

ATHENA SILVER CORP
Form 10-Q
November 18, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended September 30, 2010

**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
(State or Other Jurisdiction of)

25-1909408
(IRS Employer)

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Incorporation or Organization)

Identification No.)

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, and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

On November 17, 2010 there were 26,891,500 shares of the registrant's common stock, \$.0001 par value, outstanding.

ATHENA SILVER CORPORATION
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**

ATHENA SILVER CORPORATION
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30,	December 31,
	2010	2009
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$5,745	\$143
Accounts receivable, net	2,420	11,104
Prepaid expenses and other current assets	6,000	1,000
Assets of discontinued brewing operations		46,385
Total current assets	14,165	58,632
Mining rights	208,521	
Other assets	4,428	21,029
Total assets	\$227,114	\$79,661
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current liabilities:		
Accounts payable	\$348,205	\$350,721
Accrued liabilities	270,821	216,428
Short-term debt non-affiliates	51,610	54,507
Short-term debt related parties	461,509	509,404
Derivative contract liabilities	63,476	
Checks issued in excess of funds available	743	3,407

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Total current liabilities	1,196,364	1,134,467
Long-term debt related parties	75,000	
Total liabilities	1,271,364	1,134,467
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock, \$.0001 par value, 5,000,000 shares authorized; no shares issued and outstanding		
Common stock, \$.0001 par value, 100,000,000 shares authorized; 23,095,000 and 20,000,000 shares issued and outstanding at September 30, 2010 and December 31, 2009, respectively	2,310	2,000
Additional paid-in capital	2,853,815	2,544,625
Accumulated deficit - prior to exploration stage	(3,601,431)	(3,601,431)
Accumulated deficit - exploration stage	(298,944)	
Total stockholders' deficit	(1,044,250)	(1,054,806)
Total liabilities and stockholders' deficit	\$227,114	\$79,661

See notes to condensed consolidated financial statements.

ATHENA SILVER CORPORATION
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended		Nine Months Ended		Inception of
	September 30,		September 30,		Exploration
	2010	2009	2010	2009	Stage
					(January 1,
					2010)
					through
					September
					30,
					2010
	\$	\$	\$	\$	\$
Revenue					
Operating expenses:					
General and administrative	(52,236)	(50,599)	(194,357)	(174,323)	(194,357)
Mineral property and exploration costs	(11,027)		(85,318)		(85,318)
Total operating expenses	(63,263)	(50,599)	(279,675)	(174,323)	(279,675)
Other income (expense):					
Interest expense	(14,610)	(12,628)	(42,241)	(48,833)	(42,241)
Loan fees				(2,400)	
Amortization of deferred financing costs	(572)		(572)	(84,922)	(572)
Gain on derivative contracts	11,634		21,304		21,304
Gain on marketable securities		6,383		86,694	
Gain on forgiveness of short-term debt and accounts payable	429		2,351	26,458	2,351
Other income	1,662	512	2,699	2,109	2,699
Total other income (expense)	(1,457)	(5,733)	(16,459)	(20,894)	(16,459)

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Loss from continuing operations	(64,720)	(56,332)	(296,134)	(195,217)	(296,134)
Net income (loss) from discontinued brewing operations	3,621	(15,677)	(2,810)	14,483	(2,810)
	\$	\$			
Net loss	(61,099)	(72,009)	\$ (298,944)	\$ (180,734)	\$ (298,944)
Dividends on preferred stock				(3,582)	
Net loss attributable to common shareholders	\$ (61,099)	\$ (72,009)	\$ (298,944)	\$ (184,316)	\$ (298,944)
Basic and diluted net income (loss) per common share:					
Basic and diluted net loss per share from continuing operations	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.02)	
Basic and diluted net income (loss) per share from discontinued brewing operations	\$ 0.00	\$ (0.00)	\$ (0.00)	\$ 0.00	
Basic and diluted net loss per common share	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.02)	
Weighted average common shares outstanding basic and diluted					
	22,606,957	20,000,000	21,915,513	9,969,786	

See notes to condensed consolidated financial statements.

ATHENA SILVER CORPORATION
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS (DEFICIT)
(UNAUDITED)

	Common Stock			Accumulated Deficit Prior to Exploration Stage	Accumulated Deficit During Exploration Stage	Total Stockholders (Deficit)
	Shares	Amount	Additional Paid in Capital			
Balance at December 31, 2009	20,000,000	\$2,000	\$2,544,625	\$(3,601,431)	\$	\$(1,054,806)
Issuance of common stock for cash	2,000,000	200	199,800			200,000
Issuance of common stock for mining rights	220,000	22	21,978			22,000
Issuance of common stock for loan fees	50,000	5	4,995			5,000
Issuance of common stock in satisfaction of accounts payable	825,000	83	82,417			82,500
Net loss					(298,944)	(298,944)
Balance at September 30, 2010	23,095,000	\$ 2,310	\$ 2,853,815	\$ (3,601,431)	\$ (298,944)	\$ (1,044,250)

See notes to condensed consolidated financial statements.

ATHENA SILVER CORPORATION
(AN EXPLORATION STAGE COMPANY)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended		Inception of Exploration Stage (January 1, 2010)
	September 30,		through September 30,
	2010	2009	2010
Cash flows from operating activities:			
Net loss	\$ (298,944)	\$ (180,734)	\$ (298,944)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization expense		3,750	
Amortization of deferred financing costs	572	84,922	572
Share-based compensation expense to employees		4,126	
(Gain) on derivative contract liabilities	(21,304)		(21,304)
(Gain) on forgiveness of debt and accounts payable	(2,351)	(26,458)	(2,351)
(Gain) on marketable securities		(86,694)	
Loss (gain) on sale of assets of discontinued brewing operations	9,992	(65,464)	9,992
	(13,091)	(85,818)	(13,091)
Changes in operating assets and liabilities:			
Decrease in accounts receivable	8,684	10,642	8,684
(Increase) decrease in prepaid expenses and other	(5,000)	6,339	(5,000)
Decrease in marketable securities		144,625	
Decrease in assets of discontinued brewing operations	46,385	18,584	46,385
Increase (decrease) in accounts payable	82,335	(3,318)	82,335
Increase in accrued liabilities and other	19,231	48,138	19,231
	151,634	225,010	151,634

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Net cash used in operating activities	(160,401)	(41,542)	(160,401)
Cash flows from investing activities:			
Acquisition of mining rights	(69,241)		(69,241)
Net proceeds from fixed assets, intangibles and other	11,037	216,172	11,037
Net cash (used in) provided by investing activities	(58,204)	216,172	(58,204)
Cash flows from financing activities:			
Borrowings from short-term debt non-affiliates	2,102	1,073	2,102
Repayments of short-term debt non-affiliates	(5,000)	(43,705)	(5,000)
Borrowings from short-term debt related parties	105,962	264,821	105,962
Repayments of short-term debt related parties	(128,857)	(417,704)	(128,857)
Borrowings from long-term debt related parties	50,000		50,000
Proceeds from issuance of common stock	200,000		200,000
Net cash provided by (used in) financing activities	224,207	(195,515)	224,207
Net increase (decrease) in cash	5,602	(20,885)	5,602
Cash and cash equivalents, beginning of period	143	21,201	143
Cash and cash equivalents, end of period	\$ 5,745	\$ 316	\$ 5,745

See notes to condensed consolidated financial statements.

