

SILVER BULL RESOURCES, INC.  
Form 10-Q  
September 11, 2015

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

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED July 31, 2015.

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

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_.

Commission File Number: 001-33125

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

Nevada 91-1766677  
State or other jurisdiction of (I.R.S. Employer  
incorporation or organization 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, including area code: 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  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 smaller reporting company:

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Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company R  
(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 o No R

As of September 11, 2015, there were 159,072,657 shares of the registrant's \$0.01 par value common stock, the registrant's only outstanding class of voting securities.

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

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## PART I – FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

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

	July 31, 2015	October 31, 2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$1,368,494	\$1,879,318
Value-added tax receivable, net of allowance for uncollectible taxes of \$102,098 and \$116,274 respectively (Note 6)	132,338	163,032
Income tax receivable	—	2,027
Other receivables	26,455	28,637
Prepaid expenses and deposits	110,635	219,717
Assets of discontinued operations held for sale (Note 4)	—	1,281,518
Total Current Assets	1,637,922	3,574,249
Office and mining equipment, net (Note 7)	316,548	363,519
Property concessions (Note 8)	5,593,263	5,563,263
Goodwill (Note 9)	18,495,031	18,495,031
<b>TOTAL ASSETS</b>	<b>\$26,042,764</b>	<b>\$27,996,062</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$120,792	\$253,419
Accrued liabilities and expenses	276,308	354,792
Income tax payable	14,467	10,000
Liabilities of discontinued operations held for sale (Note 4)	—	8,894
Total Current Liabilities	411,567	627,105
<b>COMMITMENTS AND CONTINGENCIES (Notes 1, 10 and 14)</b>		
<b>STOCKHOLDERS' EQUITY (Notes 10, 11 and 12)</b>		
Common stock, \$0.01 par value; 300,000,000 shares authorized, 159,072,657 and 159,072,657 shares issued and outstanding, respectively	1,590,726	1,590,726
Additional paid-in capital	125,013,945	124,921,150
Deficit accumulated during exploration stage	(101,192,237)	(99,301,107)
Other comprehensive income	218,763	158,188
Total Stockholders' Equity	25,631,197	27,368,957

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$26,042,764	\$27,996,062
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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 July 31,		Nine Months Ended July 31,	
	2015	2014	2015	2014
REVENUES	\$—	\$—	\$—	\$—
EXPLORATION AND PROPERTY HOLDING COSTS				
Exploration and property holding costs	240,496	300,885	651,163	1,025,545
Depreciation and asset impairment	13,479	29,524	46,060	409,812
TOTAL EXPLORATION AND PROPERTY HOLDING COSTS	253,975	330,409	697,223	1,435,357
GENERAL AND ADMINISTRATIVE EXPENSES				
Personnel	125,560	145,350	410,724	478,476
Office and administrative	103,396	106,408	387,859	410,932
Professional services	82,048	32,637	247,493	210,897
Directors' fees	48,104	47,517	154,664	163,305
Provision for (recovery of) uncollectible value-added taxes	3,217	(1,020)	9,452	18,112
Depreciation	—	717	889	2,487
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	362,325	331,609	1,211,081	1,284,209
LOSS FROM OPERATIONS	(616,300)	(662,018)	(1,908,304)	(2,719,566)
OTHER (EXPENSES) INCOME				
Interest and investment income	132	3,286	772	10,035
Foreign currency transaction loss	(16,396)	(33,031)	(102,395)	(27,654)
Miscellaneous income	—	23,236	—	67,284
TOTAL OTHER (EXPENSES) INCOME	(16,264)	(6,509)	(101,623)	49,665
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	(632,564)	(668,527)	(2,009,927)	(2,669,901)
INCOME TAX EXPENSE	1,509	6,846	6,150	17,779
LOSS FROM CONTINUING OPERATIONS	(634,073)	(675,373)	(2,016,077)	(2,687,680)
Loss from discontinued operations, net of income taxes (Note 4)	—	(77,198)	(159,277)	(411,484)
(Loss) gain on sale of assets of discontinued operations, net of income taxes (Note 4)	(1,182)	—	284,224	—
NET LOSS	\$(635,255)	\$(752,571)	\$(1,891,130)	\$(3,099,164)
OTHER COMPREHENSIVE INCOME				

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Foreign currency translation adjustments	88	21,662	53,412	19,996
Realized foreign currency translation gain on sale of assets of discontinued operations (Note 4)	—	—	7,163	—
TOTAL OTHER COMPREHENSIVE INCOME	88	21,662	60,575	19,996
COMPHENSIVE LOSS	\$(635,167 )	\$(730,909 )	\$(1,830,555 )	\$(3,079,168 )
BASIC AND DILUTED NET LOSS PER COMMON SHARE				
Loss from continuing operations	\$—	\$(0.01 )	\$(0.01 )	\$(0.02 )
Loss from discontinued operations	—	—	—	—
Net loss	\$—	\$(0.01 )	\$(0.01 )	\$(0.02 )
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
	159,072,657	159,072,657	159,072,657	159,072,657

