

SILVER BULL RESOURCES, INC.
Form 10-Q
March 11, 2013

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

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED January 31, 2013.

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

FOR THE TRANSITION PERIOD FROM _____ TO _____.

Commission File Number: 001-33125

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

Nevada
State or other jurisdiction of
incorporation or organization

91-1766677
(I.R.S. Employer
Identification No.)

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

Registrant's telephone number: 604-687-5800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes R No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes R No o

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

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Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a 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

As of March 11, 2013, there were 159,072,657 shares of the Registrant's \$.01 par value Common Stock ("Common Stock"), the Registrant's only outstanding class of voting securities.

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

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	January 31, 2013 (Unaudited)	October 31, 2012 **
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$1,655,931	\$3,201,240
Restricted cash (Note 5)	12,960	12,614
Value-added tax receivable, net of allowance for uncollectible taxes of \$203,983 and \$203,835, respectively (Note 6)	783,534	940,212
Other receivables	96,365	116,251
Prepaid expenses and deposits	311,319	308,453
Total Current Assets	2,860,109	4,578,770
Office and mining equipment, net (Note 8)	673,595	709,322
Property concessions (Note 7)	8,559,175	8,526,662
Goodwill (Note 10)	18,495,031	18,495,031
Other assets	163,928	43,843
TOTAL ASSETS	\$30,751,838	\$32,353,628
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$611,469	\$500,619
Accrued liabilities and expenses	821,105	654,750
Income tax payable	11,964	8,540
Payable to AngloGold (Note 9)	512,338	490,095
Total Current Liabilities	1,956,876	1,654,004
COMMITMENTS AND CONTINGENCIES (Notes 12 and 17)		
STOCKHOLDERS' EQUITY (Notes 12, 13, 14, 15 and 19)		
Common stock, \$0.01 par value; 300,000,000 shares authorized, 136,160,157 and 136,160,157 shares issued and outstanding, respectively	1,361,601	1,361,601
Additional paid-in capital	116,377,227	116,199,819
Deficit accumulated during exploration stage	(89,024,358)	(86,920,276)
Other comprehensive income	80,492	58,480
Total Stockholders' Equity	28,794,962	30,699,624
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$30,751,838	\$32,353,628

** Derived from the audited financial statements for the year ended October 31, 2012.

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

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

	Three Months Ended January 31,		Period from November 8, 1993 (Inception) to January 31, 2013
	2013	2012	
REVENUES	\$—	\$—	\$—
EXPLORATION AND PROPERTY HOLDING COSTS			
Exploration and property holding costs	1,291,633	2,447,809	46,344,393
Depreciation and asset write-off (Note 7)	112,782	104,328	3,678,083
TOTAL EXPLORATION AND PROPERTY HOLDING COSTS	1,404,415	2,552,137	50,022,476
GENERAL AND ADMINISTRATIVE EXPENSES			
Personnel	233,472	274,913	17,066,112
Office and administrative (Note 11)	291,782	188,857	5,179,407
Professional services	141,806	175,531	8,557,268
Directors' fees	93,267	159,275	5,102,223
Provision for uncollectible value-added taxes	16,498	83,821	550,592
Depreciation	1,168	315	265,732
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	777,993	882,712	36,721,334
LOSS FROM OPERATIONS	(2,182,408)	(3,434,849)	(86,743,810)
OTHER INCOME (EXPENSES)			
Interest and investment income	3,612	3,379	1,098,934
Foreign currency transaction gain (loss)	83,885	(187,960)	(3,029,610)
Miscellaneous income	—	30,904	22,680
TOTAL OTHER INCOME (EXPENSES)	87,497	(153,677)	(1,907,996)
LOSS BEFORE INCOME TAXES	(2,094,911)	(3,588,526)	(88,651,806)
INCOME TAX EXPENSE	9,171	4,962	246,462
NET LOSS	\$(2,104,082)	\$(3,593,488)	\$(88,898,268)
OTHER COMPREHENSIVE INCOME (LOSS)			
Foreign currency translation adjustments	22,012	(159,204)	80,492
COMPREHENSIVE LOSS	\$(2,082,070)	\$(3,752,692)	\$(88,817,776)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	\$(0.02)	\$(0.03)	
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	136,160,157	126,547,167	

