

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q/A

Quarterly report pursuant to sections 13 or 15(d) [amend]

Filing Date: **1997-12-18** | Period of Report: **1997-07-31**
SEC Accession No. **0000943447-97-000007**

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FILER

HERITAGE MINES LTD

CIK: **943447** | IRS No.: **841293168** | State of Incorpor.: **CO** | Fiscal Year End: **0131**
Type: **10-Q/A** | Act: **34** | File No.: **000-25798** | Film No.: **97740717**
SIC: **6770** Blank checks

Mailing Address

660 NEWPORT CENTER DR
STE 1030
NEWPORT BEACH CA 92660

Business Address

660 NEWPORT CENTER DR
STE 1030
NEWPORT BEACH CA 92660
7147608001

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

Form 10-QSB/A

(Mark One)

X : Quarterly report under section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended July 31, 1997.

__ : Transition report under section 13 or 15(d) of the Securities Exchange Act of 1934 [No Fee Required] for the transition period from _____ to _____.

Commission File No: 0-25798

HERITAGE MINES, LTD.
(Name of small business in its charter)

Colorado 84-1293168
(State or other (IRS Employer ID. No.)
jurisdiction of Incorporation)

1199 Main Avenue, Ste. 221
Durango, Colorado

(Address of Principal Office) 81301
Zip Code

Issuer's telephone number: (970) 385-0374

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

Applicable only to issuers involved in bankruptcy proceedings during the past five years

Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes
No

Applicable only to corporate issuers

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date. 6,487,172.

Transitional Small Business Disclosure

Format (Check one):

Yes _____ No X

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS AND EXHIBITS

(b) Financial statements for Heritage Mines, Ltd. as of July 31, 1997, and for the six month and nine month periods ended July 31, 1997, and for the period from inception (May 14, 1992) through July 31, 1997.

FINANCIAL STATEMENTS

(A Development Stage Company)

HERITAGE MINES, LTD.

Quarter ended July 31, 1997

HERITAGE MINES, LTD.

(A Development Stage Company)

Condensed Consolidated Balance Sheet

Condensed Consolidated Statement of Operations

Condensed Consolidated Statement of Cash Flows

Notes to Condensed Consolidated Financial Statements

HERITAGE MINES, LTD.

(A Development Stage Company)

CONDENSED CONSOLIDATED BALANCE SHEET

as of July 31, 1997

(Unaudited)

<TABLE>

<CAPTION>

July 31,
1997

<S>

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ASSETS

CURRENT ASSETS

Cash and cash equivalents	155,392
Other current assets	26,403
Total Current Assets	181,795

PROPERTY, PLANT, EQUIPMENT AND MINE DEVELOPMENT COSTS, NET OF ACCUMULATED DEPRECIATION	2,064,635
OTHER ASSETS	
Other Assets	62,549
Total other assets	62,549
Total Assets	2,308,979

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:	
Accounts payable	247,446
Accrued expenses and other liabilities	291,623
Notes payable	730,326
Total current liabilities	1,269,395
Convertible debentures payable (including \$40,000 to related parties)	210,000
Total liabilities	1,479,395
STOCKHOLDERS' EQUITY	
Preferred stock, no par value: authorized 10,000,000 shares, no shares issued and outstanding	-
Common stock, \$.0025 stated value: authorized 200,000,000 shares, issued and outstanding 6,487,172 shares	16,218
Additional paid-in capital	2,973,169
Deficit accumulated during the development stage	(2,159,803)
TOTAL STOCKHOLDERS' EQUITY	829,584

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	2,308,979
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</TABLE>

See accompanying notes to condensed consolidated financial statements.

HERITAGE MINES, LTD.
(A Development Stage Company)
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(Unaudited)
<TABLE>
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	Three Months Ended July 31 1997 <S> <C>	Three Months Ended July 31 1996 <C>
OPERATING REVENUE	-	-
OPERATING COSTS		
General and Administrative	203,916	326,009
Depreciation	13,097	18,602
Total operating costs	217,013	344,611
Loss from Operations	(217,013)	(344,611)
OTHER INCOME (EXPENSE)		
Interest expense, net	(18,075)	(2,005)
Other Expense	-	-
Total Other Income (Expense)	(18,075)	(2,005)
NET LOSS	(235,088)	(346,616)
NET LOSS PER SHARE	(0.03)	(0.03)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	7,830,792	10,195,417

</TABLE>
See accompanying notes to condensed consolidated financial statements.