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		Additional	Deficit	Other	
	Number of	Amount	Paid-in	Accumulated	Comprehensive	
	Shares		Capital	During	Income	Total
				Exploration		
				Stage		
Balance, October 31, 2014	159,072,657	\$ 1,590,726	\$ 124,921,150	\$(99,301,107 )	\$ 158,188	\$ 27,368,957
Stock option activity as follows:						
- Stock based compensation for options issued to officers, employees, consultants and directors	—	—	92,795	—	—	92,795
Other comprehensive income	—	—	—	—	60,575	60,575
Net loss	—	—	—	(1,891,130 )	—	(1,891,130 )
Balance, July 31, 2015	159,072,657	\$ 1,590,726	\$ 125,013,945	\$(101,192,237 )	\$ 218,763	\$ 25,631,197

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)

	Nine Months Ended July 31,	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$(1,891,130)	\$(3,099,164)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and asset impairment	50,254	611,239
Provision for uncollectible value-added taxes	9,452	18,112
Gain on sale of assets of discontinued operations (Note 4)	(284,224 )	—
Other income	—	(54,914 )
Foreign currency transaction loss	174,485	39,017
Stock options issued for compensation	92,795	145,413
Changes in operating assets and liabilities:		
Restricted cash	—	(5,937 )
Value-added tax receivable	(7,313 )	113,578
Income taxes receivable	1,822	—
Other receivables	(1,849 )	28,459
Prepaid expenses and deposit	107,508	106,412
Accounts payable	(139,531 )	(312,850 )
Accrued liabilities and expenses	(28,135 )	(46,694 )
Income tax payable	4,509	13,258
Net cash used in operating activities	(1,911,357)	(2,444,071)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Other assets	80,238	(62,772 )
Equipment purchase	—	(13,495 )
Proceeds from sale of equipment	—	101,715
Acquisition of property concessions	(30,000 )	(377,845 )
Net proceeds from sale of discontinued operations (Note 4)	1,361,701	—
Net cash provided by (used in) investing activities	1,411,939	(352,397 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net cash provided by financing activities	—	—
Effect of exchange rates on cash and cash equivalents	(18,257 )	4,671
Net decrease in cash and cash equivalents	(517,675 )	(2,791,797)
Cash and cash equivalents, beginning of period	1,886,169 *	5,251,003

Cash and cash equivalents end of period	\$1,368,494	\$2,459,206
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\*Cash and cash equivalents at October 31, 2014 included \$6,851 in assets of discontinued operations held for sale.

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 CASH FLOWS (Unaudited) (CONTINUED)

Nine Months  
Ended  
July 31,  
2015 2014

SUPPLEMENTAL CASH FLOW DISCLOSURES:

Income taxes paid	\$4,261	\$12,561
Interest paid	\$—	\$—

NON-CASH INVESTING AND FINANCING ACTIVITIES:

Property concessions capitalized and included in accrued liabilities	\$—	\$—
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The accompanying notes are an integral part of these condensed consolidated financial statements.

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NOTE 1 – ORGANIZATION, DESCRIPTION OF BUSINESS AND GOING CONCERN

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

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

On April 16, 2010, Metalline Mining Delaware, Inc., a wholly-owned subsidiary of the Company, was merged with and into Dome Ventures Corporation ("Dome"). As a result, Dome became a wholly-owned subsidiary of the Company. Dome has a wholly-owned subsidiary Dome Asia Inc. ("Dome Asia"), which is incorporated in the British Virgin Islands. Dome Asia has a wholly-owned subsidiary incorporated in Gabon, African Resources SARL Gabon ("African Resources"), as well as a 99.99%-owned subsidiary, Dome Minerals Nigeria Limited, incorporated in Nigeria. In January 2015, the Company completed the sale of its subsidiary Dome International Global Inc. ("Dome International"), including Dome International's wholly-owned subsidiary Dome Ventures SARL Gabon ("Dome Gabon"), which held the Ndjole Prospect in Gabon (Note 4).

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

Since its inception in November 1993, the Company has not generated revenue and has incurred a deficit of \$101,192,237. Accordingly, the Company has not generated cash flow from operations, and since inception the Company has relied primarily upon proceeds from private placements and registered direct offerings of the Company's equity securities and warrant exercises as the primary sources of financing to fund the Company's operations. As of July 31, 2015, the Company had working capital of \$1,226,355 and cash and cash equivalents of \$1,368,494. The Company's continuation as a going concern is dependent upon several options not limited to the following: obtaining adequate equity financing which the Company has successfully secured periodically since its inception, joint venture opportunities on the Sierra Mojada property and asset divestitures. However, there is no assurance that the Company will be successful in pursuing these options and accordingly, there is substantial doubt as to whether the Company's existing cash resources and working capital are sufficient to enable the Company to continue its operations for the next twelve months.

These consolidated financial statements have been prepared on a going concern basis and do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary in the event the Company can no longer continue as a going concern and such adjustment could be material.

