JOSHUA GOLD RESOURCES INC
Form 10-Q
May 20, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

x QUARTERLY REPORT UNDER SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2013

¨ TRANSITION REPORT UNDER SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________ to ______________

Commission File Number: 000-53809

JOSHUA GOLD RESOURCES INC.

(Exact name of registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	27-0531073 (I.R.S. Employer Identification No.)

2368 Lakeshore Rd. W, Suite 300, Oakville, Ontario, Canada L6L 1H5

(Address of principal executive offices)

(877) 354-9991

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 x No ¨

Indicated by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).Yes x No ¨

Check 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	¨	Smaller Reporting Company	x

Check whether the issuer is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of May 20, 2013, there were 79,138,896 shares of common stock, par value $0.0001, issued and outstanding

JOSHUA GOLD RESOURCES INC.

FORM 10-Q

INDEX

	Page
PART I FINANCIAL INFORMATION	
Item 1 Financial Statements	3
Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations	13
Item 3 Quantitative and Qualitative Disclosures About Market Risk	20
Item 4 Controls and Procedures	20
PART II OTHER INFORMATION	
Item 1 Legal Proceedings	20
Item 1A Risk Factors	20
Item 2 Unregistered Sales of Equity Securities and Use of Proceeds	21
Item 3 Defaults Upon Senior Securities	21
Item 4 Mine Safety Disclosures	21
Item 5 Other Information	22
Item 6 Exhibits	22
SIGNATURES	24

PART I---FINANCIAL INFORMATION

Item 1. Financial Statements.

Joshua Gold Resources Inc.

(An Exploration Stage Company)

Balance Sheets

As Of

	March 31, 2013 (Unaudited)	December 31, 2012 (Audited)
ASSETS		
Current Assets		
Cash	$ 55,435	$ 11,091
Sales tax receivable	20,691	18,643
Notes receivable	11,250	11,250
Total Current Assets	87,376	40,984
Other Assets		
Equipment	4,806	5,143
Mineral properties	2,583,166	2,321,000
Total Other Assets	2,587,972	2,326,143
Total Assets	$2,675,348	$2,367,127
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 247,122	$261,855
Dividends payable	62,400	62,400
Advances from stockholders	388,182	291,130
Due on mineral properties acquisition current portion	609,000	634,000
Total Current Liabilities	1,306,704	1,249,385
Long Term Liabilities		
Due on mineral properties acquisition	900,000	900,000
Total Long Term Liabilities	900,000	900,000
Total Liabilities	2,206,704	2,149,385
Stockholders' Equity		
Preferred stock, $0.0001 par value; 100,000,000 shares authorized; 240,000 shares issued and outstanding (December 31, 2012 240,000)	24	24
	7,901	7,555

Common stock, $0.0001 par value; 400,000,000 shares authorized; 79,010,008 shares issued and outstanding (December 31, 2012 75,552,988)		
Additional paid-in capital	4,058,813	3,013,477
Stock to be issued	1,337,821	2,046,455
Deferred stock-based compensation	(885,276)	(1,217,254)
Subscriptions receivable	(25,000)	(195,000)
Accumulated other comprehensive loss	(3,647)	(3,647)
Deficit accumulated during the development stage	(4,021,992)	(3,433,868)
Total Stockholders' Equity	468,644	217,742
Total Liabilities and Stockholders' Equity	$ 2,675,348	$2,367,127

See accompanying notes to the financial statements.

Joshua Gold Resources Inc.

