Contingencies

We are subject to various commitments and contingencies under the Langtry Lease/Option to Purchase as discussed in Note 2 – Mining Rights and Properties.

Note 7 - Share-based Compensation

2004 Equity Incentive Plan

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

	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2015	750,000	\$ 0.29
Options expired	(150,000)	\$ 0.43
Outstanding at December 31, 2016	600,000	\$ 0.29
Options granted or expired	-	-
Outstanding at June 30, 2017	600,000	\$ 0.26

All outstanding options at both June 30, 2017 and December 31, 2016 represent options issued outside the 2004 Equity Incentive Plan.

The weighted average contractual life of all outstanding options at June 30, 2017 was 0.77 years. No share based compensation expense was recorded for either the three or six months ended June 30, 2017 or 2016.

Note 8 – Related Party Transactions

Conflicts of Interests

Magellan Gold Corporation (“Magellan”) is a company under common control. Mr. Power is a significant shareholder and director of both Athena and Magellan. Mr. Gibbs is a significant shareholder and creditor (see Note 5 – Credit Agreement and Notes Payable – Related Parties), in both Athena and Magellan. Athena and Magellan are both involved in the business of acquisition and exploration of mineral resources.

Silver Saddle Resources, LLC (“Silver Saddle”) is also a company under common control. Mr. Power and Mr. Gibbs are the owners and managing members of Silver Saddle. Athena and Silver Saddle are both involved in the business of acquisition and exploration of mineral resources.

There exists no arrangement or understanding with respect to the resolution of future conflicts of interest. The existence of common ownership and common management could result in significantly different operating results or financial position from those that could have resulted had Athena, Magellan and Silver Saddle been autonomous.

Management and Director Fees – Related Parties

The Company is subject to a month-to-month management agreement with Mr. Power requiring a monthly payment of \$2,500 as consideration for the day-to-day management of Athena. For each of the three and six-months ended June 30, 2017 and 2016, a total of \$7,500 and \$15,000, respectively, was recorded as management fees and are included in general and administrative expenses in the accompanying consolidated statements of operations. As of June 30, 2017 and December 31, 2016, \$37,500 and \$25,000, respectively, of management fees due to Mr. Power had not been paid and are included in accrued liabilities – related parties on the accompanying consolidated balance sheets.

The Company is subject to an agreement with a Director to pay a retainer fee of \$1,000 per month for his services. For each of the three and six months ended June 30, 2017 and 2016, a total of \$3,000 and \$6,000, respectively, was charged as director fees and is included in general and administrative expenses on the accompanying consolidated statements of operations. At both June 30, 2017 and December 31, 2016 a total of \$12,000 was unpaid and included in accrued liabilities – related parties on the accompanying consolidated balance sheets.

Accrued Interest - Related Parties

At June 30, 2017 and December 31, 2016, Accrued interest - related parties includes accrued interest payable to Mr. Gibbs in the amounts of \$302,196 and \$257,916, respectively, representing unpaid interest on the convertible credit facility. In addition, at June 30, 2017 and December 31, 2016, Accrued interest - related parties includes \$102 and \$124 of interest accrued on the installment Note payable due to Mr. Power.

Advances Payable - Related Parties

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

During the six months ended June 30, 2017, Mr. Power made short-term advances to the Company of \$4,700, all of which was repaid during the period. During the six months ended June 30, 2016, Mr. Power made short-term advances to the Company of \$5,050, all of which was repaid during the period. At both June 30, 2017 and December 31, 2016, no advances were outstanding.

The Company also utilizes credit cards owned by Mr. Power to pay various obligations when an online payment is required, the availability of cash is limited, or the timing of the payments is considered critical.

Note 9 - Subsequent Events

Subsequent to June 30, 2017 the Company borrowed an additional \$10,000 under the credit agreement from Mr. Gibbs.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We use the terms "Athena," "we," "our," and "us" to refer to Athena Silver Corporation and its consolidated subsidiary.

The following discussion and analysis provides information that management believes is relevant for an assessment and understanding of our results of operations and financial condition. This information should be read in conjunction with our audited consolidated financial statements which are included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016, and our interim unaudited condensed consolidated financial statements and notes thereto included with this report in Part I. Item 1.