ATHENA SILVER CORPORATION

(AN EXPLORATION STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (cont.)

(UNAUDITED)

	Nine Months Ended September 30,		Inception of Exploration Stage (January 1, 2010) through September 30, 2010
	2010	2009	
Supplemental schedule of cash flow information:			
Cash paid for interest	1,073	12,593	
Cash paid for income taxes			
Supplemental disclosure of non-cash investing and financing activities:			
Common stock issued for mining rights	22,000		
Common stock issued for accounts payable	82,500	100,000	
Common stock issued for loan fees	5,000		
Common stock issued for short-term debt		383,819	
Common stock issued for preferred shares		225,000	
Derivative contract liability issued for mining rights	84,780		
Forgiveness of short-term debt - lines of credit		7,193	
Forgiveness of short-term debt - notes payable related parties		85,250	
Forgiveness of preferred stock dividends related parties		24,582	
Accrued and unpaid preferred stock dividends related parties		3,582	
Increase in accrued liabilities applicable to mining rights	32,500		

See notes to condensed consolidated financial statements.

ATHENA SILVER CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010
(UNAUDITED)

In this Form 10-Q, we use the terms Athena, we, our, ourselves, and us to refer to Athena Silver Corporation and its subsidiaries.

1.

Organization, Liquidity and Management's Plans:

Organization:

We were incorporated in the State of Delaware on December 23, 2003. We are now an Exploration Stage Company. Our principal business is the acquisition and exploration of mineral resources. We have not presently determined whether the properties that we lease contain mineral reserves that are economically recoverable.

Originally, we were formed to acquire substantially all of the business assets of Butte Creek Brewing Company, LLC, (Butte Creek) a California limited liability company engaged in the craft brewing business. Our acquisition of Butte Creek was completed on August 31, 2005 through our wholly-owned subsidiary Golden West Brewing Company, a California corporation (GWBC-CA). In 2008, we formed a wholly-owned subsidiary in Washington, Golden West Brewing, Inc., which was formed to make an acquisition that did not materialize. We utilized this subsidiary in 2009 and 2008 to make investments in marketable securities. In late 2008, we made a decision to discontinue our brewing operations at our Chico, California brewery. In January 2009, we closed our brewery and during the first half of 2009, we completed the sale of all of our brewery equipment. In January 2009, we formed a Delaware subsidiary of GWBC-CA, Butte Creek Brands, LLC, to which we assigned our craft beer brands. In December 2009, we made a decision, effective January 1, 2010, to completely exit the craft brewing business in order to focus exclusively on the acquisition and exploration of mineral resources. During the first half of 2010, we disposed of our remaining craft brewing business assets consisting mainly of finished beer product inventory. On June 25, 2010, we entered into an Intellectual Property Assignment Agreement with Mendocino Brewing Company, Inc. (Mendocino) and assigned all of our brands and intellectual property to Mendocino in exchange for a royalty payment ranging between \$0.50 and

\$1.00 per case and \$3.00 per barrel sold on future production from our brands. The royalty is capped at \$150,000.

In December 2009, we formed and organized a new wholly-owned subsidiary, Athena Minerals, Inc. (Athena Minerals) to take an assignment of a Sale and Purchase Agreement and Joint Escrow Instructions dated as of December 4, 2009 (the Purchase Agreement). The Purchase Agreement granted Athena Minerals an option to purchase a 413 acre group of 20 patented mining claims located in the Calico Mining District (the Langtry Property , or the Property). The Property is located at the base of the Calico Mountains northeast of Barstow, in San Bernardino County, California. The agreement also contains an option to purchase the Property. The Mining Lease with Option superseded a Purchase Agreement entered into in December 2009.

In March 2010, Athena Minerals entered into a new Mining Lease with Option to Purchase which superseded the Purchase Agreement and granted to Athena Minerals a 20 year lease to develop and conduct mining operations on the Langtry Property, also with an option to purchase the Property.

Our primary focus during 2010 will be to evaluate historical records related to the Langtry Property, acquire additional mining rights and develop a plan for the exploration, development and permitting of the Property. All annual lease payments, exploration or development efforts and permitting applications on this property will require additional capital.

We are not able to determine at this time whether the Property contains reserves that are economically recoverable.

Liquidity:

Our condensed consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. Due to our history of losses, our deficits, our substantial leverage and liquidity constraints, the satisfaction of our liabilities depends on the success of our business plan, the continued support of our stockholders, lenders, and creditors, and our ability to restructure debt obligations and obtain access to additional liquidity from debt financing and/or to raise additional capital.

There is no assurance that our initiatives to improve our liquidity and financial position will be successful. Accordingly, without this assurance, these material uncertainties create a substantial doubt that we will be able to continue as a going concern.

2.

Summary of Significant Accounting Policies:

Interim reporting:

These condensed consolidated financial statements and related notes thereto contain unaudited information as of and for the three and nine months ended September 30, 2010 and 2009. In the opinion of management, the statements include all the adjustments necessary, principally of a normal and recurring nature, to fairly present our condensed consolidated results of operations and cash flows as of and for the three and nine months ended September 30, 2010 and 2009 and financial position for the periods ended September 30, 2010 and December 31, 2009. The condensed consolidated results of operations and the condensed consolidated statements of cash flows for the nine month period ended September 30, 2010 are not necessarily indicative of the operating results or cash flows expected for the full year. The condensed consolidated financial information as of September 30, 2010 should be read in conjunction with the consolidated financial statements for the year ended December 31, 2009 contained in our Form 10-K filed on May 4, 2010.

Basis of presentation:

The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Principles of consolidation:

The condensed consolidated financial statements include our accounts and the accounts of our wholly and majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications:

Certain prior year amounts have been reclassified to conform to current year presentation. Such reclassifications had no effect on our net loss.

Use of estimates:

The preparation of financial statements in conformity with GAAP requires us to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the periods presented. We believe that the significant estimates, assumptions and judgments when

accounting for items and matters such as capitalized mining rights, depreciation, amortization, asset valuations, asset lives, allowance for bad debts for receivables, taxes, recoverability of assets, impairments, fair value of derivatives and other provisions are 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.

Mining 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, the direct costs to acquire or lease mining rights are initially capitalized as tangible assets. Direct costs include cash consideration, the fair market value of shares issued as consideration and the fair value of derivative contract instruments issued as consideration for mining rights. Mining rights include the costs associated with leasing or acquiring patented and unpatented mining claims; leasing mining rights including lease signature bonuses and lease rental payments; and options to purchase or lease properties.