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

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

	Common Stock Number of Shares	Amount	Additional Paid-in Capital	Deficit Accumulated During Exploration Stage	Other Comprehensive Income	Total
Balance, October 31, 2012	136,160,157	\$ 1,361,601	\$ 116,199,819	\$ (86,920,276)	\$ 58,480	\$ 30,699,624
Stock option activity as follows:						
- stock based compensation for options issued to officers, employees, consultants and directors	—	—	177,408	—	—	177,408
Other Comprehensive Income – Foreign Currency Translation Adjustment	—	—	—	—	22,012	22,012
Net loss for the year ended January 31, 2013	—	—	—	(2,104,082)	—	(2,104,082)
Balance, January 31, 2013	136,160,157	\$ 1,361,601	\$ 116,377,227	\$ (89,024,358)	\$ 80,492	\$ 28,794,962

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

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

	Three Months Ended		Period from
	January 31,		November 8,
	2013	2012	1993
			(Inception)
			to January 31,
			2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$(2,104,082)	\$(3,593,488)	\$(88,898,268)
Adjustments to reconcile net loss to net cash used by operating activities:			
Depreciation and asset write-off	113,950	106,585	3,912,172
Provision for uncollectible value-added taxes	16,498	83,821	543,617
Noncash expenses	—	—	126,864
Foreign currency transaction (gain) loss	(78,555)	197,571	3,056,167
Common stock issued for services	—	—	1,563,574
Common stock issued for compensation and directors' fees	—	—	1,753,222
Stock options issued for compensation	177,408	352,900	10,313,147
Stock options and warrants issued for services, financing fees and directors' fees	—	—	4,769,840
(Increase) decrease in, net of merger transaction:			
Value-added tax receivable	173,220	(273,244)	(1,487,929)
Restricted cash	218	(42,345)	(17,521)
Other receivables	21,336	(38,005)	(82,529)
Prepaid expenses and deposit	(2,593)	(52,871)	(291,235)
Increase (decrease) in, net of merger transaction			
Accounts payable	106,547	341,988	388,645
Income tax payable	3,144	1,937	15,113
Accrued liabilities and expenses	148,561	(315,209)	891,264
Other liabilities	—	—	7,649
Net cash (used by) operating activities	(1,424,348)	(3,230,360)	(63,436,208)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investments	—	—	(21,609,447)
Proceeds from sale of investments	—	—	21,609,447
Cash acquired in merger with Dome Ventures	—	—	2,618,548
Equipment purchases	—	—	(3,095,062)
Proceeds from sale of equipment	—	—	461,344
Proceeds from mining concession option payment	—	—	200,000
Acquisition of property concessions	—	(20,000)	(7,351,212)
Net cash (used by) investing activities	—	(20,000)	(7,166,382)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock, net of offering costs	—	10,217,774	64,908,705
Proceeds from sales of options and warrants	—	—	949,890
Proceeds from exercise of options	—	—	188,913
Proceeds from exercise of warrants	—	—	6,350,286

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Deferred offering costs	(120,085)	94,549	(163,928)
Payable to AngloGold	(218)	74,501	465,211
Proceeds from shareholder loans	—	—	30,000
Payment of note payable	—	—	(15,783)
Net cash (used by) provided by financing activities	(120,303)	10,386,824	72,713,294
Effect of exchange rates on cash and cash equivalents	(658)	(40,080)	(454,773)
Net (decrease) increase in cash and cash equivalents	(1,545,309)	7,096,384	1,655,931
Cash and cash equivalents beginning of period	3,201,240	4,239,899	—
Cash and cash equivalents end of period	\$1,655,931	\$11,336,283	\$1,655,931

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

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

	Three months Ended January 31,		Period from November 8, 1993 (Inception) to January 31, 2013
	2013	2012	
SUPPLEMENTAL CASH FLOW DISCLOSURES:			
Income taxes paid	\$6,020	\$4,962	\$240,539
Interest paid	\$—	\$—	\$287,211
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Common stock issued in merger with Dome	\$—	\$—	\$24,840,886
Warrants issued in merger with Dome	\$—	\$—	\$1,895,252
Common stock issued for equipment	\$—	\$—	\$25,000
Common stock options issued for financing fees	\$—	\$—	\$276,000
Common stock options issued for non-cash options	\$—	\$—	\$59,947

