

MUSTANG GEOTHERMAL CORP
Form 10-Q
February 14, 2011

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

Form 10-Q

[(Mark One)]

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

For the quarterly period ended **December 31, 2010**

or

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

For the transition period from _____ to _____

Commission file number **000-50191**

MUSTANG GEOTHERMAL CORP.

(Exact name of registrant as specified in its charter)

UREX ENERGY CORP.

(If there is a name change, the Former Name of registrant)

Nevada

98-0201259

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

10580 N. McCarran Blvd., Building 115 208, Reno, Nevada 89503

(Address of principal executive offices) (zip code)

775.747.0667

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant 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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

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

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

30,022,128 common shares issued and outstanding as of December 31, 2010

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

It is the opinion of management that the interim financial statements for the quarter ended December 31, 2010, include all adjustments necessary in order to ensure that the interim financial statements are not misleading.

The interim financial statements are stated in United States dollars and are prepared in accordance with United States generally accepted accounting principles.

MUSTANG GEOTHERMAL CORP

Formerly UREX ENERGY CORP

(An Exploration Stage Company)

CONSOLIDATED BALANCE SHEETS

	December 31, 2010 (Unaudited)	March 31, 2010
ASSETS		
Current Assets		
Cash	\$ 6,068	\$ 73,721
Assets held for sale	-	-
Total current assets	6,068	73,721
Geothermal Leases	2,955,000	1,000,000
Property and equipment	232	929
Goodwill	1,803,532	-
Total Assets	\$ 4,764,832	\$ 1,074,650
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 415,684	\$ 268,838
Line of credit	17,676	-
Accrued interest	86,210	70,880
Due to related party	22,500	22,500
Note payable to related party	405,550	405,500
Total current liabilities	947,620	767,768

Total liabilities	947,620	767,768
Stockholders' Equity (Deficit)		
Common stock, \$0.001 par value 300,000,000 shares authorized 30,022,128 and 1,022,028 shares issued and outstanding, respectively	30,022	1,022
Additional paid-in capital	13,391,978	9,520,978
Deficit accumulated during the exploration stage	(9,604,788)	(9,215,118)
Total stockholders' equity (deficit)	3,817,212	306,882
Total Liabilities and Stockholders' Equity (Deficit)	\$ 4,764,832	\$ 1,074,650

See accompanying notes to the financial statements.

MUSTANG GEOTHERMAL CORP

Formerly UREX ENERGY CORP

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS

For the three and nine months ended December 31, 2010 and 2009 and

For the period from February 6, 2002 (Date of Inception) to December 31, 2010

	For the three months ended		For the nine months ended		For the Period from February 2, 2002 (inception) to Dec 31, 2010
	<u>Dec 31, 2010</u>	<u>Dec 31, 2009</u>	<u>Dec 31, 2010</u>	<u>Dec 31, 2009</u>	<u>Dec 31, 2010</u>
REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -
OPERATING EXPENSES					
Depreciation	232	233	697	698	2,554
Depreciation geothermal leases	77,500	-	145,000	-	145,000
Management fees	38,778	30,000	98,778	90,000	563,778
Professional fees	10,658	7,000	27,009	18,500	399,325
Consulting fees	16,988	30,000	16,988	100,000	605,158
Exploration costs	6,501	598	42,093	19,778	219,747
Interest on loans	5,129	11,591	15,330	32,701	113,182
Investor relation fees	-	-	-	50,000	415,097
Travel	-	-	20,216	6,205	66,938
General and administrative	9,267	6,060	23,559	17,282	209,247
Recovery of expenses	-	-	-	(4,402)	(5,575)

Edgar Filing: MUSTANG GEOTHERMAL CORP - Form 10-Q

Impairment of intangible asset	-	-	-	-	5,735,753
Total operating expenses	<u>165,053</u>	<u>85,482</u>	<u>389,670</u>	<u>330,762</u>	<u>8,470,204</u>
Operating loss	(165,053)	(85,482)	(389,670)	(330,762)	(8,470,204)
OTHER INCOME					
Interest income	-	-	-	-	10,126
Total other income	-	-	-	-	10,126
Net loss from continuing operations	<u>(\$165,053)</u>	<u>(\$85,482)</u>	<u>(\$389,670)</u>	<u>(\$330,762)</u>	<u>(\$8,460,078)</u>