If proven and probable reserves are established for a property and it has been determined that a mineral property can be economically developed, costs will be amortized over the estimated useful life of the property following the commencement of production or expensed if it is determined that the mineral property has no future economic value or the property is sold or abandoned. For mining 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. Proven and probable reserves have not been established for mining rights as of September 30, 2010. No impairment loss was recognized during the three and nine months ended September 30, 2010 and mining rights are net of \$0 of impairment losses as of September 30, 2010.

The amount capitalized represents the fair value at the time the mineral rights are acquired less accumulated amortization and any impairment losses. Some of our rights to extract minerals are contractually limited by time; however, we may have an option to purchase these rights and mining claims.

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, the costs incurred to further delineate and develop the mine are considered pre-commercial production costs and will be included in our consolidated balance sheets.

Derivative financial instruments:

Derivatives may be embedded in financial instruments (the "host instrument"). Embedded derivatives are treated as separate derivatives when the economic characteristics and risks are not clearly and closely related to those of the host instrument, the terms of the embedded derivative are similar to those of a stand-alone derivative and the combined contract is not held for trading or designated at fair value. These embedded derivatives are measured at fair value and any subsequent changes are recognized in the statement of operations. We are required to make significant estimates and assumptions when fair valuing these derivatives. See also Notes 3 and 4.

Basic and diluted net income (loss) per common share:

Basic net income (loss) per common share is based on the weighted-average number of common shares actually outstanding during each respective period ended September 30, 2010 and 2009. The calculation of diluted net income (loss) per common share adds the weighted-average number of potential common shares

outstanding to the weighted-average common shares outstanding, as calculated for basic net income (loss) per share, except for instances in which there is a net loss. Our total incremental potential common shares outstanding for the three and nine months ended September 30, 2010 were 425,000 and for the three and nine months ended September 30, 2009 were 168,478 and 1,371,073, respectively, and were comprised of outstanding stock options and potential conversion of our convertible debt into common stock. All potential common shares outstanding have been excluded from diluted net loss per common share because the impact of such inclusion would be anti-dilutive.

Recently adopted accounting pronouncements:

In May 2009, the Financial Accounting Standards Board (FASB) established general standards for accounting and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. The pronouncement required the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, whether that date represents the date the financial statements were issued or were available to be issued. In February 2010, the FASB amended this standard whereby SEC filers, like ourselves, are required by GAAP to evaluate subsequent events through the date its financial statements are issued, but are no longer required to disclose in the financial statements that we have done so or disclose the date through which subsequent events have been evaluated. The adoption of this standard did not have a material effect on our condensed consolidated financial statements.

Recently issued accounting pronouncements:

In January 2010, the FASB issued ASU No. 2010-06, Improving Disclosures about Fair Value Measurements, which amends ASC Subtopic 820-10, Fair Value Measurements and Disclosures, requiring new disclosures of significant transfers in and out of Levels 1 and 2, the reasons for the transfers, and separate reporting of purchases, sales, issuances and settlements in the roll forward of Level 3 activity. The new ASU also clarifies that fair value measurement disclosures should be provided for each class of assets and liabilities and disclosures also should be provided about valuation techniques and inputs used to measure fair value for recurring and nonrecurring fair value measurements. The disclosures are required for either Level 2 or Level 3 fair value measurements. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements which are effective for fiscal years beginning after December 15, 2010 (including interim periods within those fiscal years). We are currently evaluating the impact, if any, on our financial statements.

3.

Mining Rights and Mining Lease:

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 the Langtry Property, also with an option to purchase the Property. The Langtry Lease superseded a Purchase Agreement entered into in December 2009.

During the term of the Lease, we have the exclusive right to develop and conduct mining operations on the Property.

The Property is currently in the exploration stage. All future lease payments, exploration or development efforts and permitting applications on this property will require new equity capital or loans.

In March 2010, we paid the lessor \$50,000 in cash and issued 220,000 shares of our common stock as initial consideration for the Lease. In addition, we are obligated to issue the lessor 220,000 additional shares of our stock on March 15th 2011 as part of our first year rental payment plus additional shares of our common stock on March 15th of each year during the next five years representing two percent of any additional common or preferred shares that we may issue during this time frame (the Anti-dilution Provisions). We capitalized the \$50,000 cash payment, the estimated \$22,000 fair value of the 220,000 common shares issued, the estimated \$22,000 fair value of the obligation to issue 220,000 common shares as part of our first year rental payment and

the estimated \$62,780 fair value of the Anti-dilution Provisions as mining rights in our condensed consolidated balance sheet at September 30, 2010.

The following is a summary of the material provisions of the Langtry Lease:

-

The Lease commenced March 15, 2010, and has a term of 20 years expiring March 15, 2030.

-

Upon signing, we paid the lessor \$50,000 cash and issued the lessor 220,000 shares of our common stock.

-

One Anti-dilution Provision under the Lease requires us to issue to the lessor, on March 15th of each year 2011 through 2015, additional common shares representing 1% of any additional common or preferred shares that we may issue during each of the five annual periods ending on March 15, 2011 through March 15, 2015.

-

The Lease requires us to issue to the lessor, on March 15, 2011, 220,000 additional common shares representing 1% of our issued and outstanding common shares on the lease commencement date (the 1% Clause) as part of the first year lease rental payment in addition to the rental payments described below.

-

Another Anti-dilution provision under the Lease requires us to issue to the lessor, on March 15th of each year 2011 through 2015, additional common shares representing 1% of any additional common or preferred shares that we may issue during this time frame as lease rental payments in addition to the rental payments described below.

-

The Lease requires annual cash lease rental payments payable in arrears of \$60,000 to \$100,000 on March 15th of each year during the first five years of the Lease.

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The Lease requires annual cash lease rental payments payable in arrears of \$100,000 to \$200,000 (or the market price of 10,000 to 20,000 troy ounces of silver, whichever is higher) on March 15th of each year during the final 15 years of the Lease (i.e. 2016 through 2030).

-

The lessor is entitled to a royalty of 3% of mineral production beginning in the sixth year of the Lease.

•

We have an option to purchase the Langtry Property at any time for a purchase price of the greater of \$9.0 million or the market price of 450,000 troy ounces of silver.

•

Under the Langtry Lease we declared our intention to expend a minimum of \$2,000,000 in permitting and other preproduction costs prior to March 15, 2015. If we fail to make these expenditures we will be deemed to be in breach of the Lease and 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 15th of each year.

During the three and nine months ended September 30, 2010, we recognized \$15,000 and \$32,500, respectively, of lease rental expense under the \$60,000 first year annual cash rental requirement. Lease rental expenses are capitalized and included in mining rights in our condensed consolidated balance sheet.

The Langtry Property is also subject to a three percent (3%) 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. In addition, there is 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.

Derivatives:

Upon execution of the Langtry Lease, we evaluated the Anti-dilution Provisions and the 1% Clause included in the Lease and concluded that these obligations are embedded derivatives that need to be bifurcated for valuation purposes. These derivatives were determined to not be clearly and closely related to the host instrument. We used a fair value modeling technique to value the contractual obligations under the Anti-dilution

Provisions and recorded mining rights with a fair value of \$62,780 and corresponding derivative contract liabilities in our condensed consolidated balance sheet as of March 15, 2010, the effective date of the Lease. We used the \$0.10 fair market value of our common shares on March 15, 2010, to value the contractual obligation to issue the lessor 220,000 shares under the 1% Clause and recorded mining rights with a fair value of \$22,000 and a corresponding derivative contract liability.