Forward-Looking Statements

Some of the information presented in this Form 10-Q constitutes "forward-looking statements". These forward-looking statements include, but are not limited to, statements that include terms such as "may," "will," "intend," "anticipate," "estimate," "expect," "continue," "believe," "plan," or the like, as well as all statements that are not historical facts. Forward-looking statements are inherently subject to risks and uncertainties that could cause actual results to differ materially from current expectations. Although we believe our expectations are based on reasonable assumptions within the bounds of our knowledge of our business and operations, there can be no assurance that actual results will not differ materially from expectations.

All forward-looking statements speak only as of the date on which they are made. We undertake no obligation to update such statements to reflect events that occur or circumstances that exist after the date on which they are made.

Business Overview

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

On March 15, 2010, we entered into a Mining Lease with Option to Purchase (the "Langtry Lease" or the "Lease") which granted us a 20 year lease to develop and conduct mining operations on a 413 acre group of 20 patented mining claims located in the Calico Mining District (the "Langtry Property", or the "Property"), also with an option to purchase the Property. This Property is located at the base of the Calico Mountains northeast of Barstow, in San Bernardino County, California. We also entered into amendments #1, #2 and #3 to the lease.

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

During the first quarter of 2011, we completed a 13-hole drilling program on our Langtry Property in an effort to validate the results of an earlier drilling program undertaken by a previous owner of the Property during the 1960's and 1970's and to further define silver deposits near historic workings on the Property. During the remainder of 2011 and during the first quarter of 2012, we evaluated the results of our drilling program, performed metallurgical studies and

hired an independent firm to estimate our resources. In May 2012, our independent consultant issued a NI 43-101 report following the guidelines specified by the Canadian Council of Professional Geoscientists and included a description of the Langtry Property and location, history, geological setting, deposit types, mineralization, exploration, drilling, sampling method and approach, sample preparation, analyses and security, data verification, mineral resource and mineral reserve estimates, as well as other relevant data and information. Since the completion of these work programs on the property, we have not had the resources to do further field work and have focused on

other ways to maximize value through the renegotiation of our lease obligation into a more favorable lease/option agreement, renegotiating the net smelter royalty on the Langtry patented claims, acquiring additional mining claims adjacent to the Langtry patented claims and working with San Bernardino County to confirm our vested mining right for the Langtry patented claims held under the lease/option agreement.

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

Results of Operations:

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

Results of Operations for the Three Months Ended June 30, 2017 and 2016

A summary of our results from operations is as follows:

	Three Months Ended June 30,	
	2017	2016
Operating expenses:		
Exploration costs	\$ 281	\$ 163
General and administrative expenses	25,212	28,627
Total operating expenses	25,493	28,790
Operating loss	(25,493)	(28,790)
Total other expenses, net	(52,938)	(42,433)
Net loss	\$ (78,431)	\$ (71,223)

During the three months ended June 30, 2017, our net loss was \$78,431 as compared to a net loss of \$71,223 during the same period in 2016. The \$7,208 increase in our loss was mainly attributable to certain non-cash charges in 2017 due to changes in the values of our derivative liabilities associated with a convertible note payable, as well as increases in our related party interest expense.

Operating expenses:

During the three months ended June 30, 2017, our total operating expenses decreased \$3,297, or 11%, from \$28,790 to \$25,493 for the three months ended June 30, 2016 and 2017, respectively.

During the three months ended June 30, 2017, we incurred \$281 of exploration costs representing legal services associated with our mineral rights holdings. During the three months ended June 30, 2016, we incurred \$163 of exploration costs representing land and survey services.

Our general and administrative expenses decreased \$3,415, or 12%, from \$28,627 to \$25,212 for the three months ended June 30, 2016 and 2017, respectively. The decrease is primarily attributable to decreases in professional services fees.

Other income and expense:

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Our total other expenses were \$52,938 during the three months ended June 30, 2017, as compared to total other expenses of \$42,433 during the three months ended June 30, 2016.

For the three months ended June 30, 2017 we incurred a total of \$24,048 in interest expense which included \$22,692 in interest expense associated with our related party convertible credit facility, \$481 associated with an installment note payable with our Chief Executive Officer, as well as \$875 of interest expense associated with a convertible note payable originating in April 2015, from the conversion of certain amounts due our primary legal counsel.

For the three months ended June 30, 2016 we incurred a total of \$20,683 of interest expense comprised of \$19,881 associated with our related party convertible notes payable, as well as \$802 associated with the convertible note payable due our primary legal counsel.