DISCONTINUED OPERATIONS

Gain (Loss) from disposal of subsidiary	=	<u>31,142</u>	=	<u>(210,910)</u>	<u>(1,144,710)</u>
NET INCOME (LOSS)		<u>(\$165,053)</u>		<u>(\$54,340)</u>	<u>(\$289,670)</u>
		<u>(\$541,672)</u>		<u>(\$9,604,788)</u>	
Net loss per share for continuing operations basic and diluted		(\$0.02)		(\$0.16)	(\$0.06)
					(\$0.63)
Net loss per share for discontinued operations basic and diluted		\$ -		\$ 0.06	\$ -
					(\$0.40)
Weighted average common shares outstanding - Basic and diluted		24,152,563		522,128	3,699,724
					522,128

See accompanying notes to the financial statements.

MUSTANG GEOTHERMAL CORP**Formerly UREX ENERGY CORP****(An Exploration Stage Company)****CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER S EQUITY****For the period from February 6, 2002 (Date of Inception) to December 31, 2010**

	Common Stock 300,000,000 shares authorized	Par Value \$.001 per share	Additional Paid-In Capital	Accumulated Deficit	Deferred Consulting Fees	Accumulated Comprehensive Losses	Total Shareholders' Equity
BALANCE, MARCH 31, 2008	422,128	\$422	\$8,141,578	(\$7,950,369)	-	(\$512)	\$191,119
Shares issued for services	20,000	\$20	\$119,980				\$120,000
Shares issued for services	5,000	\$5	\$29,995				\$30,000
Shares issued for services	20,000	\$20	\$119,980				\$120,000
Shares issued for services	55,000	\$55	\$109,945				\$110,000
Net loss				(\$1,404,241)			(\$1,404,241)
Deferred consulting fees					(\$106,400)		(\$106,400)
Net change in foreign currency translation						(\$24,715)	(\$24,715)
BALANCE, MARCH 31, 2009	522,128	\$522	\$8,521,478	(\$9,354,610)	(\$106,400)	(\$25,227)	(\$964,237)
Shares issued for asset	500,000	\$500	\$999,500				\$1,000,000
Currency translation expensed upon sale						\$25,227	\$25,227

Edgar Filing: MUSTANG GEOTHERMAL CORP - Form 10-Q

of subsidiary								
Net income					\$139,492			\$139,492
Deferred consulting fees					\$106,400			\$106,400
BALANCE, MARCH 31, 2010	1,022,128	\$1,022	\$9,520,978	(\$9,215,118)	\$	-	\$	-
								\$306,882

					\$	\$	
BALANCE, MARCH 31, 2010	1,022,128	\$1,022	\$9,520,978	(\$9,215,118)		-	- \$306,882
Shares issued for asset @ \$0.15	14,000,000	\$14,000	\$2,086,000				\$2,100,000
Shares issued for asset @ \$0.12	15,000,000	\$15,000	\$1,785,000				\$1,800,000
Net income				(389,670)			(\$389,670)
BALANCE, DECEMBER 31, 2010	30,022,128	\$30,022	\$13,391,978	(\$9,604,788)	\$	\$	- - \$3,817,212

See accompanying notes to the financial statements.

MUSTANG GEOTHERMAL CORP**Formerly UREX ENERGY CORP****(An Exploration Stage Company)****CONSOLIDATED STATEMENTS OF CASH FLOWS****For the nine months ended December 31, 2010 and 2009, and****For the period from February 6, 2002 (Date of Inception) to December 31, 2010**

	For the nine months ended	For the nine months ended	For the Period from February 6, 2002 (inception) to
	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010
Adjustments to reconcile net income to net cash			
Net income (loss)	\$ (389,670)	\$ (541,672)	\$ (9,604,788)
Depreciation and amortization	697	698	6,449
Depreciation Geothermal leases	145,000		170,000
Shares issued for services	-	-	380,000
Deferred consulting fees	-	100,000	-
Impairment of intangible asset	-	-	5,735,753
Decrease in assets held for sale	-	-	
Decrease in liabilities held for sale	-	-	
Changes in current assets and current liabilities:			
Accounts receivable	-	-	-
Prepaid expense	-	-	-
Accounts payable	162,176	131,737	501,894
Net cash used by continuing operating activities	(81,797)	(309,237)	(2,810,692)
Discontinued operations:			
Loss from discontinued operations	-	(60,566)	(1,838,766)
Loss on sale of discontinued operations	-	-	1,226,091
Operating activities from discontinued operations	-	275,208	450,529
Net cash used by discontinued operations	-	214,642	(162,146)
Net cash used in operating activities	(81,797)	(94,595)	(2,972,838)

