

Edgar Filing: Tornado Gold International Corp - Form 10QSB

Tornado Gold International Corp
Form 10QSB
November 17, 2005

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

FORM 10-QSB

(Mark One)

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

For the quarterly period ended September 30, 2005

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

000-50146
(Commission file number)

TORNADO GOLD INTERNATIONAL CORP.

(Exact name of small business issuer as specified in its charter)

Nevada
(State or other jurisdiction
of incorporation or organization)

94-3409645
(IRS Employer
Identification No.)

3841 Amador Way, Reno, Nevada 89502
(Address of principal executive offices)

(775) 827-2324

(Issuer's telephone number)

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

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the 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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of common stock outstanding as of November 11, 2005 was 28,166,726.

Transitional Small Business Disclosure Format (check one): Yes No

Edgar Filing: Tornado Gold International Corp - Form 10QSB

TORNADO GOLD INTERNATIONAL CORP. Index

	Pa
	Num
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
Balance Sheet as of September 30, 2005 (unaudited)	
Statements of Operations for the three and nine months ended September 30, 2005 and 2004 (unaudited)	
Statements of Cash Flows for the nine months ended September 30, 2005 and 2004 (unaudited)	
Notes to Financial Statements (unaudited)	
Item 2. Management's Discussion and Analysis or Plan of Operations	1
Item 3. Controls and Procedures	1
PART II. OTHER INFORMATION	2
Item 1. Legal Proceedings	2
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	2
Item 3. Defaults Upon Senior Securities	2
Item 4. Submission of Matters to a Vote of Security Holders	2
Item 5. Other Information	2
Item 6. Exhibits	2
SIGNATURES	2
CERTIFICATIONS	2

PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	

Edgar Filing: Tornado Gold International Corp - Form 10QSB

TORNADO GOLD INTERNATIONAL CORP.
(formerly Nucotec, Inc.)
BALANCE SHEET

	September 30, 2005
	----- (unaudited)
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 20,560
Deposits	32,270

TOTAL CURRENT ASSETS	52,830
MINING CLAIMS	355,165

TOTAL ASSETS	\$ 407,995 =====
LIABILITIES AND STOCKHOLDERS' DEFICIT	
CURRENT LIABILITIES	
Accounts payable	\$ 20,165
Notes payable, including accrued interest of \$4,106	335,106

TOTAL CURRENT LIABILITIES	355,271

COMMITMENTS AND CONTINGENCIES	-
STOCKHOLDERS' DEFICIT	
Common stock; \$0.001 par value; 100,000,000 shares authorized; 28,166,726 shares issued and outstanding	28,167
Additional paid in capital	1,144,364
Accumulated deficit	(1,119,807)

TOTAL STOCKHOLDERS' DEFICIT	52,724

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 407,995 =====

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

Edgar Filing: Tornado Gold International Corp - Form 10QSB

TORNADO GOLD INTERNATIONAL CORP.
(formerly Nucotec, Inc.)
STATEMENTS OF OPERATIONS

	Three Months Ended		Se
	September 30, 2005	September 30, 2004	
	(unaudited)	(unaudited)	(
NET REVENUE	\$ -	\$ -	\$
OPERATING EXPENSES			
Mining exploration expenses	24,983	31,425	
General and administrative expenses	41,142	26,859	
	66,125	58,284	
LOSS FROM OPERATIONS	(66,125)	(58,284)	
OTHER INCOME (EXPENSE)			
Interest expense	(4,106)	(17,643)	
TOTAL OTHER INCOME (EXPENSE)	(4,106)	(17,643)	
LOSS BEFORE PROVISION FOR INCOME TAXES AND DISCONTINUED OPERATIONS	(70,231)	(75,927)	
PROVISION FOR INCOME TAXES	-	-	
NET LOSS FROM CONTINUING OPERATIONS	(70,231)	(75,927)	
DISCONTINUED OPERATIONS:			
Income from operations of discontinued operations	-	-	
	-	-	
NET LOSS	\$ (70,231)	\$ (75,927)	\$
NET LOSS PER SHARE - BASIC AND DILUTED			
Continuing operations	\$ (0.00)	\$ (0.00)	\$
Discontinued operations	(0.00)	(0.00)	
	\$ (0.00)	\$ (0.00)	\$

Edgar Filing: Tornado Gold International Corp - Form 10QSB

WEIGHTED AVERAGE COMMON EQUIVALENT

SHARES OUTSTANDING - BASIC AND DILUTED

	28,166,726	54,014,400	3
	=====	=====	==

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

4

TORNADO GOLD INTERNATIONAL CORP.
(formerly Nucotec, Inc.)
STATEMENTS OF CASH FLOWS

	Nine Months End	
	September 30,	Sep
	2005	(u
	(unaudited)	(u
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss from continuing operations	\$ (197,048)	\$
Adjustment to reconcile net loss to net cash used in operating activities:		
Net loss from discontinued operations	-	
Value of options/warrants granted for services	12,269	
Changes in:		
Accounts receivable	-	
Inventory	-	
Prepaid expenses and other current assets	(30,875)	
Accounts payable and accrued expenses	42,993	
Net cash used in operating activities	(172,661)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of mining claims	(233,014)	
Net cash used in investing activities	(233,014)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	381,000	
Payment on note payable, related party	-	
Repurchase of shares of common stock	(7,906)	
Proceeds from issuance of common stock		