(An Exploration Stage Company)

Statements of Operations and Comprehensive Loss

(Unaudited)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012	Period from Inception (July 10, 2009) to March 31, 2013
OPERATING EXPENSES			
	$	$	$
Consulting fees	316,707	87,216	1,520,504
Management fees	189,989	29,368	1,027,723
Professional fees	9,073	57,371	301,738
General and administrative	37,360	20,800	236,051
Exploration	27,108	79,338	250,880
Interest	7,551	4,616	51,197
Depreciation	336	336	16,902
Loss on disposal of mineral properties	-	-	112,686
TOTAL OPERATING EXPENSES	588,124	279,045	3,517,681
LOSS FROM CONTINUING OPERATIONS	(588,124)	(279,045)	(3,517,681)
Loss from discontinued operations	-	-	(441,486)
	$		
NET LOSS	(588,124)	(279,045)	(3,959,167)
OTHER COMPREHENSIVE INCOME			
Foreign currency translation	-	(28,580)	(3,647)
COMPREHENSIVE LOSS	(588,124)	(307,625)	(3,962,814)
LOSS PER WEIGHTED NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED			
	$	$	
Continuing operations	(0.01)	(0.00)	
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING - BASIC AND DILUTED	78,775,868	94,016,853	

See accompanying notes to the financial statements.

Joshua Gold Resources Inc.

(An Exploration Stage Company)

Statements of Cash Flows

(Unaudited)

	Three Months ended March 31, 2013	Three Months ended March 31, 2012	Period from Inception (July 10, 2009) to March 31, 2013
CASH FLOWS FOR CONTINUING OPERATIONS OPERATING ACTIVITIES			
	$	$	$
Loss from continuing operations	(588,124)	(279,045)	(3,517,681)
Adjustments for non-cash items:			
Depreciation	336	336	16,902
Accrued interest	7,551	4,615	51,197
Loss on disposal of mineral properties	-	-	112,686
Stock-based compensation	450,070	26,280	2,096,905
Impairment of notes receivable	-	-	-
Adjustments for changes in working capital:			
Sales taxes receivable	(2,048)	(10,505)	(20,691)
Accounts payable and accrued liabilities	(14,733)	9,281	247,122
NET CASH USED IN OPERATING ACTIVITIES FROM CONTINUING OPERATIONS	(146,948)	(249,038)	(1,013,560)
FINANCING ACTIVITIES			
Notes receivable	-	-	(11,250)
Due on mineral properties acquisition	(25,000)	-	(52,663)
Advances from stockholders	89,500	51,428	301,899
Proceeds on issuance of capital stock	248,575	207,518	1,292,891
NET CASH PROVIDED BY FINANCING ACTIVITIES FROM CONTINUING OPERATIONS	313,075	258,946	1,530,877
INVESTING ACTIVITIES			
Acquisition of mineral properties	(138,166)	(17,544)	(381,416)
Acquisition of equipment	-	-	(6,622)
NET CASH USED IN INVESTING ACTIVITIES FROM CONTINUING OPERATIONS	(138,166)	(17,544)	(388,038)
NET INCREASE (DECREASE) IN CASH FROM CONTINUING OPERATIONS	27,961	(7,636)	129,279
CASH FLOWS FOR DISCONTINUED OPERATIONS OPERATING ACTIVITIES			

Loss from discontinued operations	-	-	(441,486)
Adjustments for non-cash items:			
Stock-based compensation	-	-	270,859
Interest accrued on the long term loan for discontinued operations	-	-	1,213
Adjustments for changes in working capital:			
Accounts receivable from discontinued operations	-	-	-
Liabilities from discontinued operations	-	-	4,454
NET CASH USED IN OPERATING ACTIVITIES FROM DISCONTINUED OPERATIONS	-		(164,960)
NET DECREASE IN CASH FROM DISCONTINUED OPERATIONS	-		(164,960)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	16,383	(705)	91,116
NET INCREASE (DECREASE) IN CASH	44,344	(8,341)	55,435
CASH, BEGINNING OF PERIOD	11,091	24,786	-
CASH, END OF PERIOD	$ 55,435	$ 16,255	$ 55,435
SUPPLLEMENTARY CASH FLOW INFORMATION			
Income taxes paid	$ -	$ -	
Interest paid	$ -	$ -	
Stock issuances to acquire mineral properties	$ 124,000		

Joshua Gold Resources Inc.