Edgar Filing: MUSTANG GEOTHERMAL CORP - Form 10-Q

Cash Flows From Investing Activities

Purchase of assets	(25,000)	-	(25,000)
Purchase of fixed assets	-	-	(2,788)
Option agreement	-	-	(2,500)
Net cash used in investing activities	(25,000)	-	(30,288)

Cash Flows From Financing Activities:

Proceeds from purchase of assets	21,468	-	21,468
Proceeds from the issuance of common stock	-	-	2,542,000
Proceeds from line of credit	17,676	-	17,676
Proceeds from (repayment of) notes payable	-	139,723	405,550
Proceeds from (repayment of) line of credit	-	(28,147)	-
Notes payable to related party	-	-	22,500
Net cash provided by (used in) financing activities	39,144	111,576	3,009,194

Effect of Exchange Rate Changes on Cash	-	-	-
Cash held in trust	-	-	(1,665,773)
Cash released from trust during current period	-	-	1,665,773

	-	-	-
Increase in cash and cash equivalents	(65,653)	16,981	6,068
Cash and Cash Equivalents, Beginning of Period	73,721	1,975	-
Cash and Cash Equivalents, End of Period	\$ 6,068	\$ 18,956	\$ 6,068

Supplemental Disclosure of Non-Cash Transactions:

Common stock issued for assets

\$ (3,900,000) \$ - \$ (4,900,000)

Supplemental Disclosure of Cash Flow Information:

Cash paid for:

Interest	\$ -	\$ -	\$ -
Income taxes	\$ -	\$ -	\$ -

See accompanying notes to the financial statements.

MUSTANG GEOTHERMAL CORP

Formerly UREX ENERGY CORP.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

December 31, 2010

Note 1

Summary of Significant Accounting Policies

Interim Reporting

While the information presented in the accompanying interim nine months financial statements is unaudited, it includes all adjustments, which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in accordance with accounting principles generally accepted in the United States of America. These interim financial statements follow the same accounting policies and methods of their application as the Company's March 31, 2010 annual financial statements. All adjustments are of a normal recurring nature. It is suggested that these interim financial statements be read in conjunction with the Company's March 31, 2010 annual financial statements.

Operating results for the nine months ended December 31, 2010 are not necessarily indicative of the results that can be expected for the year ended March 31, 2011.

Principles of Consolidation and Presentation

The consolidated financial statements include the accounts of Mustang Geothermal Corp. and Andean Geothermic Energy, S.A.C. All significant intercompany balances and transactions have been eliminated in

consolidation.

Note 2

Nature and Continuance of Operations

Mustang Geothermal Corp., formerly Urex Energy Corp (the Company) was incorporated in the State of Nevada on February 6, 2002 and changed its fiscal year end from September 30 to March 31. In July 2006, the Company changed its name from Lakefield Ventures, Inc. to Urex Energy Corp. Additionally, on July 22, 2010 the Company changed its name from Urex Energy Corp to Mustang Geothermal Corp reflecting a change in business. The Company has been in the exploration stage since its formation and has not realized any revenues from its planned operations. The Company is primarily engaged in the acquisition, exploration, and development of geothermal properties. Upon location of a commercial geothermal energy resource, the Company expects to actively prepare the site for the extraction of geothermal energy and the production of renewal electrical power.

The Company entered into an agreement with Enco Explorations Inc. on March 18, 2010 to purchase certain Geothermal Leases in exchange for 100,000,000 shares (500,000 shares post reverse split) of the Company's common stock, which was valued at \$0.01 on the transaction date.

Effective July 22, 2010, the Financial Industry Regulatory Authority, Inc. or FINRA, approved the Company's name change from Urex Energy Corp to Mustang Geothermal Corp. and a reverse stock split of 200 to 1.

On August 26, 2010, the Company entered into agreements with Minera Inc., Dakota Resource Holdings LLC., and Minera Cerro El Diablo Inc. to acquire certain geothermal leases totaling 9800 acres located in the State of Nevada for 14 million shares of the Company's common stock, which was valued at \$0.10 on the transaction date.