Edgar Filing: Tornado Gold International Corp - Form 10QSB

Transfer of Salty's Warehouse, Inc's cash balance at date of disposition	-	
	373,094	
Net cash provided by financing activities	373,094	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(32,581)	
CASH AND CASH EQUIVALENTS, Beginning of period	53,141	
	20,560	
CASH AND CASH EQUIVALENTS, End of period	\$ 20,560	\$
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	\$ -	\$
Income taxes paid	\$ -	\$
SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES		
Conversion of notes payable and accrued interest into common stock	\$ 1,104,271	\$

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

5

TORNADO GOLD INTERNATIONAL CORP.
(formerly Nucotec, Inc.)
NOTES TO FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - ORGANIZATION

Tornado Gold International Corp (formerly Nucotec, Inc.) was incorporated in the state of Nevada on October 8, 2001. On July 7, 2004, the name of the company was officially changed to Tornado Gold International Corp. (the "Company"). Prior to the plan of reorganization (see Note 2 below) on March 19, 2004, the Company and its subsidiary, Salty's Warehouse, Inc. sold various home and automobile electronic equipment, computer accessories and supplies. The Company is currently investing in mining properties for future development and production (See Note 3).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interim Financial Statements

The unaudited financial statements have been prepared by the Company, pursuant

Edgar Filing: Tornado Gold International Corp - Form 10QSB

to the rules and regulations of the Securities and Exchange Commission. The information furnished herein reflects all adjustments (consisting of normal recurring accruals and adjustments) which are, in the opinion of management, necessary to fairly present the operating results for the respective periods presented. Certain information and footnote disclosures normally present in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. These financial statements should be read in conjunction with the audited financial statements and footnotes for the year ended December 31, 2004 included in the Company's Annual Report on Form 10-KSB. The results for the nine months ended September 30, 2005 are not necessarily indicative of the results to be expected for the full year ending December 31, 2005.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplate continuation of the Company as a going concern. The Company has no established source of material revenue, has incurred a net loss for the nine months ended September 30, 2005 of \$197,048, and at September 30, 2005 had a negative working capital of \$302,441 and had an accumulated deficit of \$1,119,807. These conditions raise substantial doubt as to the Company's ability to continue as a going concern. These financial statements do not include any adjustments that might result from the outcome of this uncertainty. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Management plans to take the following steps that it believes will be sufficient to provide the Company with the ability to continue in existence:

- a) The Company plans to raise additional operating funds through equity or debt financing. There is no assurance that the Company will be able to arrange for financing and has not, to date, had any substantive discussions with any third parties regarding such financing.
- b) The holders of the Company's notes payable recent converted all principal and accrued interest into shares of the Company's common stock.

Plan of Reorganization

On March 19, 2004, Earl T. Shannon, Steven W. Hudson, and Scott W. Bodenweber agreed to redeem 1,742,113,632 of their shares of the Company's common stock in exchange for all of the Company's shares of Salty's Warehouse, Inc. (the "Transfer"). Earl T. Shannon, Steven W. Hudson, and Scott W. Bodenweber to redeem 312,886,363 of their shares of the Company's common stock in exchange for \$570,000 (the "Sale"). The \$570,000 was paid on March 19, 2004. As a condition to these transactions, Messrs. Shannon, Hudson, and Bodenweber have resigned as officers of the Company. Earl W. Abbott has been appointed President, Chief Financial Officer and Secretary of the Company. In addition, Dr. Abbott, Carl A. Pescio and Stanley B. Keith collectively purchased 28,836,364 shares of common stock from the Company for \$10,000. Dr. Abbott, Mr. Pescio and Mr. Keith replaced Messrs. Shannon, Hudson and Bodenweber on the Board of Directors of the

Edgar Filing: Tornado Gold International Corp - Form 10QSB

Company (See Note 5).

Cash and Cash Equivalents

For purpose of the statements of cash flows, the Company considers cash and cash equivalents to include all stable, highly liquid investments with maturities of three months or less.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Pursuant to SFAS No. 107, "Disclosures About Fair Value of Financial Instruments", the Company is required to estimate the fair value of all financial instruments included on its balance sheets as of September 30, 2005. The Company considers the carrying value of such amounts in the financial statements to approximate their face value.

Stock Split

On April 19, 2004, the Company authorized a 50 for 1 stock split. On August 18, 2004, the Company authorized a 6.82 for 1 stock split. On May 16, 2005, the Company authorized a 1.20 for 1 stock split. The accompanying financial statements have been retroactively restated to present the effect of these three stock splits.

Stock Options

SFAS No. 123, "Accounting for Stock-Based Compensation," establishes and encourages the use of the fair value based method of accounting for stock-based compensation arrangements under which compensation cost is determined using the fair value of stock-based compensation determined as of the date of grant and is recognized over the periods in which the related services are rendered. The statement also permits companies to elect to continue using the current intrinsic value accounting method specified in Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," to account for stock-based compensation. The Company has elected to use the intrinsic value based method and has disclosed the pro forma effect of using the fair value based method to account for its stock-based compensation. The Company uses the fair value method for options granted to non-employees. There were no options issued to employees during the nine months ended September 30, 2005 and 2004.

In March 2004, the Company issued 60,000 options to former employees of the Company. The fair value for these options was estimated to be \$4,540 and has been recorded as an expense in the accompanying statement of operations. The fair value was estimated using a Black-Scholes option pricing model with the following weighted-average assumptions: risk-free interest rate of 5.5%;

Edgar Filing: Tornado Gold International Corp - Form 10QSB

dividend yields of 0%; volatility factors of the expected market price of the Company's common stock of 50%; and a weighted average expected life of the option of 10 years, respectively.