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## NOTE 2 – BASIS OF PRESENTATION

The Company's unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and applicable rules of the U.S. Securities and Exchange Commission ("SEC") regarding interim reporting. All intercompany transactions and balances have been eliminated during consolidation. Certain information and note disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The condensed consolidated balance sheet at October 31, 2014 was derived from the audited consolidated financial statements. Accordingly, these unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the year ended October 31, 2014.

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, the 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 nine months ended July 31, 2015 are not necessarily indicative of the results that may be expected for the fiscal year ending October 31, 2015.

## NOTE 3 – SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are defined in the Company's Annual Report on Form 10-K for the year ended October 31, 2014 filed on January 26, 2015, except as follows.

### Recent Accounting Pronouncements Adopted in the Nine Month Period Ended July 31, 2015

Effective November 1, 2014, the Company adopted Accounting Standards Update ("ASU") 2013-11, "Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carry Forward, a Similar Tax Loss, or a Tax Credit Carry Forward Exists." The updated guidance requires an entity to net its unrecognized tax benefits against the deferred tax assets for all same jurisdiction net operating loss carry forwards, similar tax losses, or tax credit carry forwards. A gross presentation will be required only if such carry forwards are not available or would not be used by the entity to settle any additional income taxes resulting from disallowance of the uncertain tax provision. The adoption of this update did not have a material impact on the Company's financial position, results of operations or cash flows and disclosures at this time.

Effective November 1, 2014, the Company adopted ASU 2013-05, "Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment." The updated standard clarifies the applicable guidance for a parent company's accounting for the release of the cumulative translation adjustment into net income upon derecognition of certain subsidiaries or groups of assets within a foreign entity or of an investment in a foreign entity. The adoption of this update did not have a material impact on the Company's financial position, results of operations or cash flows and disclosures at this time.

### Recent Accounting Pronouncements Not Yet Adopted

In April 2015, the Financial Accounting Standards Board ("FASB") issued ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs," which requires that debt issuance costs related to a recognized debt liability be

presented as a reduction to the carrying amount of that debt liability, not as an asset. These changes become effective prospectively for the Company's fiscal year beginning November 1, 2016. The Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures at this time.

In February 2015, the FASB issued ASU 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis," which amends the consolidation requirements in Accounting Standards Codification 810. These changes become effective prospectively for the Company's fiscal year beginning November 1, 2016. The Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures at this time.

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

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." The updated guidance provides a five-step approach to be applied to all contracts with customers and requires expanded disclosures about revenue recognition. As discussed in ASU 2015-14, the update is effective for annual periods beginning after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. Early application is not permitted. The Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures at this time.

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties About an Entity's Ability To Continue as a Going Concern." ASU 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. The update provides guidance to an organization's management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that are commonly provided by organizations today in the financial statement footnotes. The amendments are effective for annual periods beginning after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. Early application is permitted. The Company has not determined the effects of this update on the Company's financial position, results of operations or cash flows and disclosures at this time.

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

#### NOTE 4 – DISCONTINUED OPERATIONS

On January 23, 2015, the Company closed the sale to BHK Mining Corp. (formerly BHK Resources, Inc.) of 100% of the issued and outstanding securities of the Company's former subsidiary, Dome International, which holds, indirectly, a 100% interest in the Ndjole concession. Under the terms of the share purchase agreement, the Company received cash consideration of \$1,500,000 and reimbursement of the Company's expenses of \$75,000 in cash. In addition, the Company incurred transaction costs of \$213,299. As a result of this transaction, the Company realized a gain on the sale of assets of discontinued operation of \$284,224, net of income taxes.

During the nine months ended July 31, 2014, the Company determined that the Ndjole concession was impaired as its carrying amount was not recoverable based on the implied fair value from the proposed sale proceeds. An impairment loss of \$187,981 was recognized.



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The following table details selected financial information included in the (income) loss from discontinued operations for the three months and nine months ended July 31, 2015 and 2014.

	For the Three Months Ended July 31,		For the Nine Months Ended July 31,	
	2015	2014	2015	2014
Exploration and property holding costs	\$—	\$51,813	\$85,542	\$190,957
Depreciation and asset impairment	—	97	3,305	198,940
Foreign currency transaction loss	—	25,288	70,430	21,587
Loss (gain) on sale of discontinued operations, net of taxes	1,182	—	(284,224)	—
Loss (income) from discontinued operations, net of income taxes	\$1,182	\$77,198	\$(124,947)	\$411,484

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

	July 31, 2015	October 31, 2014
Assets		
Cash and cash equivalents	\$ —\$6,851	
Restricted cash	— 1,417	
Value-added tax receivable	— 8,053	
Prepaid expenses and deposits	— 6,796	
Other assets	— 80,238	
Office and mining equipment, net	— 9,536	
Property concession	— 1,168,627	
Total assets of discontinued operations held for sale	\$ —\$1,281,518	
Liabilities		
Accounts payable		