HERITAGE MINES, LTD.
(A Development Stage Company)
CONSOLIDATED STATEMENT OF OPERATIONS

<TABLE>
<CAPTION>

Period

	Six Months Ended July 31 1997	Six Months Ended July 31 1996	from Inception (May 14, 1992) through July 31 1997
<S>	<C>	<C>	<C>
Operating Revenues	3,536	-	56,806
OPERATING COSTS			
General and Administrative	409,282	629,079	2,199,809
Depreciation	30,424	30,638	182,092
Total operating costs	439,706	659,717	2,381,901
Loss from Operations	(436,170)	(659,717)	(2,325,095)
OTHER INCOME (EXPENSE)			
Other Income	-	-	237,210
Interest expense, net	(35,520)	(10,555)	(71,918)
Other Expense	-	(125,000)	-
Total Other Income (Expense)	(35,520)	(135,555)	165,292
NET LOSS	(471,690)	(795,272)	(2,159,803)
NET LOSS PER SHARE	(0.05)	(0.08)	(.64)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING			
	9,158,996	10,265,000	3,343,799

</TABLE>

See accompanying notes to condensed consolidated financial statements.

HERITAGE MINES, LTD.

(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

<TABLE>

<CAPTION>

	Six Months Ended July 31 1997	Six Months Ended July 31 1996	Period from Inception (May 14, 1992) through July 31 1997
<S>	<C>	<C>	<C>

CASH FLOWS FROM
OPERATING
ACTIVITIES:

Net Loss	(471,690)	(795,272)	(2,159,803)
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Adjustments to reconcile net loss to cash used
in operating activities:

Depreciation	30,424	30,638	182,092
Stock issued for services	-	-	25,045
Stockholders' compensation contributed to capital	-	-	131,600

Changes in assets and liabilities

Other current assets	(18,149)	11,135	(26,404)
Other assets	(2,210)	-	(20,090)
Accounts payable and accrued liabilities	231,988	135,076	641,367

Net cash and cash equivalents provided (used) by operating activities	(229,637)	(618,423)	(1,226,193)
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CASH FLOWS FROM
INVESTING
ACTIVITIES:

Purchase of property and equipment	-	(88,701)	(194,798)
Mine development costs	(24,486)	(317,061)	(1,247,860)
Construction in progress	(9,034)	(46,376)	(293,006)
Deposits	-	3,000	(7,458)
Mining Claims	-	-	(20,000)

Net cash and cash equivalents provided (used) by investing activities	(33,520)	(449,138)	(1,763,122)
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CASH FLOWS FROM
FINANCING
ACTIVITIES:

Issuance of common stock for cash	125,000	550,125	869,475
Proceeds from notes payable to related parties	34,700	676,323	1,124,700
Proceeds from notes			

payable	85,000	-	746,640
Advances from related parties	-	-	294,500
Repayment of notes payable and advances	(2,229)	-	(65,608)
Proceeds from convertible debentures payable (includes related parties of \$20,000)	175,000	-	175,000
Net cash and cash equivalents provided (used) by financing activities	417,471	1,226,448	3,144,707
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	154,314	158,887	155,392
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,078	23,543	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	155,392	182,430	155,392

/TABLE

HERITAGE MINES, LTD.
(A Development Stage Company)
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING
AND FINANCING ACTIVITIES

<TABLE>
<CAPTION>

	Six Months Ended July 31 1997	Six Months Ended July 31 1996	Period from Inception (May 14, 1992) through July 31 1997
<S>	<C>	<C>	<C>
Stock issued for services	-	24,000	25,045
Stockholders' compensation contributed to capital	-	-	131,600
Equipment exchanged for mining claims	-	-	15,000
Note payable issued to related party for property and equipment	-	-	327,000
Note payable issued for			

plant and equipment	-	31,694	106,094
Notes payable converted to common stock	-	-	141,885
Stock issued for subscriptions receivable	-	-	127,500
Stock issued for equipment	-	-	92,969
Issuance of common stock in connection with reorganization	-	1,713,413	1,713,413
Notes and accounts payable exchanged for convertible debentures	35,000		35,000
Common stock exchanged for conditional notes payable	-	-	-