As of April 15, 2005, the Company adopted its 2005 stock option plan to compensate its directors as follows:

- o Earl W. Abbott: up to 500,000 options, of which 250,000 vest on December 15, 2005 at an exercise price of \$1.00 per share and another 250,000 which shall vest when the Company acquires a mining project with a drill-indicated resource (1) of at least 1.5 million ounces of gold or gold-equivalent (2) and if financing can be arranged; the exercise price of these options will be \$1.00 per share.
- o Stanley B. Keith and Carl A. Pescio are to each to receive the following: up to 250,000 options, of which 125,000 vest on December 15, 2005 at an exercise price of \$1.00 per share and 125,000 which shall according to the same mining project schedule as above.
- o None of these options have yet been granted.

Loss Per Share

The Company reports earnings (loss) per share in accordance with SFAS No. 128, "Earnings per Share." Basic earnings (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares available. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Diluted earnings (loss) per share has not been presented since the effect of the assumed conversion of options to purchase common shares would have an anti-dilutive effect. The only potential common shares as of September 30, 2005 were 85,000 options which have been excluded from the computation of diluted net loss per share because the effect would have been anti-dilutive. The only potential common shares as of September 30, 2004 were 60,000 stock options which have been excluded from the computation of diluted net loss per share because the effect would have been anti-dilutive. If such shares were included in diluted EPS, they would have resulted in weighted-average common shares of 28,219,079 and 54,014,000 for the three-months ended September 30, 2005 and 2004 and 38,160,492 and 755,293,594 for the nine-months ended September 30, 2005 and 2004, respectively.

NOTE 3 - MINING CLAIMS

On May 31, 2004, the Company entered into four agreements with a company wholly owned by Mr. Carl Pescio ("Pescio"), a Director of the Company, to lease four mining properties. Terms of the leases are as follows:

8

a) HMD Property

Schedule of lease payments:

Due Date

Amount

Edgar Filing: Tornado Gold International Corp - Form 10QSB

Due Date	Amount
June 5, 2004	\$ 15,000
May 15, 2005	\$ 22,500
February 5, 2006	\$ 30,000
February 5, 2007	\$ 37,500
February 5, 2008	\$ 50,000
February 5, 2009	\$ 62,500
February 5, 2010	\$ 75,000
February 5, 2011 and each year thereafter until production commences	\$100,000

Upon completion of a bankable feasibility study and payments totaling \$105,000, the Company will own 100% of the property subject to a continuing production royalty of 4%. Once the \$105,000 is paid, all subsequent payments will convert into advance minimum royalty payments that are deductible against the 4% production royalty due. A 1% royalty is also due Pescio on production on property consisting of a 2 mile circumference surrounding the leased property.

The Company will pay additional land acquisition and filling fees on the property. The Company is committed to drill 5,000 feet on the property in each year commencing on or before September 1, 2006 and continuing until the completion of the feasibility study. Excess footage drilled in any year will be carried forward to subsequent years. The Company has the option to pay Pescio \$10 per foot committed to and not drilled.

Prior to the completion of the feasibility study, the Company has the right to purchase 2% of the 4% production royalty for \$1,500,000 for each percentage point. The Company also has the option to purchase 50% of the 1% royalty for \$500,000.

The Company shall be responsible for all environmental liabilities and reclamation costs it creates and indemnifies Pescio against any such claims or obligations. The Company can terminate the lease at any time by giving 30 days notice provided that there are no outstanding environmental or reclamation liabilities and that all lease and production royalty payments are current.

The Company paid the first lease payment of \$15,000 in June 2004 and paid the second lease payment in July 2005.

b) NT Green Property

Schedule of lease payments:

Due Date	Amount
June 5, 2004	\$ 15,000
May 15, 2005	\$ 22,500
February 5, 2006	\$ 30,000
February 5, 2007	\$ 37,500
February 5, 2008	\$ 50,000
February 5, 2009	\$ 62,500
February 5, 2010	\$ 75,000
February 5, 2011 and each year thereafter until production commences	\$100,000

Edgar Filing: Tornado Gold International Corp - Form 10QSB

Upon completion of a bankable feasibility study and payments totaling \$105,000, the Company will own 100% of the property subject to a continuing production royalty of 4%. Once the \$105,000 is paid, all subsequent payments will convert into advance minimum royalty payments that are deductible against the 4% production royalty due. A 1% royalty is also due Pescio on production on property consisting of a 2 mile circumference surrounding the leased property.

The Company will pay additional land acquisition and filling fees on the property. The Company is committed to drill 5,000 feet on the property in each year commencing on or before September 1, 2006 and continuing until the completion of the feasibility study. Excess footage drilled in any year will be carried forward to subsequent years. The Company has the option to pay Pescio \$10 per foot committed to and not drilled.

Prior to the completion of the feasibility study, the Company has the right to purchase 2% of the 4% production royalty for \$1,500,000 for each percentage point. The Company also has the option to purchase 50% of the 1% royalty for \$500,000.

The Company shall be responsible for all environmental liabilities and reclamation costs it creates and indemnifies Pescio against any such claims or obligations. The Company can terminate the lease at any time by giving 30 days notice provided that there are no outstanding environmental or reclamation liabilities and that all lease and production royalty payments are current.