In April 2015, we converted certain amounts due our primary legal counsel to a convertible note payable in the face amount of \$51,270. The Note contains certain anti-dilution provisions that would reduce the conversion price should the Company issue common stock equivalents at a price less than the Note conversion price. Accordingly, the conversion features of the Note were considered a discount to the Note at its inception of \$31,710, which was charged to interest expense in the second quarter of 2015, and the establishment of a derivative liability. The Note is evaluated quarterly, and upon any quarterly valuations in which the value of the discount changes we recognize a gain or loss due to a decrease or increase in the fair value of the derivative liability, respectively. For the three months ended June 30, 2017 and 2016 the periodic valuations resulted in \$28,890 and \$20,100 increases in the derivative liability, respectively, and a resulting charge to our results of operations as a change in the fair value of derivative liabilities.

Our common stock purchase warrants issued in 2012 expired in February 2017. Our quarterly evaluation and mark-to-market of our derivative liability associated with the common stock purchase warrants at June 30, 2016 resulted in a \$1,650 increase in the liability.

Results of Operations for the Six Months Ended June 30, 2017 and 2016

A summary of our results from operations is as follows:

	Six Months Ended June 30,	
	2017	2016
Operating expenses:		
Exploration costs	\$761	\$163
General and administrative expenses	73,326	81,258
Total operating expenses	74,087	81,421
Operating loss	(74,087)	(81,421)
Total other expenses, net	(75,588)	(120,404)
Net loss	\$ (149,675)	\$ (201,825)

During the six months ended June 30, 2017, our net loss was \$149,675 as compared to a net loss of \$201,825 during the same period in 2016. The \$52,150 decrease in our loss was mainly attributable to certain non-cash charges due to

changes in the values of our derivative liabilities associated with a convertible note payable and outstanding warrants.

Operating expenses:

During the six months ended June 30, 2017, our total operating expenses decreased \$7,334, or 9%, from \$81,421 to \$74,087 for the six months ended June 30, 2016 and 2017, respectively.

During the six months ended June 30, 2017, we incurred \$761 of exploration costs consisting of legal and survey costs associated with our mineral rights holdings. During the six months ended June 30, 2016, we incurred \$163 exploration costs consisting of minor survey expenses.

Our general and administrative expenses decreased \$7,932, or 10%, from \$81,258 to \$73,326 for the six months ended June 30, 2017 and 2016, respectively. The decrease is primarily attributable to decreases in professional services fees.

Other income and expense:

Our total other expenses were \$75,588 during the six months ended June 30, 2017, as compared to total other expenses of \$120,404 during the six months ended June 30, 2016.

For the six months ended June 30, 2017 we incurred a total of \$47,028 in interest expense which included \$44,280 in interest expense associated with our related party convertible credit facility, \$1,032 associated with an installment note payable with our Chief Executive Officer, as well as \$1,716 of interest expense associated with a convertible note payable originating in April 2015, from the conversion of certain amounts due our primary legal counsel.

For the six months ended June 30, 2016 we incurred a total of \$40,504 in interest expense which included \$38,900 in interest expense associated with our related party convertible notes payable, as well as \$1,604 of interest expense associated with a convertible note payable originating in April 2015, from the conversion of certain amounts due our primary legal counsel.

In April 2015, we converted certain amounts due our primary legal counsel to a convertible note payable in the face amount of \$51,270. The Note contains certain anti-dilution provisions that would reduce the conversion price should the Company issue common stock equivalents at a price less than the Note conversion price. Accordingly, the conversion features of the Note were considered a discount to the Note at its inception of \$31,710, which was charged to interest expense in the second quarter of 2015, and the establishment of a derivative liability. The Note is evaluated quarterly, and upon any quarterly valuations in which the value of the discount changes we recognize a gain or loss due to a decrease or increase in the fair value of the derivative liability, respectively. For the six months ended June 30, 2017 and 2016, the periodic valuations resulted in \$29,690 and \$70,470 increases in the derivative liability, respectively, and a resulting charge to our results of operations as a change in the fair value of derivative liabilities.

Our common stock purchase warrants issued in 2012 expired in February 2017, and as a result we recognized a \$1,130 gain on the expiration of those warrants. Our quarterly evaluation and mark-to-market of our derivative liability associated with these common stock purchase warrants at June 30, 2016 resulted in a \$9,430 increase in the liability.

Liquidity and Capital Resources:

Going Concern

Our interim consolidated financial statements have been prepared on a going concern basis, which assumes that we will be able to meet our obligations and continue our operations during the next fiscal year. Asset realization values may be significantly different from carrying values as shown in our consolidated financial statements and do not give effect to adjustments that would be necessary to the carrying values of assets and liabilities should we be unable to continue as a going concern.