</TABLE>

See accompanying notes to condensed consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS:

(July 31, 1997 - Unaudited)

1. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements have been prepared in accordance with Securities and Exchange Commission requirements for interim financial statements. Therefore, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The accompanying financial statements should be read in conjunction with the company's Form 10-KSB for the year ended January 31, 1997.

The results of operations for the interim periods shown in this report are not necessarily indicative of the results to be expected for the full year. In the opinion of management, the information contained herein reflects all adjustments necessary to make the results of operations for the interim periods a fair statement of such operations. All such adjustments are of a normal recurring nature.

DEVELOPMENT STAGE

From its inception (considered to be May 14, 1992 for the purpose of these condensed consolidated financial statements), to July 31, 1997, the Company has been in the development stage. The Company has concentrated its activities to acquire, explore, claim and permit mineral properties, acquire, repair, retrofit and bring mining equipment to its intended use, develop the mineral properties to get them ready for operations and to raise capital to finance the activities described above. From inception through July 31, 1997, there have been no active mining operations, although small test runs generated

minimal revenues at the end of the 1997 fiscal year.

GOING CONCERN

The Company has incurred operating losses from inception through July 31, 1997, has an accumulated deficit of \$2,159,803, and negative working capital of \$1,087,600. During the six months ended July 31, 1997, the Company's operations used \$229,637 of cash, and the Company used \$33,520 of cash in investing activities. The Company's cash was provided from the issuance of 50,000 shares of common stock and issuance of notes and convertible debentures payable to related parties and others. Management expects that the Company's cash expenditures for the fiscal year ended January 31, 1998, will not be less than \$1,000,000. Larger expenditures may be incurred based on the Company's development project opportunities, and available cash resources from operating cash flow and/or from additional financing.

The Company is in the process of raising between \$500,000 and \$1,000,000 through a private placement of convertible debt securities, and as of July 31, 1997, total subscriptions of \$540,000 had been received of which \$210,000 had been funded. Management believes that these funds raised may allow the Company to start revenue generating operations during the current fiscal year. However, there can be no assurance additional funds will be raised or will be sufficient to support profitable operations and additional financing will be necessary. No adjustments have been made to the accompanying financial statements to provide for this uncertainty.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS AND PLAN OF OPERATION

PLAN OF OPERATIONS. The long-term goal of the Company is to become a self-sustaining medium sized precious metals exploration and mining Company with a solid foundation of credible reserves which can be developed and produced at costs which are in the lowest quartile of industry averages. In order to work toward this goal, the plan of operations of the Company for the next twelve months includes hiring additional experienced management personnel, completion of the sale of the balance of its convertible debenture offering, acquisition of interests in one or more additional mining properties, completion of a secondary financing of between \$5,000,000 and \$10,000,000 to provide funds needed for exploration and development of its properties, and reaching a sustaining level of cash flow from limited production on one or more of its properties. There is no assurance that the Company will be able to complete any of the elements of its plan.

Effective May 1, 1997, the Company hired Timothy M. Sadler as its Vice President of Operations. Mr. Sadler is a Registered Professional

Mining Engineer, as well as a graduate geologist. He has twenty five years of progressive experience in the mining industry, with particular focus on mineral project evaluation and development. In the capacity of Vice President Operations, he will be primarily responsible for exploration, feasibility determination, and operation of the Company's mineral properties.

MANAGEMENT DISCUSSION AND ANALYSIS.