The Company paid the first lease payment of \$15,000 in June 2004 and paid the second lease payment in July 2005.

c) Goodwin Hill Property

Schedule of lease payments:

Due Date	Amount
-----	-----
June 5, 2004	\$ 15,000
May 15, 2005	\$ 22,500
February 5, 2006	\$ 30,000
February 5, 2007	\$ 37,500
February 5, 2008	\$ 50,000
February 5, 2009	\$ 62,500
February 5, 2010	\$ 75,000
February 5, 2011 and each year thereafter until production commences	\$100,000

Upon completion of a bankable feasibility study and payments totaling \$105,000, the Company will own 100% of the property subject to a continuing production royalty of 4%. Once the \$105,000 is paid, all subsequent payments will convert into advance minimum royalty payments that are deductible against the 4% production royalty due. A 1% royalty is also due Pescio on production on property consisting of a 2 mile circumference surrounding the leased property.

The Company will pay additional land acquisition and filling fees on the property. The Company is committed to drill 5,000 feet on the property in each year commencing on or before September 1, 2006 and continuing until the completion of the feasibility study. Excess footage drilled in any year will be carried forward to subsequent years. The Company has the option to pay Pescio \$10 per foot committed to and not drilled.

Edgar Filing: Tornado Gold International Corp - Form 10QSB

Prior to the completion of the feasibility study, the Company has the right to purchase 2% of the 4% production royalty for \$1,500,000 for each percentage point. The Company also has the option to purchase 50% of the 1% royalty for \$500,000.

The Company shall be responsible for all environmental liabilities and reclamation costs it creates and indemnifies Pescio against any such claims or obligations. The Company can terminate the lease at any time by giving 30 days notice provided that there are no outstanding environmental or reclamation liabilities and that all lease and production royalty payments are current.

The Company paid the first lease payment of \$15,000 in June 2004 and paid the second lease payment in July 2005.

d) Wilson Peak Property

Schedule of lease payments:

Due Date -----	Amount -----
June 5, 2004	\$ 15,000
May 15, 2005	\$ 22,500
February 5, 2006	\$ 30,000
February 5, 2007	\$ 37,500
February 5, 2008	\$ 50,000
February 5, 2009	\$ 62,500
February 5, 2010	\$ 75,000
February 5, 2011 and each year thereafter until production commences	\$100,000

10

Upon completion of a bankable feasibility study and payments totaling \$105,000, the Company will own 100% of the property subject to a continuing production royalty of 4%. Once the \$105,000 is paid, all subsequent payments will convert into advance minimum royalty payments that are deductible against the 4% production royalty due. A 1% royalty is also due Pescio on production on property consisting of a 2 mile circumference surrounding the leased property.

The Company will pay additional land acquisition and filling fees on the property. The Company is committed to drill 5,000 feet on the property in each year commencing on or before September 1, 2006 and continuing until the completion of the feasibility study. Excess footage drilled in any year will be carried forward to subsequent years. The Company has the option to pay Pescio \$10 per foot committed to and not drilled.

Prior to the completion of the feasibility study, the Company has the right to purchase 2% of the 4% production royalty for \$1,500,000 for each percentage point. The Company also has the option to purchase 50% of the 1% royalty for \$500,000.

The Company shall be responsible for all environmental liabilities and reclamation costs it creates and indemnifies Pescio against any such claims or obligations. The Company can terminate the lease at any time by giving 30 days notice provided that there are no outstanding environmental or reclamation

Edgar Filing: Tornado Gold International Corp - Form 10QSB

liabilities and that all lease and production royalty payments are current.

The Company paid the first lease payment of \$15,000 in June 2004 and paid the second lease payment in July 2005.

e) Other Claims

In June 2004, the Company acquired 125 mining claims from the Bureau of Land Management for \$21,283, which includes the costs of filing fees and other related acquisition costs.

NOTE 4 - NOTES PAYABLE

On April 15, 2005, the holders of the notes payable converted the principal amount of the notes totaling \$1,025,000 and accrued interest of \$79,271 into 1,325,125 (post split) shares of the Company's common stock.

On July 1, 2005, the Company borrowed \$100,000 from Gatinara Holdings, Inc., an unrelated third party. The loan is evidenced by an unsecured promissory note dated August 22, 2005. The note accrues interest at 8% per annum and matures on December 31, 2005. Accrued interest related to this note at September 30, 2005 amounted to \$1,995.

From August 9, 2005 to October 5, 2005, the Company borrowed a total of \$330,977.50 from Greenshoe Investment, Inc., an unrelated third party. The loan is evidenced by an unsecured promissory note dated November 10, 2005. The note accrues interest at 8% per annum and matures on December 31, 2005. The borrowing under this note at of September 30, 2005 amounted to \$231,000 and accrued interest related to this note at September 30, 2005 amounted to \$2,111.

11

NOTE 5 - STOCKHOLDERS' DEFICIT

On April 19, 2004, the Company authorized a 50 for 1 stock split. On August 18, 2004, the Company authorized a 6.82 for 1 stock split. On May 16, 2005, the Company authorized a 1.20 for 1 stock split. In addition, the Company increased its authorized shares to 100,000,000. The accompanying financial statements have been retroactively restated to present the effect of these three stock splits.

On April 15, 2005, the Company's officers and directors agreed to redeem 27,172,800 (post split) of their shares for \$7,906 or \$.0002909 per share. This includes 13,586,400 shares from Dr. Abbott, and 6,793,200 shares from Messrs. Pescio and Keith. Dr. Abbott's shares were redeemed for \$3,954, and Messrs. Pescio and Keith each received \$1,976 for their shares. These amounts are the equivalent to the pre-split prices they paid for their shares when they joined the Company in March 2004. The \$7,906 was paid during the three months ended September 30, 2005. After the redemptions, Dr. Abbott owned 3,600,000 shares and Messrs. Pescio and Keith each owned 1,800,000 shares.