We are required to fair value these derivatives at each reporting period and we determined that the derivative contract liabilities had a fair value of \$63,476 at September 30, 2010. We recorded a gain on fair value of derivative contract liabilities of \$11,634 and \$21,304 during the three and nine months ended September 30, 2010.

4.

Assets and Liabilities Measured at Fair Value:

ASC 820 Fair Value Measurements and Disclosures established a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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.

Assets and liabilities measured at fair value on a recurring basis as of September 30, 2010:

The following table presents information about our net liabilities measured at fair value on a recurring basis as of September 30, 2010, and indicates the fair value hierarchy of the valuation techniques utilized by us to determine such fair value. We did not have any liabilities measured at fair value on a recurring basis as of December 31, 2009.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Derivative contract liabilities Anti-dilution Provisions (1)	\$	\$	\$ 41,476
Derivative contract liability 1% Clause (2)			22,000
Total (1)	\$	\$	\$ 63,746

We are required to make significant estimates and assumptions when fair valuing these derivatives including probabilities of equity offerings ranging from at total of 8.1 million to 75.9 million common shares and probabilities of our future stock prices ranging from \$0.00 to \$1.90 per common share during the remaining life of the derivative contract liabilities which end on March 15, 2015. We use an internally developed fair value model run with multiple iterations to fair value these derivatives. Our embedded derivative contract liabilities are recorded in other current liabilities and the fair value adjustments for unrealized and realized gains/ losses are recorded in total other income (expense) on our condensed consolidated balance sheet and in our condensed consolidated statements of operations, respectively.

(2)

This derivative contract liability is measured using the fair value of our common stock which was estimated by our management to be \$0.10 per share at September 30, 2010.

The following is a reconciliation of the beginning and ending balances for our derivative contract liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the three and nine month periods ended September 30, 2010:

	<u>Three Months Ended</u> <u>September 30, 2010</u>	<u>Nine Months Ended</u> <u>September 30, 2010</u>
Beginning balance	\$ 75,110	\$
Issuances		84,780
Transfers		
Total unrealized gains included in earnings	<u>(11,634)</u>	<u>(21,304)</u>
Ending balance	<u>\$ 63,476</u>	<u>\$ 63,476</u>

Total unrealized gains included in earnings attributable to the change in unrealized gains or losses relating to liabilities still held at September 30, 2010 were \$11,634 and \$21,304 during the three and nine months ended September 30, 2010, respectively.

The fair values of our other financial instruments, which include cash, accounts receivable, prepaid expenses, accounts payable, accrued liabilities and short-term debt non-affiliates were estimated to be approximately their carrying value due to the immediate or short-term maturity of these financial instruments. We are unable to estimate the fair value of amounts due to related parties, including \$75,000 of long-term debt due December 31, 2011 and \$461,509 of short-term debt, without incurring excessive costs because quoted market prices are not available, we have not developed the valuation model necessary to make these estimates, and the cost of obtaining independent valuations would be excessive.

5.

Debt:*Short-term Debt*

At September 30, 2010 and December 31, 2009, our short-term debt consisted of the following:

	<u>September 30, 2010</u>	<u>December 31, 2009</u>
Lines of credit	\$ 25,524	\$ 23,421
Advances non-affiliates		5,000
Notes payable non-affiliates	<u>26,086</u>	<u>26,086</u>
Total short-term debt non-affiliates	<u>\$ 51,610</u>	<u>\$ 54,507</u>
Advances related parties	\$23,596	\$ 49,941
Notes payable related parties	<u>437,913</u>	<u>459,463</u>
Total short-term debt related parties	<u>\$ 461,509</u>	<u>\$ 509,404</u>

Long-term Debt

At September 30, 2010 and December 31, 2009, our long-term debt consisted of the following:

	<u>September 30, 2010</u>	<u>December 31, 2009</u>
Notes payable related parties	\$ 75,000	\$ -

Effective August 3, 2010, we issued an unsecured promissory note in the principal amount of \$25,000 to a significant shareholder. The promissory note bears interest at 6% per annum and is due December 31, 2011. We issued the lender 50,000 shares of our common stock with a fair value of \$5,000 as a financing fee in connection with this loan. The

financing fee was deferred and is being amortized on a straight-line basis, which approximates the effective interest method, over the life of the loan resulting in an effective interest rate of 20.1% per annum.

Effective June 30, 2010, we issued an unsecured promissory note in the principal amount of \$25,000 to John C. Power, our CEO, in satisfaction of an 8% secured promissory note with an outstanding principal balance of \$10,000 due July 31, 2009 between the Company and John C. Power and \$15,000 of non-interest bearing unsecured short-term advances payable to John C. Power. The promissory note bears interest at 6% per annum and is due December 31, 2011.

Effective June 30, 2010, we issued an unsecured promissory note in the principal amount of \$25,000 to a significant shareholder evidencing borrowings in two tranches; the first in the amount of \$17,000 on May 20, 2010, and the second in the amount of \$8,000 on June 30, 2010. The promissory note bears interest at 6% per annum beginning on the funding date of each tranche and is due December 31, 2011.

The promissory notes are reflected in long-term debt related parties in our condensed consolidated balance sheets.

Deferred Loan Fees

Deferred loan fees were \$4,428 net of \$572 in accumulated amortization and were included in other noncurrent assets on our condensed consolidated balance sheet as of September 30, 2010. Deferred loan fees were \$0 at December 31, 2009.

Deferred loan fees amortization was \$572 during the three and nine months ended September 30, 2010. During the three and nine months ended September 30, 2009, we recognized \$0 and \$84,922, respectively, of deferred loan fees amortization applicable to our convertible debentures, which were retired in June 2009. Deferred loan fees amortization is included in amortization of deferred financing costs in the condensed consolidated statements of operations.

6.

Commitments and Contingencies:

Under the Langtry Lease we declared our intention to expend a minimum of \$2,000,000 in permitting and other preproduction costs prior to March 15, 2015. If we fail to make these expenditures we will be deemed to be in breach of the Lease and 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 15th of each year.

We are involved in various claims and legal actions in the ordinary course of business. In the opinion of management, the ultimate disposition of all of these matters will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

7.

Stockholders Deficit:

Between August 20, 2010 and August 30, 2010, we issued an aggregate of 825,000 shares of common stock valued at \$0.10 per share to one related party and two non-affiliates in satisfaction of \$82,500 of accounts payable.

On August 3, 2010 we issued 50,000 shares of common stock valued at \$0.10 per share to a related party as consideration for loan fees applicable to a \$25,000 loan. See also Note 5.

On April 8, 2010 we sold 345,000 shares of common stock to two related parties, at a purchase price of \$0.10 per share in consideration for \$34,500 in cash.