(An Exploration Stage Company)

Notes to Financial Statements

For the Period Inception (July 10, 2009) to March 31, 2013

(Unaudited)

1. Nature of Operations and Basis of Presentation

Joshua Gold Resources Inc. (referred to herein as Joshua , or the Company) was incorporated on July 10, 2009 in the State of Nevada.

The Company operates as a mineral exploration business headquartered in Oakville, Ontario, Canada. Its principal business activity is the acquisition, exploration and development of mineral property interests in Canada. The Company is considered to be in the exploration stage and substantially all of the Company s efforts are devoted to financing and developing these property interests.

The Company has the rights to five mineral properties, the Kenty Property in Ontario Canada, the Garrett Property in Ontario, Canada, and the Elijah Property in Shining Tree Ontario, Canada, The Mortimer Property in Ontario, Canada and the Coppell Property in Ontario, Canada, as defined in note 3. There has been no determination whether the Company s interests in unproven mineral properties contain mineral reserves, which are economically recoverable.

The Company s financial statements are expressed in United States dollars.

2. Going Concern

The financial statements have been prepared on a going concern basis. The going concern basis of presentation assumes that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operation.

The Company has incurred a net loss of $588,124 for the three months ended March 31, 2013, and a working capital deficit of $1,219,328. As an exploration stage entity, the Company has not yet commenced its mining operations and accordingly does not have any revenue. This casts doubt on the Company s ability to continue as a going concern unless it can begin to generate net profit and raise adequate financing.

The Company has been seeking additional debt or equity financing to support its operations until it becomes cash flow positive. There can be no assurances that action and plan such as above will be sufficient for the Company to continue operating as a going concern.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts classified as liabilities that might be necessary should the Company be unable to continue in existence. These adjustments could be material.

3. Mineral Properties

Mineral Properties		
Garrett Property acquisition (a)		200,000
Elijah Property acquisition (b)		145,000
Kenty Property acquisition (c)		1,976,000
Balance at December 31, 2012	**$**	**2,321,000**
Mortimer Property acquisition (d)		234,166
Coppell Property acquisition (e)		28,000
Balance at March 31, 2013	**$**	**2,583,166**

(a) Garrett Property

On June 25, 2011 the Company entered into a mineral property acquisition agreement with Firelake Resources Inc. whereby it acquired certain mineral interests in the Garrett Property. Consideration for the mineral interests is as follows:

1.

Cash consideration of $50,000 to be paid in two equal installments of $25,000 on January 31, 2012 and January 31, 2013.

2.

Equity consideration of 2,000,000 shares of common stock to be issued on or before January 31, 2012

3.

Royalty of 2% of all net smelter returns upon commencement of commercial production at the property.

As of March 31, 2013, the Company paid $6,000 of the balance due on the Garrett Property.

The Garrett Property is 8,900 acres in area and is located north of the City of Sudbury, in Ontario, Canada. The Company s interest in the property consists of 157 mineral claim units staked by a prospector. Mining cannot take place until the claims are brought to lease. In order to keep the claims in good standing, the Company is required to perform $30,000 of exploration work before October 2013 and $32,800 of exploration work before November 2013.

(b) Elijah Property

On February 13, 2012, the Company finalized a mineral property acquisition agreement with Shining Tree Resources Corp. (Shining Tree), under which the Company would acquire a 50% interest in the Elijah Property in the townships of Churchill and Asquith in the Province of Ontario, Canada. In exchange for the interest in the property, the Company will:

1.

Pay cash consideration of $50,000 according to an installment schedule between February and July 2012;

2.

Issue 333,333 shares of common stock to Shining Tree; and

3.

Complete exploration expenditures having a value of $200,000 on the conveyed property before February 10, 2014. Upon completion of payment for the conveyed property in the aggregate amount of $50,000 and of exploration expenditures on the conveyed property, Shining Tree will issue to the Company 1,000,000 common shares of Shining Tree common stock, on or before July 30, 2012.

As of March 31, 2013, the Company paid $10,000 of the balance due on the Elijah Property and the 333,333 common shares have yet to be issued.