As discussed in Note 4, on April 15, 2005, the holders of the notes payable converted the principal amount of the notes totaling \$1,025,000 and accrued interest of \$79,271 into 1,325,125 (post split) shares of the Company's common stock.

In connection with a consulting agreement entered into with Access Capital Management Corp., the Company issued to Access Capital, 25,000 options to

Edgar Filing: Tornado Gold International Corp - Form 10QSB

purchase shares of the Company's common stock for \$0.75 per shares. These options were valued using the Black-Scholes option pricing model using the following assumptions: term of 5 years, a risk-free interest rate of 5.0%, a dividend yield of 0% and volatility of 63%. The value of these options of \$12,269 was charged to operation as of September 30, 2005.

NOTE 6 - DISCONTINUED OPERATIONS

On March 19, 2004, Earl T. Shannon, Steven W. Hudson, and Scott W. Bodenweber agreed that 1,742,113,632 of their shares of the Company will be redeemed by the Company in exchange for all of the Company's shares of Salty's Warehouse, Inc. As a result of this transaction, the operations of Salty's has been shown as a discontinued operation in the accompanying financial statements.

Salty's revenues were \$1,415 for the period starting January 1, 2004 to March 19, 2004. The results of operations of Salty's have been reported separately as discontinued operations.

Actual net income (loss) of Salty's during the period from January 1, 2004 through March 19, 2004 was \$871. The gain on the disposition of Salty's was \$1,418, which has been recorded directly to stockholders' deficit since this was a transaction among related parties.

The following is a summary of the net assets of Salty's at March 19, 2004:

	March 19, 2004
Assets:	
Cash	\$ 6,068
Total assets	\$ 6,068
Liabilities:	
Accounts payable	\$ 1,371
Accrued expenses	1,005
Total liabilities	\$ 2,376
Net assets of discontinued operations	\$ 3,692

The gain on the disposition of Salty's of \$1,418 was calculated as the difference in the value of the stock returned of \$5,110 and the net assets of Salty's of \$3,692.

NOTE 7 - RELATED PARTY TRANSACTIONS

a) As discussed in Note 3, the Company entered into agreements with a company owned by Mr. Carl Pescio, a Director of the Company, to acquire mining claims. During the nine months ended September 30, 2005, the Company paid Mr. Pescio \$90,000 related to these agreements. In addition, during the nine months ended September 30, 2005, the Company incurred \$5,744 to Mr. Pescio for consulting services related to mining exploration.

Edgar Filing: Tornado Gold International Corp - Form 10QSB

b) During the nine months ended September 30, 2005, the Company incurred consulting fees for services rendered by Dr. Earl Abbott, the Company's President totaling \$66,850 of which \$38,850 related to mining exploration and the remaining \$28,000 related to was charged to general administrative activities. The Company also during the nine months ended September 30, 2005, the Company reimbursed Dr. Abbott \$17,257 for travel and other company related expenses.

c) During the nine months ended September 30, 2005, the Company incurred consulting fees for services rendered by Mr. Stanley Keith, a director of the Company totaling \$3,349 of which \$1,389 related to mining exploration and the remaining \$1,960 related to was charged to general administrative activities. The Company also during the nine months ended September 30, 2005, the Company reimbursed Mr. Keith \$579 for travel and other company related expenses.

NOTE 8 - SUBSEQUENT EVENTS

On October 3, 2005, the Company announced the acquisition of the 247-claims (nearly 5,000 acres) Jack Creek property in Elko County, Nevada. The Company final purchase price is still being determined. Prior to September 30, 2005, the Company paid \$30,875 to the Bureau of Land Management to secure the claims. This amount is shown as a deposit in the accompanying balance sheet.

On October 6, 2005, the Company entered into an agreement Mr. Carl Pescio, a Director of the Company, to purchase 10 mineral properties (about 1,300 claims) in Nevada. In connection with the agreement, the Company paid Mr. Pescio, \$50,000 on October 6, 2005 and is to pay Mr. Pescio, \$100,000 on each of the following dates: October 30, 2005, November 30, 2005 and December 30, 2005. The \$350,000 is the initial advance minimum royalty payments for each of the 10 properties (10 X \$35,000).

13

The Company is expected to execute individual agreement for each property that will include the following terms:

- o Upon the completion of a bankable feasibility study, the Company will own 100% of the property subject to the greater of a 4% production royalty or advance minimum royalty payment as shown below. All advance minimum royalty payments may be deducted from the production royalty payments.

Schedule of advance minimum royalty payments:

Due Date	Amount
-----	-----
Upon signing	\$ 35,000
1st anniversary	\$ 55,000
2nd anniversary	\$ 75,000
3rd anniversary	\$100,000
4th anniversary	\$125,000
5th anniversary	\$150,000
6th anniversary and each anniversary thereafter	\$200,000

- o The Company shall have the option to purchase 2% of the 4% production royalty for \$4,000,000 prior to the completion of the bankable

Edgar Filing: Tornado Gold International Corp - Form 10QSB

feasibility study.

- o The Company will pay additional land acquisition and filling fees on the property. The Company is committed to drill 5,000 feet on the property within three years or 7,500 feet until the completion of the bankable feasibility. Excess footage drilled in any year will be carried forward to subsequent years. The Company has the option to pay Pescio \$10 per foot committed to and not drilled.
- o The Company shall be responsible for all environmental liabilities and reclamation costs it creates and indemnifies Pescio against any such claims or obligations. The Company can terminate the lease at any time by giving 30 days notice provided that there are no outstanding environmental or reclamation liabilities and that all lease and production royalty payments are current.