Between January 29, 2010 and March 29, 2010, we completed the sale of an aggregate of 1,655,000 shares of common stock to two related parties and six non-affiliate shareholders, at a purchase price of \$0.10 per share in consideration for \$165,500 in cash.

On March 15, 2010 we issued 220,000 shares of common stock valued at \$0.10 per share in connection with our acquisition of mining rights applicable to the Langtry Property. See also Note 3.

The 220,000 shares issued on March 15, 2010 for mining rights and the 875,000 shares issued in August 2010 in satisfaction of accounts payable and a loan fees were valued at \$0.10 per share and were based on the cash sales price of our common shares during the nine months ending September 30, 2010.

8.

Related Party Transactions:

During the three and nine months ended September 30, 2010, we borrowed \$29,050 and \$95,962, respectively, and repaid \$18,850 and \$117,307, respectively, in non-interest bearing advances from/to John C. Power and an entity controlled by John C. Power.

During the three and nine months ended September 30, 2010, we borrowed \$10,000 in non-interest bearing advances from a significant shareholder.

During the three and nine months ended September 30, 2010, we repaid \$4,800 and \$11,550, respectively, of notes payable owed to entities controlled by John C. Power.

On August 3, 2010, we borrowed \$25,000 from and issued a 6% promissory note to a significant shareholder as more fully described in Note 5.

On June 30, 2010, we borrowed \$25,000 from and issued a 6% promissory note to a significant shareholder as more fully described in Note 5.

On June 30, 2010, we issued a 6% promissory note in the amount of \$25,000 to John C. Power as more fully described in Note 5.

During the three and nine months ended September 30, 2010, we incurred interest expense to related parties in the following amounts:

Interest Expense	Related Parties
Three Months Ended	Nine Months Ended September 30, 2010

September 30, 2010

Notes payable	John C. Power (1)	\$	9,195	\$	27,569
Notes payable	two significant shareholders	\$	1,774	\$	4,211
(1)					

Includes entities controlled by John C. Power

At September 30, 2010 we had accrued interest payable, included in accrued liabilities on our condensed consolidated balance sheets, to related parties in the following amounts:

**Accrued Interest Payable
Related Parties
September 30, 2010**

Notes payable	John C. Power (1)	\$	109,882
Notes payable	two significant shareholders	\$	4,211

(1)

Includes entities controlled by John C. Power

During the three and nine months ended September 30, 2010, we incurred \$22,598 and \$54,585, respectively, of legal fees to our general counsel who is a significant shareholder. During the three and nine months ended September 30, 2009 we incurred \$13,220 and \$38,543, respectively, of legal fees to our general counsel. These amounts are included in general and administrative expense in our condensed consolidated statements of operations. At September 30, 2010 and December 31, 2009, we owed our general counsel \$1,966 and \$9,881, respectively, and these amounts are included in accounts payable on our condensed consolidated balance sheets.



On August 20, 2010 we issued 625,000 shares of common stock valued at \$0.10 per share to our general counsel who is a significant shareholder in satisfaction of \$62,500 of accounts payable.

On August 3, 2010 we issued 50,000 shares of common stock valued at \$0.10 per share to a significant shareholder in satisfaction of \$5,000 of loan fees as more fully described in Note 5.

During the period January 19, 2010 through April 8, 2010, we issued 422,500 shares of our common stock at \$0.10 per share for total cash proceeds of \$42,250 to John C. Power.

During the period January 19, 2010 through April 8, 2010, we issued 1,172,500 shares of our common stock at \$0.10 per share for total cash proceeds of \$117,250 to a related party who was a significant shareholder.

9.

Discontinued Operations:

In December 2009, we made a decision, effective January 1, 2010, to completely exit the craft brewing business in order to focus exclusively on the acquisition, exploration and exploitation of mineral resources including silver producing properties.

In late 2008, we made a decision to discontinue our brewing operations at our Chico, California brewery. In January 2009, we closed our brewery and during the first half of 2009, we completed the sale of all of our brewery equipment. In 2008, we recorded a \$263,953 loss from discontinued brewery operations, including an \$82,730 impairment charge and a \$6,356 loss on the sale of brewery assets held for sale. During the first half of 2009, we completed the sale of our brewery assets and during 2009, we recorded a \$19,253 loss from discontinued operations which included a \$7,601 impairment charge and was net of a \$65,464 gain on brewery assets held for sale.

During the nine months ended September 30, 2010, we disposed our remaining craft brewing business assets, consisting of finished beer product inventory and intangible assets of \$46,385 at December 31, 2009, through our normal sales process and these assets are reflected as assets of discontinued brewing operations in our condensed consolidated balance sheet at December 31, 2009. Accordingly, the results of operations for the sale of finished beer product inventory and intangible assets are shown as discontinued operations and prior year comparative information is also restated and reflected in discontinued operations. Our exit costs associated with our decision to exit the brewing

business were insignificant.

During the three months ended September 30, 2010, we recognized net income from discontinued brewing operations of \$3,621. Our net income from discontinued brewing operations was comprised of \$4,583 of revenues and \$962 of expenses applicable to the sale of finished beer product inventory.

During the nine months ended September 30, 2010, we recognized a net loss from discontinued brewing operations of \$2,809. Our net loss from discontinued brewing operations was comprised of \$62,332 of revenues and \$55,149 of expenses applicable to the sale of finished beer product inventory and a \$9,992 loss on sale of intangible brewing assets.

During the three months ended September 30, 2009 we recognized net loss from discontinued brewing operations of \$15,677. Our net loss discontinued brewing operations included \$40,933 of revenues and \$43,766 of expenses applicable to the sale of finished beer product inventory. Our net loss from discontinued brewing operations included \$12,844 of previously reported losses from our discontinued Chico brewery operation during the three months ended September 30, 2009. Previously reported losses included \$2,678 of brewery operations expense as well as loss on sale of Chico brewery operations assets held for sale of \$10,166.

During the nine months ended September 30, 2009 we recognized net income from discontinued brewing operations of \$14,483. Our net income from discontinued brewing operations included \$156,174 of revenues and \$150,942 of expenses applicable to the sale of finished beer product inventory. Our net income

from discontinued brewing operations included \$9,251 of previously reported net income losses from our discontinued Chico brewery operation. Previously reported net income included \$5,507 of brewery operations revenue, \$61,720 of expense as well as gain on sale of Chico brewery operations assets held for sale of \$65,464.

10.

Subsequent Events:

On November 15, 2010, we issued an aggregate of 46,500 shares of common stock valued at \$0.10 per share to two non-affiliates in satisfaction of \$4,650 of accounts payable.

On November 15, 2010 we sold an aggregate of 2,750,000 shares of common stock to one affiliated investor and two non-affiliated investors, at a purchase price of \$0.10 per share in consideration for \$275,000 in cash.

On November 15, 2010 we issued 1,000,000 shares of common stock valued at \$0.10 per share in satisfaction of \$100,000 of debt owed to two affiliates of the Company.

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

In this Form 10-Q we use the terms Athena, we, our, and us to refer to Athena Silver Corporation and its subsidiaries.