MUSTANG GEOTHERMAL CORP

Formerly UREX ENERGY CORP.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

December 31, 2010

Note 2

Nature and Continuance of Operations Continued

On November 5, 2010, the Company completed an agreement to acquire Andean Geothermic Energy S.A.C., a Peruvian Company, from Genoa Energy Resources Inc. for 15 million shares of the Company's common stock, which was valued at \$0.12 on the transaction date and a US\$25,000 cash payment. Andean Geothermic Energy S.A.C. has 4 geothermal applications totaling 3600 hectares (8896 acres) in the province of Arequipa country of Peru.

Note 3

Going Concern

These financial statements have been prepared assuming the Company will continue as a going concern. The Company has accumulated a deficit of \$9,604,788 since inception and, has yet to achieve profitable operations and further losses are anticipated in the development of its business, which raise

s

substantial doubt about the Company's ability to continue as a going concern. At December 31, 2010, the Company had a working capital deficiency of \$941,552. Its ability to continue as a going concern is dependent upon the ability of the Company to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern. The Company anticipates that additional funding will be in the form of equity financing from the sale of common stock and/or commercial borrowing. There can be no assurance that capital will be available, it will be on terms acceptable to the Company. The issuances of additional equity securities by the Company would result in a dilution in the equity interests of its current stockholders. The Company may also seek to obtain short-term loans from the directors of the Company. There are no current arrangements in place for equity funding or short-term loans as of December 31, 2010.

Note 4 Earnings per Share

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution that could occur if stock options and other commitments to issue common stock were exercised or equity awards vest resulting in the issuance of common stock that could increase the number of shares outstanding and lower the earnings per share of the Company's common stock. This calculation is not done for periods in a loss position as this would be anti-dilutive. As of December 31, 2010, there were no stock options and warrants issued.

MUSTANG GEOTHERMAL CORP

Formerly UREX ENERGY CORP.

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

December 31, 2010

Note 5

Recently Issued Accounting Standards

Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles

In August 2010, the FASB issued Accounting Standard Updates No. 2010-21 (ASU No. 2010-21) Accounting for Technical Amendments to Various SEC Rules and Schedules and No. 2010-22 (ASU No. 2010-22) Accounting for Various Topics Technical Corrections to SEC Paragraphs . ASU No 2010-21 amends various SEC paragraphs pursuant to the issuance of Release no. 33-9026: Technical Amendments to Rules, Forms, Schedules and Codification of Financial Reporting Policies. ASU No. 2010-22 amends various SEC paragraphs based on external comments received and the issuance of SAB 112, which amends or rescinds portions of certain SAB topics. Both ASU No. 2010-21 and ASU No. 2010-22 are effective

upon issuance. The amendments in ASU No. 2010-21 and No. 2010-22 will not have a material impact on the Company's financial statements.

A variety of proposed or otherwise potential accounting standards are currently under study by standard-setting organizations and various regulatory agencies. Because of the tentative and preliminary nature of these proposed standards, management has not determined whether implementation of such proposed standards would be material to the Company's consolidated financial statements.

Note 6

Common Stock

On July 22, 2010, Financial Industry Regulatory Authority (FINRA) approved a 200 to 1 reverse stock split of the Company's common stock, and a name change to Mustang Geothermal Corp. The pre-split shares were 204,425,600 and the post split amount was 1,022,128 shares. As at December 31, 2010, the total issued and outstanding was 30,022,128.

Note 7

Geothermal Leases and Properties

On March 18, 2010, the Company acquired 100% interest of three geothermal leases located in the State of Nevada. These leases were purchased from ENCO Explorations, Inc. in exchange for 100,000,000 shares of Company's common stock, which was valued at \$0.01 on the date of the transaction. The initial lease tenure is 10 years and is renewable up to 40 years, providing that geothermal production has been realized in the initial term. The annual lease payment is \$3/acre for the first 10 years, approximately \$16,386 for the 5462 acres noted here. The Leasing Act states that future electrical production sold from the leases would attract a gross royalty of 1.75% for the first ten years of lease and 3.50% for the remaining term of the lease.

Lease Serial Number	County	Acres
NVN 86858	Pershing	1920
NVN 86933	White Pine	1120
NVN 86930	White Pine	2422
		TOTAL 5462 Acre