As of April 28, 1997 the Company commenced a private placement offering of 15% convertible debentures intended to raise between \$500,000 and \$1,000,000 of bridge financing. As of July 31, the Company had subscriptions of \$540,000 of which \$210,000 had been received and the Company was in the process of completing necessary documentation in order to obtain the release of the offering proceeds from escrow. Although there is no assurance as to when or whether the Company will sell the remaining balance of its debenture offering, it is currently anticipated that a substantial portion of the remaining balance will be sold during the third quarter to fully subscribe the offering. The proceeds of this offering have been allocated to payment of outstanding trade payables, providing cash resources necessary to enable the Company to proceed with acquisition of certain additional properties, and working capital needed to enable the Company to hire additional key personnel, relocate its corporate office, establish needed business systems, and generally prepare itself for a secondary offering or other financing arrangements intended to provide the funds needed to explore and develop the Bowerman Project and any additional properties it may acquire. Notwithstanding the completion of the minimum level of its debenture offering, the Company will be required to raise additional funds in the next twelve months, and failure to complete additional financing as planned would raise substantial doubt about the Company's ability to continue as a going concern.

On or about May 31, 1997, the Company completed the repurchase of a total of 4,034,896 shares of its common stock from a group of its founding shareholders, thereby reducing the number of issued and outstanding shares from 10,522,068 to 6,487,172. The repurchase was completed in exchange for issuance of conditional promissory notes. The notes are convertible at any time, at the option of the Company into newly issued shares of common stock. To the extent not converted by the Company, the notes are payable at the rate of \$2.00 per share purchased for each 500,000 ounces of proven/probable gold reserves discovered on the Bowerman Project within a period of 5 years. No payments are due under the notes unless a minimum of 500,000 ounces of proven/probable gold reserves are discovered on the Bowerman Project within 5 years from the date of repurchase of the shares. No financial value was recorded on this stock repurchase because of the uncertainty as to the amount, if any, of payments that ultimately might be due on the conditional notes payable.

The purpose of the share roll-back plan was to reduce the number of currently issued and outstanding common shares of the Company in order to enhance the value of shares acquired by new investors in the Company.

The Company previously signed a letter of intent concerning acquisition of an interest in a property known as the Lelan-Dividend Project located in Yavapai County, Arizona. The Company was not able to complete its debenture offering in time to meet initial funding requirements for acquisition of a joint venture interest in this Project prior to expiration of the letter of intent. Now that minimum subscription of the debenture offering has been reached, the Company is preparing to go forward with its plans to acquire interests in the Lelan-Dividend Project as well as two other properties which it believes exhibit similar geologic potential. As of September 15, 1997, the Company has executed no letters of intent or taken other formal action with respect to such potential acquisitions.

While developing and effecting its redirection and recapitalization plans, the Company suspended operations at its Bowerman Gold Project located in Siskiyou County, California. Planning and analysis is now underway to investigate the potential for metallurgical circuit-modifications in the plant and development of a pilot stoping area in the mine which will allow for restarting production by the fourth quarter of this year.

Completion of at least a portion of the contemplated equity or additional debt financing will be required to effect plans for acquisition of interests in additional projects and to restart production at the Bowerman Project. Preliminary discussions have been held with several investment banking groups to assist with the planned financing. Management has targeted completion of this financing, as well as achievement of listing on additional exchange(s) by year end 1997 in its discussion with the investment banking houses.

This report contains various forward-looking statements that are based on the Company's beliefs as well as assumptions made by and information currently available to the Company. When used in this report, the words "believe," "expect," "anticipate," estimate and similar expressions are intended to identify forward-looking statements. Such statements may include statements regarding reserves, resources, mineralized material or deposits, mining methods, political and related matters, planned levels of exploration, and the like, and are subject to certain risks, uncertainties and assumptions which could cause actual results to differ materially from projections or estimates contained herein. Factors which could cause actual results to differ materially include, among others, unanticipated grade, geological, metallurgical, processing or other problems, conclusions of feasibility studies, changes in project parameters as plans continue to be refined, the timing of receipt of governmental permits, results of current or

planned exploration activities, environmental costs and risks, changes in the gold price, and the like. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. The Company cautions against placing undue reliance on forward-looking statements all of which speak only as of the date made.

ITEM 6 (a) - Exhibit 27: Financial Data Schedule

(b) - There have been no reports on Form 8-K for the quarter ending July 31, 1997.

Signatures

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Heritage Mines, Ltd.
(Registrant)

By: /s/ _____
Gregory B. Sparks
President, CEO and Director

Date: December 18, 1997

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