Forward-Looking Information May Prove Inaccurate:

Some of the information presented in this Quarterly Report on Form 10-Q constitutes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements that include terms such as may, will, intend, anticipate, estimate, exp

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.

For additional factors that could affect the validity of our forward-looking statements, you should read the risk factors set forth in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2009 and the consolidated financial statements contained therein. The forward-looking statements included in this quarterly report are subject to additional risks and uncertainties not disclosed in this quarterly report, some of which are not known or capable of being known by us. The information contained in this quarterly report is subject to change without notice. Readers should review future reports that we file with the Securities and Exchange Commission. In light of these and other risks, uncertainties and assumptions, actual events or results may be very different from those expressed or implied in the forward-looking statements in this quarterly report or may not occur. We have no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Overview:

We were incorporated in the State of Delaware on December 23, 2003. We are now an Exploration Stage Company. Our principal business is the acquisition and exploration of mineral resources. We have not presently determined whether the properties that we lease contain mineral reserves that are economically recoverable.

Originally, we were formed to acquire substantially all of the business assets of Butte Creek Brewing Company, LLC, (Butte Creek) a California limited liability company engaged in the craft brewing business. Our acquisition of Butte Creek was completed on August 31, 2005 through our wholly-owned subsidiary Golden West Brewing Company, a California corporation (GWBC-CA). In 2008, we formed a wholly-owned subsidiary in Washington, Golden West Brewing, Inc., which was formed to make an acquisition that did not materialize. We utilized this subsidiary in 2009 and 2008 to make investments in marketable securities. In late 2008, we made a decision to discontinue our brewing operations at our Chico, California brewery. In January 2009, we closed our brewery and during the first half of 2009, we completed the sale of all of our brewery equipment. In January 2009, we formed a Delaware subsidiary of GWBC-CA, Butte Creek Brands, LLC, to which we assigned our craft beer brands. In December 2009, we made a decision, effective January 1, 2010, to completely exit the craft brewing business in order to focus exclusively on the acquisition and exploration of mineral resources. During the first half of 2010, we disposed of our remaining craft brewing business assets consisting mainly of finished beer product inventory. On June 25, 2010, we entered into an Intellectual Property Assignment Agreement with Mendocino Brewing Company, Inc. (Mendocino) and assigned all of our brands and intellectual property to Mendocino in exchange for a royalty payment ranging between \$0.50 and \$1.00 per case and \$3.00 per barrel sold on future production from our brands. The royalty is capped at \$150,000.

In December 2009, we formed and organized a new wholly-owned subsidiary, Athena Minerals, Inc. (Athena Minerals) to acquire, explore and exploit mineral resources. On March 15, 2010, Athena Minerals entered into a Mining Lease with Option to Purchase which granted to Athena Minerals 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). The Property is located at the base of the Calico Mountains northeast of Barstow, in San Bernardino County, California. The agreement also contains an option to purchase the Property. The Mining Lease with Option superseded a Purchase Agreement entered into in December 2009.

Our primary focus during 2010 will be to evaluate historical records related to the Langtry Property, acquire additional mining rights and develop a plan for the exploration, development and permitting of the Property.

We are also planning a reverse circulation drilling program consisting of at least 14 holes with depths ranging from 350 to 600 . The primary objective of the proposed program is to test historic drilling results obtained by the minerals division of Superior Oil Company.

All annual lease payments, exploration or development efforts and permitting applications on this property will require additional capital.

We are not able to determine at this time whether the Property contains reserves that are economically recoverable.

Significant Trends:

- * Working Capital Shortage. Our history of working capital deficits makes it difficult to raise capital. Our wholly-owned brewing subsidiaries owe delinquent taxes to the IRS and several federal and state agencies. We have only been able to secure loans to fund minimum working capital requirements.

- * Losses from Continuing Operations. Our history of losses from continuing operations makes it difficult to raise capital for our working capital needs.

- * **Going Concern.** Our working capital shortage and losses from continuing operations raises substantial doubts about our ability to continue as a going concern. Our audited consolidated financial statements have received going concern qualifications from our Independent Registered Public Accounting Firm.

- * **Transition to Exploration Stage Company.** On January 1, 2010, we transitioned into an Exploration Stage Company with a primary focus on the acquisition and exploration of mineral resources. Accordingly, we will be incurring expenditures for mining rights and exploration costs.

- * **Discontinued Operations.** In December 2009, we made a decision, effective January 1, 2010, to completely exit the craft brewing business in order to focus exclusively on the acquisition, exploration and exploitation of mineral resources including properties with silver ore deposits. Accordingly, revenues and expenses related to our craft brewing business are presented as discontinued operations in our results of operations.

The following discussion and analysis is for the three and nine month periods ended September 30, 2010 and 2009, and should be read in conjunction with the notes to our unaudited condensed consolidated financial statements for the same period.

Results of Operations:

For the three months ended September 30, 2010 compared to the three months ended September 30, 2009:

Operating expenses:

Total operating expenses increased \$12,644 or 25% to \$63,263 for the three months ended September 30, 2010 as compared to \$50,599 for the three months ended September 30, 2009. Components of operating expenses were:

- * **General and administrative (G&A) expenses** increased \$1,637 or 3% to \$52,236 for the three months ended September 30, 2010 compared to \$50,599 for three months ended September 30, 2009.

- * **Mineral property and exploration costs** of \$11,027 were incurred for the three months ended September 30, 2010 as compared to \$0 for the three months ended September 30, 2009 as a result of our transition to an Exploration Stage Company. Mineral property and exploration costs were composed of: \$5,156 of consulting expense, \$4,635 environmental evaluation expense and \$1,236 of other expense.

Other income (expense):

Total other expense was \$1,457 for the three months ended September 30, 2010 as compared to \$5,733 for the three months ended September 30, 2009. Components of other income (expense) were:

- * Interest expense increased \$1,982 to \$14,610 during the three months ended September 30, 2010, as compared to \$12,628 during the three months ended September 30, 2009 due to an increase in interest expense applicable to taxes payable included in accrued liabilities during the third quarter of 2010 as compared to the same period in 2009.

- * Amortization of deferred financing costs increased to \$572 during the three months ended September 30, 2010 as compared to \$0 during the three months ended September 30, 2009 as we incurred \$5,000 of amortizable deferred financing costs during the third quarter of 2010 and all 2009 deferred financing costs were fully amortized prior to the third quarter of 2009.
- * Gain on derivative contracts increased to \$11,634 during the three months ended September 30, 2010 as compared to \$0 during the three months ended September 30, 2009 as a result of mark-to-market adjustments during the third quarter 2010. We did not have any derivative contract liabilities during the same period in 2009.
- * Gain on marketable securities decreased to \$0 during the three months ended September 30, 2010 as compared to \$6,383 during the three months ended September 30, 2009 as we sold all of our marketable equity securities during 2009.
- * Other income increased \$1,150 during the three months ended September 30, 2010 to \$1,662 as compared to \$512 during the three months ended September 30, 2009 mainly as a result of \$1,062 of royalty income during the third quarter of 2010 applicable to our Intellectual Property Assignment Agreement dated June 25, 2010.