The Elijah Property consists of four unpatented mining claims (38 units - approximately 1,520 acres) in Asquith and Churchill Townships, Larder Lake Mining District, Ontario, Canada. The property lies approximately 3 kilometers northeast of the hamlet of Shining Tree.

(c) Kenty Property

On October 4, 2012, the Company entered into a mineral property acquisition agreement with Brian McClay, pursuant to which McClay agreed to sell to the Company a 100% interest in certain mineral interests found on the Kenty Property located in the Townships of Swayze and Dore, Ontario, Canada.

As consideration for the sale of the McClay conveyed property, the Company agreed to pay:

1.

Cash consideration of $1,500,000 to be paid according to an installment schedule between October 4, 2012 and April 4, 2015;

2.

Equity consideration of 1,700,000 shares of common stock to be issued according to an installment schedule between October 4, 2012 and April 4, 2015; and

3.

Royalty of 3% of all net smelter returns upon commencement of commercial production of the property.

In addition, the Company has also agreed to the following conditional payments in respect of its purchase of the property:

4.

Upon completion of a NI 43-101 compliant report with indicated reserves of 1,000,000 troy ounces of gold on the property, the Company shall pay $1,000,000 to McClay.

5.

Upon production of 1,000,000 troy ounces of gold property, the Company shall pay $1,000,000 to McClay.

6.

Upon production of 3,000,000 troy ounces of gold property, the Company shall pay $2,000,000 to McClay.

7.

Upon production of 5,000,000 troy ounces of gold property, the Company shall pay $2,000,000 to McClay.

8.

Company shall have the option of early buyout within one year of execution for a cash payment of $750,000 and 750,000 common shares of Company.

The Kenty Property consists of a contiguous block of 16 patented mining claims. The patent mining claims making up the Kenty Gold Property require payment of annual taxes. However, there is no expiration date nor is there a work requirement in order to maintain these claims in good standing.

(d) Mortimer Property

On February 11, 2013, the Company entered into a mineral property acquisition agreement with Red Pine Exploration Inc., under which the Company acquired a 100% interest in certain mineral interests found contiguous to the Kenty Property (the Mortimer Claims). The area of the Kenty Property Mortimer Claims is approximately 35,859 acres or approximately 14,512 hectares and consists of 907 mining claim units. As consideration for the sale of the Mortimer Claims, the Company agreed to:

1.

Payment of $25,000 in cash on the closing date and a further $100,000 on March 15, 2013;

2.

Issuance of 250,000 shares of common stock on March 15, 2013, with an implied value of $100,000, and subject to a top-up provision for issuance of additional shares if the market value is below the implied value on July 15, 2013;

3.

A 3% net smelter returns royalty payable to Red Pine Explorations Inc.; and

4.

A 2% net smelter returns royalty payable to Charlie Mortimer.

As of March 31, 2013 the $100,000 due on March 15, 2013 has not been made.

8

(e) Coppell Property

On January 17, 2013, the Company entered into a mineral property acquisition agreement with Shelly Moretti, Jacques Robert and Michael Tremblay, under which the Company acquired a 100% interest in certain mineral interests in Coppell Township. As consideration for the sale of the Claims, the Company agreed to:

1.

Payment of $4,000 in cash on the closing date; and

2.

Issuance of 80,000 shares of common stock on or before February 4, 2013, with an implied value of $24,000.

4. Advances From Stockholders

The Company has advances from stockholders due to various individuals and corporations who are not related parties. These amounts are unsecured, interest-bearing at 12% per annum, and are due on demand.

5. Due On Mineral Properties Acquisition

The Company is required to make certain payments in respect of its 2011 acquisition of the Garrett Property, its 2012 acquisitions of the Elijah Property and the Kenty Property and its 2013 acquisitions of the Mortimer Property and the Coppell Property. These payments are due to Firelake Resources Inc., Shining Tree Resources Corp., Brian McClay, Red Pine Exploration Inc. and Shelly Moretti, Jacques Robert and Michael Tremblay (collectively), respectively, the companies and individuals from which the properties were acquired. The amounts due are unsecured, non-interest bearing, and are due as follows:

2013 (nine months)	$ 609,000
2014	600,000
2015	300,000
Total	$ 1,509,000

As of March 31, 2013, the Company is in arrears on its payments by $184,000. This amount has been included above in the installments due for 2013.