At June 30, 2017, we had not yet achieved profitable operations and we have accumulated losses of \$7,001,573 since our inception. We expect to incur further losses in the development of our business, all of which casts substantial doubt about our ability to continue as a going concern. Our ability to continue as a going concern depends on our ability to generate future profits and/or to obtain the necessary financing to meet our obligations arising from normal business operations when they come due. Effective March 31, 2017, we amended our credit agreement with Mr. John Gibbs, a related party, to increase the borrowing limit under the convertible credit facility to \$2,000,000. The maturity date of the credit line is December 31, 2017.

We have financed our capital requirements primarily through borrowings from related parties. We expect to meet our future financing needs and working capital and capital expenditure requirements through additional borrowings and offerings of debt or equity securities, although there can be no assurance that our future financing efforts will be successful. The terms of future financing could be highly dilutive to existing shareholders. Currently, there are no arrangements in place for additional equity funding or new loans.

Liquidity

As of June 30, 2017, we had \$1,208 of cash and cash equivalents and negative working capital of \$2,399,388. This compares to cash on hand of \$1,582 and negative working capital of \$2,195,038 at December 31, 2016.

We have a Credit Agreement with a significant shareholder, as amended, which provides us with an unsecured credit facility in the maximum borrowing amount of \$2,000,000. The aggregate principal amount borrowed, together with interest at the rate of 5% per annum, is due in full on December 31, 2017, and is convertible, at the option of the lender, into common shares at a conversion price of \$0.50 per share.

The convertible credit facility also contains customary representations and warranties (including those relating to organization and authorization, compliance with laws, payment of taxes and other obligations, absence of defaults, material agreements and litigation) and customary events of default (including those relating to monetary defaults, covenant defaults, cross defaults and bankruptcy events). As of June 30, 2017 total borrowings under the Credit Agreement were \$1,845,620, leaving \$154,380 of credit available for future borrowings.

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

Cash Flows

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

	Six Months Ended June 30,	
	2017	2016
Net cash used in operating activities	\$ (64, 787)	\$ (62, 347)
Net cash used in investing activities	(44, 675)	(46, 020)

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Net cash provided by financing activities	109,088	109,520
Net (decrease) increase in cash	(374)	1,153
Cash, beginning of period	1,582	1,055
Cash, end of period	\$1,208	\$2,208

Net cash used in operating activities:

Net cash used in operating activities was \$64,787 and \$62,347 during the six months ended June 30, 2017 and 2016, respectively.

Cash used in operating activities during the six months ended June 30, 2017 is primarily attributed to our \$(149,675) net loss. During the quarter, we prepaid certain amounts related to investor relations totaling \$7,500. In addition, we realized increases in accounts payable of \$5,354, accrued interest on our notes payable of \$44,258, and other accrued liabilities of \$14,216. In addition, we recognized a non-cash gain of \$1,130 attributed to the elimination of a derivative liability associated with the expiration of common stock purchase warrants, as well as a \$29,690 non-cash charge associated with the quarterly valuation of a derivative liability associated with a convertible note payable.

Cash used in operating activities during the six months ended June 30, 2016 primarily attributed to our \$(201,825) net loss. During the period, we prepaid certain amounts related to investor relations totaling \$3,750. In addition, we realized increases in accounts payable of \$9,824, accrued interest on our related party convertible notes of \$38,900, and other accrued liabilities of \$14,604.

Net cash used in investing activities:

Cash used in investing activities was \$44,675 during the six months ended June 30, 2017 as compared to \$46,020 during the six months ended June 30, 2016.

Cash used in investing activities during the six months ended June 30, 2017 represents the annual lease payment due under the 2016 Lease/Purchase Option totaling \$44,675.

Cash used in investing activities during the six months ended June 30, 2016 totaling \$46,020 primarily represents payments due under the 2016 Lease/Purchase Option for lease rental payments due of \$20,000, payment for the purchase option of \$20,000, and \$20 representing the 20-year lease payment at \$1 per year. In addition, we paid \$6,000 due on our purchase of 15 unpatented mining claims in the Calico Mining District in San Bernardino, California from a third party. The claims are contiguous to our existing unpatented and patented claims known as the

Langtry Property. The Company agreed to pay \$10,000, payable in equal monthly installments of \$1,000 beginning on September 1, 2015. As of June 30, 2016, this obligation had been paid in full.