Discontinued brewing operations:

Net income from discontinued brewing operations was \$3,621 during the three months ended September 30, 2010 as compared to a net loss of \$15,677 during the three months ended September 30, 2009. Our net loss during the three months ended September 30, 2009 included a \$10,166 loss on sale of brewery assets held for sale.

For the nine months ended September 30, 2010 compared to the nine months ended September 30, 2009:

Operating expenses:

Total operating expenses increased \$105,352 or 60% to \$279,675 for the nine months ended September 30, 2010 as compared to \$174,323 for the nine months ended September 30, 2009. Components of operating expenses were:

- * General and administrative (G&A) expenses increased \$20,034 or 11% to \$194,357 for the nine months ended September 30, 2010 compared to \$174,323 for nine months ended September 30, 2009 mainly as a result of \$45,000 of one-time consulting fees incurred in 2010 associated with the restatement of our previously issued 2008 annual report and our quarterly 2009 financial statements offset by a \$22,572 decrease in rent expense and a \$2,394 net decrease in all other G&A expense.

- * Mineral property and exploration costs of \$85,318 were incurred for the nine months ended September 30, 2010 as compared to \$0 for the nine months ended September 30, 2009 as a result of our transition to an Exploration Stage Company. Mineral property and exploration costs were composed of: \$51,901 environmental evaluation expense, \$19,781 of consulting expense and \$13,636 of other expense.

Other income (expense):

Total other expense was \$16,459 for the nine months ended September 30, 2010 as compared to \$20,894 for the nine months ended September 30, 2009. Components of other income (expense) were:

*

Interest expense decreased \$6,592 to \$42,241 during the nine months ended September 30, 2010 as compared to \$48,833 during the nine months ended September 30, 2009 as a result of decreased levels of interest bearing debt during the nine months ended September 30, 2010 as compared to the same period in 2009.

- * Amortization of deferred financing costs decreased to \$572 during the nine months ended September 30, 2010 as compared to \$84,922 during the nine months ended September 30, 2009 as all 2009 deferred financing costs were fully amortized during the first half of 2009 .
- * Gain on derivative contracts increased to \$21,304 during the nine months ended September 30, 2010 as compared to \$0 during the nine months ended September 30, 2009 as a result of mark-to-market adjustments during the second and third quarters of 2010. We did not have any derivative contract liabilities during the same period in 2009.
- * Gain on marketable securities decreased to \$0 during the nine months ended September 30, 2010 as compared to \$86,694 during the nine months ended September 30, 2009 as we sold all of our marketable equity securities during 2009.

- * Gain on forgiveness of short-term debt and accounts payable decreased to \$2,351 during the nine months ended September 30, 2010 as compared to \$26,458 during the nine months ended September 30, 2009 as we did not incur forgiveness of debt during 2010. Forgiveness of accounts payable was \$2,351 during the nine months ended September 30, 2010 and we are currently evaluating different strategies to satisfy our accounts payable obligations.

- * Other income and loan fees (expense) - net increased to \$2,699 net income during the nine months ended September 30, 2010 as compared to \$291 net expense during the nine months ended September 30, 2009 mainly as a result of the absence of loan fee expense during the first nine months of 2010 as compared to \$2,400 of loan fee expense during the same period in 2009 and the recognition of \$1,562 of royalty income during the second and third quarters of 2010 applicable to our Intellectual Property Assignment Agreement dated June 25, 2010.

Discontinued brewing operations:

Net loss from discontinued brewing operations was \$2,810 during the nine months ended September 30, 2010 as compared to a net income of \$14,483 during the nine months ended September 30, 2009. Our net income during the nine months ended September 30, 2009 included a \$75,456 gain on sale of brewery assets held for sale and a net loss from the sale of finished beer product inventory and discontinued brewery operations totaling \$58,164.

Liquidity and Capital Resources:

We had working capital deficits of \$1,182,199 and \$1,075,835 at September 30, 2010 and December 31, 2009, respectively. Our total liabilities were \$1,271,634 and \$1,134,467, including debt of \$588,119 and \$563,911 at September 30, 2010 and December 31, 2009, respectively. We do not have sufficient cash on hand or available credit facilities to continue operations and are dependent upon securing loans or the sale of equity to provide adequate working capital to continue operations. There are no assurances that we will be able to secure additional capital to maintain operations.

During the nine months ended September 30, 2010 we incurred capital expenditures of \$69,241 comprised of a \$50,000 mining rights lease signature bonus and \$19,241 of other expenditures for mining rights. In addition, we capitalized \$139,280 of non-cash costs applicable to mining rights including: accrued lease rental costs of \$32,500;

the \$22,000 fair value of 220,000 common shares issued as part of mining rights lease signature bonuses; the \$22,000 fair value of our contractual obligation to issue 220,000 common shares on March 15, 2011 as part of our first year lease rental payment; and the estimated \$62,780 fair value of contractual obligations to issue the lessor common shares equal to 2% of all shares issued during the period March 15, 2010 to March 15, 2015 (excluding shares issued to the lessor). To date, we have financed our capital expenditures through the sale of equity and short and long-term borrowings primarily from related parties and through the issuance of common shares and other non-cash consideration. We expect to meet our future financing needs and working capital and capital expenditure requirements through cash on hand, 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 financings could be highly dilutive to existing shareholders.

We have no commitments, understandings or arrangements for any additional working capital other than our cash payment requirements under our cancellable lease rental obligation associated with the Langtry Lease. If we are unable to secure additional financing to cover our operating losses until break-even operations can be achieved, we may not be able to continue as a going concern.

Historical View:

Cash Used in Operating Activities

Net cash used in operating activities was \$160,401 and \$41,542 during the nine months ended September 30, 2010 and 2009, respectively.

The majority of the cash used in operating activities for the nine months ended September 30, 2010 relates to cash utilized in our on-going operations, as adjusted for non-cash items, and changes in operating assets and liabilities. The most significant adjustments to net loss to arrive at cash used in operating activities for the nine months ended September 30, 2010, were changes in operating assets and liabilities including a \$46,385 decrease in finished beer product inventory and a \$101,566 increase in accounts payable and accrued liabilities.

The most significant adjustment to net loss to arrive at cash used in operating activities for the nine months ended September 30, 2009, was a \$84,922 non-cash charge applicable to deferred financing costs amortization; a \$86,694 investing activity gain on marketable securities; a \$65,464 investing activity gain on the sale of brewery assets held for sale; a \$26,458 non-cash gain on forgiveness of debt and accounts payable; and our \$225,010 change in operating assets and liabilities during the nine months ended September 30, 2009 which was mainly comprised of a \$144,625 decrease in marketable equity securities.

Cash Used in Investing Activities

Cash used in investing activities was \$58,204 during the nine months ended September 30, 2010 as compared to cash provided by investing activities of \$216,172 during the nine months ended September 30, 2009. The uses and sources of cash were as follows:

- * Acquisition of mining rights used \$69,241 of cash during the nine months ended September 30, 2010.