14

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

THIS FOLLOWING INFORMATION SPECIFIES CERTAIN FORWARD-LOOKING STATEMENTS OF MANAGEMENT OF THE COMPANY. FORWARD-LOOKING STATEMENTS ARE STATEMENTS THAT ESTIMATE THE HAPPENING OF FUTURE EVENTS ARE NOT BASED ON HISTORICAL FACT. FORWARD-LOOKING STATEMENTS MAY BE IDENTIFIED BY THE USE OF FORWARD-LOOKING TERMINOLOGY, SUCH AS "MAY", "SHALL", "COULD", "EXPECT", "ESTIMATE", "ANTICIPATE", "PREDICT", "PROBABLE", "POSSIBLE", "SHOULD", "CONTINUE", OR SIMILAR TERMS, VARIATIONS OF THOSE TERMS OR THE NEGATIVE OF THOSE TERMS. THE FORWARD-LOOKING STATEMENTS SPECIFIED IN THE FOLLOWING INFORMATION HAVE BEEN COMPILED BY OUR MANAGEMENT ON THE BASIS OF ASSUMPTIONS MADE BY MANAGEMENT AND CONSIDERED BY MANAGEMENT TO BE REASONABLE. OUR FUTURE OPERATING RESULTS, HOWEVER, ARE IMPOSSIBLE TO PREDICT AND NO REPRESENTATION, GUARANTY, OR WARRANTY IS TO BE INFERRED FROM THOSE FORWARD-LOOKING STATEMENTS.

THE ASSUMPTIONS USED FOR PURPOSES OF THE FORWARD-LOOKING STATEMENTS SPECIFIED IN THE FOLLOWING INFORMATION REPRESENT ESTIMATES OF FUTURE EVENTS AND ARE SUBJECT TO UNCERTAINTY AS TO POSSIBLE CHANGES IN ECONOMIC, LEGISLATIVE, INDUSTRY, AND OTHER CIRCUMSTANCES. AS A RESULT, THE IDENTIFICATION AND INTERPRETATION OF DATA AND OTHER INFORMATION AND THEIR USE IN DEVELOPING AND SELECTING ASSUMPTIONS FROM AND AMONG REASONABLE ALTERNATIVES REQUIRE THE EXERCISE OF JUDGMENT. TO THE EXTENT THAT THE ASSUMED EVENTS DO NOT OCCUR, THE OUTCOME MAY VARY SUBSTANTIALLY FROM ANTICIPATED OR PROJECTED RESULTS, AND, ACCORDINGLY, NO OPINION IS EXPRESSED ON THE ACHIEVABILITY OF THOSE FORWARD-LOOKING STATEMENTS. NO ASSURANCE CAN BE GIVEN THAT ANY OF THE ASSUMPTIONS RELATING TO THE FORWARD-LOOKING STATEMENTS SPECIFIED IN THE FOLLOWING INFORMATION ARE ACCURATE, AND WE ASSUME NO OBLIGATION TO UPDATE ANY SUCH FORWARD-LOOKING STATEMENTS.

CRITICAL ACCOUNTING POLICIES

Our Management's Discussion and Analysis of Financial Condition and Results of Operations section discusses our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of

Edgar Filing: Tornado Gold International Corp - Form 10QSB

revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to revenue recognition, accrued expenses, financing operations, and contingencies and litigation. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The most significant accounting estimates inherent in the preparation of our financial statements include estimates as to the appropriate carrying value of certain assets and liabilities which are not readily apparent from other sources, accruals for other costs, and the classification of net operating loss and tax credit carry forwards between current and long-term assets. These accounting policies are more fully described in the notes to the financial statements included in our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2004.

15

MINING COSTS

Our second critical accounting policy pertains to the accounting of costs associated with our mining operations. We charged all explorations costs to operations. Costs associated with the acquisition and leasing of our properties are capitalized.

OVERVIEW. We were incorporated in Nevada on October 8, 2001 in order to serve as a holding company for Salty's Warehouse, Inc., which sells consumer electronics products and other name brand consumer products over the Internet.

On March 19, 2004, pursuant to a Plan of Reorganization and Acquisition, we disposed of our operating asset, Salty's Warehouse, Inc., when our prior management departed. Under our new management, we undertook a different business focus: the identification and acquisition of properties exhibiting the potential for gold mining operations by others. On July 7, 2004, we changed our name from Nucotec, Inc. to Tornado Gold International Corp. to reflect our new business focus.

We hope to acquire properties that will offer new economically viable gold mining properties for resale to entities who will undertake to begin mining operations on those properties. We believe that our management has a combination of extensive data and program management experience; data and technical advisory experience, and 'on-the-ground' prospecting and property knowledge. Utilizing the geochemical screening methodology developed by our management, we will seek to operate a successful property acquisition program that eliminates higher risk properties.

On May 31, 2004, we entered into four preliminary agreements with a company wholly owned by Mr. Carl A. Pescio, one of our directors, to lease four mining properties. As of April 5, 2005 we finalized those agreements, giving us rights to four properties in Nevada that meet our preliminary screening criteria and have begun to undertake our more detailed evaluation process. In addition, we are actively seeking additional properties; our technical team currently has about 30 such properties on a 'watch list' for acquisition. In October 2005, we entered into an agreement with Mr. Pescio for the acquisition of an additional 10 mining properties. Also, in October 2005, we announced the acquisition of one additional property. The final terms of this purchase are still being

Edgar Filing: Tornado Gold International Corp - Form 10QSB

negotiated.