Net cash provided by financing activities:

Cash provided by financing activities during the six months ended June 30, 2017 was \$109,088 compared to cash provided by financing activities of \$109,520 during the same period in 2016.

For the six months ended June 30, 2017 borrowings under our convertible credit facility were \$130,000. Also, during the six months ended June 30, 2017 the Company's President had advanced a total of \$4,700, which was fully repaid during the period. We also paid \$10,000 that was due on June 1st on our deed amendment liability. The next scheduled payment of \$10,000 will be due on June 1, 2018.

Finally, we made a total of \$10,912 in regularly scheduled principal payments due on an installment note payable with the Company's President and Chief Executive.

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

Off Balance Sheet Arrangements:

We do not have and never had any off-balance sheet arrangements.

Recent Accounting Pronouncements

Recently issued Financial Accounting Standards Board Accounting Standards Codification guidance has either been implemented or is not significant to us.

Critical Accounting Policies

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

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

Mineral Rights

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

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

The net carrying value of our mineral rights represents the fair value at the time the mineral rights were acquired less accumulated depletion and any impairment losses. Proven and probable reserves have not been established for mineral rights as of June 30, 2017. No impairment loss was recognized during either

the six months ended June 30, 2017 and 2016, and mineral rights are net of \$-0- of impairment losses as of June 30, 2017.

No Proven or Probable Mineral Reserves/Exploration Stage Company

We are considered an exploration stage company under SEC criteria since we have not demonstrated the existence of proven or probable mineral reserves at any of our properties. In Industry Guide 7, the SEC defines a “reserve” as that part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Proven or probable mineral reserves are those reserves for which (a) quantity is computed and (b) the sites for inspection, sampling, and measurement are spaced so closely that the geologic character is defined and size, shape and depth of mineral content can be established (proven) or the sites are farther apart or are otherwise less adequately spaced but high enough to assume continuity between observation points (probable). Mineral Reserves cannot be considered proven or probable unless and until they are supported by a feasibility study, indicating that the mineral reserves have had the requisite geologic, technical and economic work performed and are economically and legally extractable.

We have not completed a feasibility study with regard to all or a portion of any of our properties to date. Any mineralized material discovered or extracted by us should not be considered proven or probable mineral reserves. As of June 30, 2017, none of our mineralized material met the definition of proven or probable mineral reserves. We expect to remain an exploration stage company for the foreseeable future. We will not exit the exploration stage until such time, if ever, that we demonstrate the existence of proven or probable mineral reserves that meet the guidelines under SEC Industry Guide 7.

Impairment of Long-lived Assets

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

Exploration Costs

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

Income Taxes

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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures:

Disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time period specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the CEO and CFO, as appropriate, to allow timely decisions regarding required disclosures. Our management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives.

Our management, with the participation of our CEO and CFO, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were not effective as of such date as a result of a material weakness in our internal control over financial reporting due to lack of segregation of duties, a limited corporate governance structure and insufficient formal management review processes over certain financial and accounting reports as discussed in Item 9A of our Form 10-K for the fiscal year ended December 31, 2016.

While we strive to segregate duties as much as practicable, there is an insufficient volume of transactions at this point in time to justify additional full time staff. We believe that this is typical in many exploration stage companies. We may not be able to fully remediate the material weakness until we commence mining operations at which time we would expect to hire more staff. We will continue to monitor and assess the costs and benefits of additional staffing.

Changes in Internal Control over Financial Reporting:

There were no changes in our internal control over financial reporting that occurred during the last fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

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ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in Part I, Item 1A, of our Annual Report on Form 10-K for the year ended December 31, 2016.

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

All sales of unregistered securities were reported on Form 8-K during the period.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
31	Certification Pursuant to Rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*

101.INS	XBRL Instance Document**
101.SCH	XBRL Taxonomy Extension Schema**
101.CAL	XBRL Taxonomy Extension Calculation**
101.DEF	XBRL Taxonomy Extension Definition **
101.LAB	XBRL Taxonomy Extension Labels**
101.PRE	XBRL Taxonomy Extension Presentation**

* Filed herewith

** Furnished, not filed.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**ATHENA SILVER
CORPORATION**

Dated: _____, 2017 By: */s/ John C. Power*

John C. Power
Chief Executive
Officer, President,

Chief Financial
Officer, Secretary
& Director

(Principal
Executive Officer)

(Principal
Accounting Officer)