- * Net proceeds from the sale of fixed assets, intangibles and other assets provided \$11,037 and \$216,172 of cash during the nine months ended September 30, 2010 and 2009, respectively.

Cash Provided by Financing Activities

Cash provided by financing activities during the nine months ended September 30, 2010 was \$224,207 compared to cash used in financing activities of \$195,515 during the nine months ended September 30, 2009. The increase between the two periods principally relates to the \$200,000 equity financing during the nine months ended September 30, 2010 where we issued 2,000,000 shares of our common stock at \$0.10 per share to a group of eight investors, including two related party investors and the \$195,515 net repayments of short-term debt during the first nine months of 2009.

Off Balance Sheet Arrangements:

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In addition to risks inherent in operations, we are exposed to the following market risks in our business:

Excluding embedded derivatives, we own (or hold) no derivative instruments or floating rate debt and do not expect to derive a material amount of our revenues from such interest bearing securities. Currently, we have no foreign operations. We hold no equity market securities, which are subject to equity market risk relative to our own equity securities.

ITEM 4. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures:

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to management, including the Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. 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 Chief Executive Officer who is also our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the design and operation of our disclosure controls and procedures were ineffective as of such date to provide assurance that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to management as appropriate to allow timely decisions regarding disclosure.

Changes in Internal Control over Financial Reporting:

As we disclosed in our Form 10-K for year ended December 31, 2009, which we filed on May 4, 2010, we determined that there was a material weakness in our internal controls over financial reporting related to the identification of and accounting for complex financial transactions including forgiveness of debt by a related party. As a result of our performing additional procedures, these related party transactions were properly accounted for in the year-end financial statements dated December 31, 2009.

During the completion of the quarter ended September 30, 2010 financial statements, we became more familiar with the accounting for complex accounting transactions. In order to remediate these material weaknesses, in April 2010, management retained a financial consultant to design, implement and improve processes and controls to ensure that (a) all material transactions are properly recorded, reviewed and approved; (b) all significant accounts are reconciled on a timely basis; (c) duties are properly segregated to the extent practicable; and, (d) complex accounting issues are properly evaluated and accounted for in accordance with GAAP. While we have implemented certain controls to address this matter in the quarter ended September 30, 2010 as described above, we do not believe that this material weakness has been remediated as of September 30, 2010. Consequently, enhanced controls are being implemented during the remainder of 2010. Despite the material weakness described above, we believe that the September 30, 2010 condensed consolidated financial statements are correct in all material respects.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None, except as previously disclosed.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in Item 1A to Part I of our Annual Report on Form 10-K for the year ended December 31, 2009.

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

The following sets forth the information required by Item 701 of Regulation S-K with respect to the unregistered sales of equity securities by Athena Silver Corporation, a Delaware corporation (the Company) completed during the period ended September 30, 2010:

1.

a.

In the quarter ended September 30, 2010, the Company issued to Clifford L. Neuman, the Company's legal counsel and significant shareholder, an aggregate of 625,000 shares of Common Stock, \$0.001 par value in satisfaction of \$62,500 in accrued and unpaid fees for legal services rendered.

b.

The securities were sold to one person, who qualified as an accredited investor within the meaning of Rule 501(a) of Regulation D under the Securities Act of 1933 as amended (the Securities Act). The Shares were issued as restricted securities under the Securities Act.

c.

The Company paid no fees or commissions in connection with the issuance of the Shares.

d.

The sale of the Securities were undertaken without registration under the Securities Act in reliance upon an exemption from the registration requirements of the Securities Act set forth in Sections 4(2) thereunder and Regulation D, rule 506 thereunder. The investor qualified as an accredited investor within the meaning of Rule 501(a). In addition, the Securities, which were taken for investment purposes and not for resale, were subject to restrictions on transfer. We did not engage in any public advertising or general solicitation in connection with this transaction, and we provided the investor with disclosure of all aspects of our business, including providing the investor with our reports filed with the Securities and Exchange Commission and other financial, business and corporate information. Based upon our investigation, we believed that the investor obtained all information regarding the Company that he requested, received answers to all questions posed and otherwise understood the risks of accepting our Securities for investment purposes.

e.

Not applicable.

f.

The proceeds received were used for general working capital.

2.

a.

In the quarter ended September 30, 2010, the Company issued to two parties an aggregate of 200,000 shares of Common Stock, \$0.001 par value in consideration of amounts owed for accounting services with a fair value of \$20,000.

b.

The shares were issued upon conversion of the debt and were issued to two persons. The shares issued upon conversion of the debt were restricted securities under the Securities Act.

c.

The Company paid no fees or commissions in connection with the issuance of the Shares.

d.

The sale of the Securities were undertaken without registration under the Securities Act in reliance upon an exemption from the registration requirements of the Securities Act set forth in Sections 4(2) thereunder and Regulation D, rule 506 thereunder. The investors each certified their financial sophistication and experience and ability to assess the risk of their investment. In addition, the Securities, which were taken for investment purposes and not for resale, were subject to restrictions on transfer. We did not engage in any public advertising or general solicitation in connection with this transaction, and we provided the investors with disclosure of all aspects of our business, including providing the investors with our reports filed with the Securities and Exchange Commission and other financial, business and corporate information. Based upon our investigation, we believed that the investors obtained all information regarding the Company that they requested, received answers to all questions posed and otherwise understood the risks of accepting our Securities for investment purposes.

e.

Not applicable.

f.

The proceeds received were used for general working capital.

3.

a.

On August 3, 2010, the Company issued an aggregate of 50,000 shares of Common Stock, \$.0001 par value in consideration of a \$5,000 financing fee in connection with a loan in the original principal amount of \$25,000.

b.

The securities were sold to one person, who qualified as an accredited investor within the meaning of Rule 501(a) of Regulation D under the Securities Act. The Shares were issued as restricted securities under the Securities Act.

c.

The Company paid no fees or commissions in connection with the issuance of the Shares.

d.

The grant of the Securities was undertaken without registration under the Securities Act in reliance upon an exemption from the registration requirements of the Securities Act set forth in Sections 4(2), 4(6) and 3(b) and Rule 506 of Regulation D thereunder. The investor qualified as an accredited investor. In addition, the Securities, which were taken for investment purposes and not for resale, were subject to restrictions on transfer. We did not engage in any public advertising or general solicitation in connection with this transaction, and we provided the investor with disclosure of all aspects of our business, including providing the investor with our reports filed with the Securities and Exchange Commission and other financial, business and corporate information. Based on our investigation, we believe that the accredited investor obtained all information regarding the Company that was requested, received to all questions posed and otherwise understood the risks of accepting our Securities for investment purposes.

e.

Not applicable.

f.

The proceeds received were used for general working capital.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None, except as previously disclosed.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None, except as previously disclosed.

ITEM 5. OTHER INFORMATION

None, except as previously disclosed.

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.*

*

Filed herewith

SIGNATURES

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

ATHENA SILVER CORPORATION

Date: November 18, 2010

By: */s/ John C. Power*

John C. Power

Chief Executive Officer, Chief Financial Officer, Principal
Accounting Officer