LIQUIDITY AND CAPITAL RESOURCES. We had cash and cash equivalents totaling \$20,560 as of September 30, 2005 and a security deposit on our office lease and a deposit related to claim payments on a mining property to be acquired of \$32,270, making our total current assets \$52,830. We also had mining assets of \$355,165, making our total assets \$407,995 as of September 30, 2005. We believe that our available cash and cash equivalents are not sufficient to pay our day-to-day expenditures. However, our officers and directors have committed to pay our day-to-day expenses so that we are able to continue operations until we are able to obtain additional funding through other sources at levels to implement our business plan. We may also need to fund our operations through equity or debt financing, though there is no guarantee we will be able to do so.

As of September 30, 2005 we had a net working capital deficit of \$302,441 as compared to \$981,013 at December 31, 2004. In March 2004, we borrowed \$650,000 from an unrelated third party pursuant to a promissory note that was due January 5, 2005 and thereafter extended to April 15, 2005, which bears interest at 8% per annum. In addition, on April 27, 2004 we borrowed an additional \$225,000 from the same unrelated third party pursuant to a promissory note, which bears interest at the rate of 8% per annum and is due upon demand. In November 2004, we borrowed \$100,000 from the same unrelated third party, pursuant to a promissory note executed in February 2005, which bears interest at the rate of 8% per annum and is due April 15, 2005. On April 15, 2005, we converted these notes to shares of our common stock at \$1.00 per share; a total of \$1,104,271, represented by \$1,025,000 in principal and \$79,271 as accrued interest, converted to 1,325,125 shares of our common stock. During the three months ended September 30, 2005, we borrowed \$331,000 from an unrelated third party and in October we borrowed an additional \$99,978 for the same unrelated third party.

16

Net cash used in operating activities was \$172,661 for the nine months ended September 30, 2005 compared to \$154,108 for the nine months ended September 30, 2004.

Since we have no current source of revenue, our only source of cash is from the issuance of debt or equity instruments.

Due to numerous economic and competitive risks, any or all of which may have a material adverse impact upon our operations, there can be no assurance that we will be able to successfully generate significant revenues or achieve a level of profits which will permit us to stay in business. In March 2004, we had a change of management under which we plan to undertake a different business focus, which is the identification and acquisition of potential gold mining properties for resale to others. However, due to the change in our business plan, we must raise additional capital in order to have resources sufficient to fund all or our general and administrative expenses for the next twelve months.

RESULTS OF OPERATIONS.

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2005 COMPARED TO THE THREE MONTHS ENDED SEPTEMBER 30, 2004

REVENUE. We have realized no revenues for the three months ended September 30, 2005. We will be unable to generate revenues until we are able to resell one of the properties we have acquired, or may in the future acquire, if such property exhibits the potential for gold mining operations, which would make it attractive for purchase by a potential operator.

Edgar Filing: Tornado Gold International Corp - Form 10QSB

OPERATING EXPENSES. For the three months ended September 30, 2005, our total operating expenses were \$70,231 of which \$24,983 was specifically related to mining exploration and \$41,142 related to general and administrative expenses. During the three months ended September 30, 2005, we accrued \$4,106 in interest expense on notes payable.

Of the \$24,983 that we incurred in our mining operations during the three months ended September 30, 2005, \$17,850, \$5,744 and \$1,389 were incurred for technical consulting services provided to us by our President, Dr. Earl Abbott and two of our directors, Mr. Pescio and Mr. Keith, respectively. Of the \$41,142 that we incurred in general and administrative expenses, \$5,200 was incurred for management services provided by our President, Dr. Earl Abbott, \$7,483 was incurred for accounting and legal professional services, rent expense of \$2,790, and travel and other related company expenses which were reimbursed to our President totaling \$8,120, and \$12,269 was compensation charged to operations on the granting of 25,000 options.

This is in comparison to the three months ended September 30, 2004, where we our total operating expenses were \$58,284 of which \$31,425 was specifically related to mining exploration and \$26,859 related to general and administrative expenses. During the three months ended September 30, 2004, we accrued \$17,643 in interest expense on notes payable.

NET LOSS. Our loss from operations for the three months ended September 30, 2005 totaled \$66,125. With our interest expense of \$4,106, our net loss was \$70,231. This is in comparison to the three months ended September 30, 2004, where we had a loss from operations of \$58,284. With our interest expense of \$17,643, our net loss \$75,927.

17

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 COMPARED TO THE NINE MONTHS ENDED SEPTEMBER 30, 2004

REVENUE. We have realized no revenues for the nine months ended September 30, 2005. We will be unable to generate revenues until we are able to resell one of the properties we have acquired, or may in the future acquire, if such property exhibits the potential for gold mining operations, which would make it attractive for purchase by a potential operator.

OPERATING EXPENSES. For the nine months ended September 30, 2005, our total operating expenses were \$169,704 of which \$45,983 was specifically related to mining exploration and \$123,721 related to general and administrative expenses. During the nine months ended September 30, 2005, we accrued \$27,344 in interest expense on notes payable. No interest has been paid on these notes and during the quarter ended June 30, 2005, note payables of \$1,025,000 plus accrued interest was converted into 1,325,125 shares of our common stock.