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

NOTE 1 – ORGANIZATION, DESCRIPTION OF BUSINESS

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

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

On April 16, 2010, Metalline Mining Delaware, Inc., a wholly-owned subsidiary of the Company, was merged with and into Dome Ventures Corporation (“Dome”). As a result, Dome became a wholly-owned subsidiary of the Company. Dome’s subsidiaries include its wholly-owned subsidiaries Dome Asia Inc. and Dome International Global Inc., which are incorporated in the British Virgin Islands. Dome International Global Inc.’s subsidiaries include its wholly-owned subsidiaries incorporated in Gabon, Dome Ventures SARL Gabon, and African Resources SARL Gabon, as well as its 99.99%-owned subsidiary, Dome Minerals Nigeria Limited incorporated in Nigeria. Dome Venture SARL Gabon has a wholly-owned subsidiary Gabon Resources SARL. The Company conducts its exploration activities in Gabon, Africa through Dome Ventures SARL Gabon and African Resources SARL Gabon.

The Company’s efforts have been concentrated in expenditures related to exploration properties, principally in the Sierra Mojada Property located in Coahuila, Mexico. The Company has not determined whether the exploration properties contain ore reserves that are economically recoverable. The ultimate realization of the Company’s investment in exploration properties is dependent upon the success of future property sales, the existence of economically recoverable reserves, the ability of the Company to obtain financing or make other arrangements for development, and future profitable production. The ultimate realization of the Company’s investment in exploration properties cannot be determined at this time. Accordingly, no provision for any asset impairment that may result, in the event the Company is not successful in developing or selling these properties, has been made in the accompanying condensed consolidated financial statements except as disclosed in Note 7.

NOTE 2 – BASIS OF PRESENTATION

The Company’s unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) and applicable rules of the Securities and Exchange Commission (“SEC”) regarding interim reporting. All intercompany transactions and balances have been eliminated during consolidation. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Accordingly, these unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K/A for the year ended October 31, 2012.

The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements (except as disclosed in Note 3). In the opinion of management, these unaudited interim condensed consolidated financial statements furnished herein include all adjustments, all of which

are of a normal recurring nature, necessary for a fair statement of the results for the interim periods presented. Uncertainties with respect to estimates and assumptions are inherent in the preparation of the Company's condensed consolidated financial statements; accordingly, operating results for the three months ended January 31, 2013 are not necessary indicative of the results that may be expected for the fiscal year ending October 31, 2013.

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NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are defined in the Company's Form 10-K/A for the year ended October 31, 2012 filed on February 4, 2013, except as follows.

Recent Accounting Pronouncements Adopted in the Three Months Ended January 31, 2013

Effective November 1, 2012, the Company adopted Accounting Standards Update (“ASU”) 2011-04 “Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.” This update amended explanations of how to measure fair value to result in common fair value measurement and disclosure requirements in GAAP and International Financial Reporting Standards. The adoption of this standard had no material effect on the Company's financial position, results of operations or cash flows.

Effective November 1, 2012, the Company adopted ASU 2011-05 , “Presentation of Comprehensive Income,” to provide an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The Company chose to use the single continuous statement approach and the update had no effect on the Company's financial position, results of operations or cash flows.

Effective November 1, 2012 the Company adopted ASU 2011-08 “Intangibles – Goodwill and Other”. This new guidance on testing goodwill provides an entity the option to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If an entity determines that this is the case, it is required to perform the currently prescribed two-step goodwill impairment test to identify potential goodwill impairment and measure the amount of goodwill impairment loss to be recognized for that reporting unit (if any). If an entity determines that the fair value of a reporting unit is not less than its carrying amount, the two-step goodwill impairment test is not required. The adoption of this guidance had no material effect on the Company's financial position, results of operations or cash flows.

Recent Accounting Pronouncements