Of the \$45,983 that we incurred in our mining operations during the nine months ended September 30, 2005, \$38,850, \$5,744 and \$1,389 were incurred for technical consulting services provided to us by our President, Dr. Earl Abbott and two of our directors, Mr. Pescio and Mr. Keith, respectively. Of the \$123,721 that we incurred in general and administrative expenses, \$28,000 was incurred for management services provided by our President, Dr. Earl Abbott, \$41,143 was incurred for accounting and legal professional services, rent expense of \$11,162, and travel and other related company expenses which were reimbursed to

Edgar Filing: Tornado Gold International Corp - Form 10QSB

our President totaling \$17,257 and \$12,269 was compensation charged to operations on the granting of 25,000 options.

This is in comparison to the nine months ended September 30, 2004, where we our total operating expenses were \$162,623 of which \$41,413 was specifically related to mining exploration and \$121,210 related to general and administrative expenses. During the nine months ended September 30, 2004, we accrued \$39,308 in interest expense on notes payable.

NET LOSS. Our loss from operations for the nine months ended September 30, 2005 totaled \$169,704. With our interest expense of \$27,344, our net loss was \$197,048. This is in comparison to the nine months ended September 30, 2004, where we had a loss from operations of \$162,623. We also had \$39,308 in interest expenses. Income from discontinued operations during the nine months ended September 30, 2004 amounted to \$871, making our net loss \$201,060.

We anticipate that we will continue to incur significant general and administrative expenses, but hope to generate income as we acquire property interests, perform our geological analyses and sell or lease those property interests to others.

OUR PLAN OF OPERATION FOR THE NEXT TWELVE MONTHS. After the disposition of Salty's on March 19, 2004, we discontinued our previous operations. Our current business is the identification and acquisition of properties exhibiting the potential for gold mining operations by others. Through September 30, 2005, we have acquired \$355,165 in mining assets.

18

On March 5, 2004 we borrowed \$650,000 from an unrelated third party due on July 5, 2004 and extended to April 15, 2005 at an annual interest rate of 8%. On April 27, 2004, we borrowed \$225,000 from the same unrelated third party due and payable on demand; this note also accrues interest at an annual rate of 8%. In November 2004, we borrowed \$100,000 from the same unrelated third party, which is due and payable on demand; this note also accrues interest at an annual rate of 8%, and in February 2005 we borrowed an additional \$50,000 on the same terms from the same party. On April 15, 2005, we converted these notes to shares of our common stock at \$1.00 per share; a total of \$1,104,271 was owed with accrued interest, converted to 1,325,125 shares of our common stock. During the three months ended September 30, 2005, we borrowed \$331,000 from an unrelated third party and in October we borrowed an additional \$99,978 for the same unrelated third party.

We have cash of \$20,560 as of September 30, 2005. We believe we do not have adequate funds to satisfy our working capital requirements for the next twelve months. Our forecast for the period for which our financial resources will be adequate to support our operations involves risks and uncertainties and actual results could fail as a result of a number of factors. We may need to raise additional capital to expand our operations. In the event that we experience a shortfall in our capital, we intend to pursue capital through public or private financing as well as borrowings and other sources, such as our officers and directors. We cannot guaranty that additional funding will be available on favorable terms, if at all. If adequate funds are not available, then our ability to expand our operations may be significantly hindered. If adequate funds are not available, we believe that our officers and directors will contribute funds to pay for our expenses to achieve our objectives over the next twelve months. We believe that our officers and directors will continue to pay our expenses as long as they maintain their ownership of our common stock.

Edgar Filing: Tornado Gold International Corp - Form 10QSB

Therefore, we have not contemplated any plan of liquidation in the event that we do not generate revenues.

We are not currently conducting any research and development activities. We do not anticipate conducting such activities in the near future. In the event that we expand our customer base, then we may need to hire additional employees or independent contractors as well as purchase or lease additional equipment.

OFF-BALANCE SHEET ARRANGEMENTS. There are no off balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors; except for our commitment to lease certain mining property that require us to make substantial lease payments in the future as disclosed in Note 3 to the financial statements included elsewhere in this Form 10-QSB.

ITEM 3. CONTROLS AND PROCEDURES

As required by SEC rules, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures at the end of the period covered by this report. This evaluation was carried out under the supervision and with the participation of our management, including our principal executive officer and principal financial officer. Based on this evaluation, these officers have concluded that the design and operation of our disclosure controls and procedures are effective. There were no changes in our internal control over financial reporting or in other factors that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

19

Part II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

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

In September 2005, we agreed to issue Access Capital Management Corp. ("Access"), one of our consultants, options to purchase 25,000 shares of our common stock, pursuant to the terms of a consulting agreement with Access, with a strike price of \$0.75 per share. These options expire September 28, 2010, unless the agreement is terminated, in which case the options will expire one year from the date of termination. This transaction was not registered under the Act in reliance on the exemption from registration in Section 4(2) of the Act,

Edgar Filing: Tornado Gold International Corp - Form 10QSB

as a transaction not involving any public offering. The securities were issued to this consultant, who by virtue of that relationship was familiar with our business and was able to assess the risks and merits of the investment.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Regulation
S-B Number

Exhibit

10	Promissory Note issued to Green Shoe Investment, Inc.
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer and Chief Financial Officer of the Company
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer and Chief Financial Officer of the Company
32	Section 906 Certification by Chief Executive Officer and Chief Financial Officer

20

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.

TORNADO GOLD INTERNATIONAL CORP.

November 15, 2005

By: /s/ Earl W. Abbott

Earl W. Abbott
President, Chief Financial Officer
and Secretary