6. Capital Stock

a) Common Stock

For the quarter ended March 31, 2013, the Company issued 311,111 shares of common stock pursuant to private placement transactions at a price of $0.30 per share and for total cash proceeds of $78,575. Of these issued shares 83,333 were flow-through Common shares. The issuance of flow-through shares requires the renunciation of Canadian Exploration Expenditures (CEE) in the same tax year and in an amount of equal value to the shares issued for the benefit of those shareholders that purchased those flow-through shares. In accordance with the Income Tax Act (Canada), the Company must incur CEE in the year of renunciation or in the subsequent year. Part XII.6 tax is calculated monthly on any unspent balance in the subsequent year beginning January 1, 2013. Under the terms of the Company s flow-through shares agreements, the Company is required to spend and renounce expenditures for exploration that are qualifying CEE, as defined by the Income Tax Act (Canada) in the next calendar year.

For the quarter ended March 31, 2013, the Company issued 450,000 shares of common stock in partial settlement of its obligations for acquisitions of mineral properties.

For the quarter ended March 31, 2013, the Company issued 2,695,909 shares of common stock to directors, consultants, and employees of the Company as signing bonuses and for services rendered. Of the shares issued, 613,529 shares are for services rendered in the current quarter and 2,576,825 shares are to settle shares to be issued as of December 31, 2012. These transactions have been recorded as stock-based compensation having a total value of $450,070.

b) Stock To Be Issued

On February 7, 2012, the Company entered into an agreement to issue 333,333 shares of common stock to Shining Tree Resources Corp. in connection with its acquisition of the mineral rights to the Elijah Property. As of December 31, 2012 and March 31, 2013, these shares had not yet been issued and are reported as stock to be issued for $95,000.

On December 25, 2012, the Company entered into an agreement to issue 1,700,000 shares of common stock to Bryan McClay in connection with its acquisition of the mineral rights to the Kenty Property. As of December 31, 2012, the shares had not yet been issued, and accordingly the Company recorded stock to be issued for $476,000. For the quarter ended March 31, 2013, the Company issued 200,000 shares of common stock in relation to this obligation and as of March 31, 2013, 1,500,000 shares with a value of $420,000 remained due to be issued.

As of March 31, 2013, the Company was obligated to issue 2,213,189 shares of common stock (December 31, 2012 4,975,218 shares) to directors and employees for current and future services.

As of March 31, 2013 and December 31, 2012, the Company was obligated to issue 44,444 shares of common stock in connection with a private placement. The Company has recorded stock to be issued of $10,000 in respect of this obligation.

c) Preferred Stock

The Company has authorized Class A preferred stock available to be issued for $1.00 per share, are non-participating and non-voting and accrue cumulative dividends at the rate of 10% per annum. The Company may retract the stock at any time upon the payment of $1.00 per share plus any unpaid dividends. In the event of any wind-up of the Company, the Class A preferred stock has a priority distribution of $1.00 per share plus any unpaid dividends before any distribution to the common stockholders.

On June 4, 2010 the Company issued 240,000 shares of Class A preferred stock to directors and advisors in exchange for services rendered. Stock-based compensation of $230,952 was recorded in respect of this issuance and has been classified as consulting fees on the statement of operations.

d) Dividends

No dividends were declared in the three months ended March 31, 2013 and 2012.

e) Warrants

The below table summarizes the Company s activity with respect to warrants:

	Number of Warrants	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
Balance December 31, 2011	3,723,397	-	-
Granted	2,002,580	0.446	0.727
Expired	(3,723,397)	0.387	-
Cancelled	-	-	-
Exercised	-	-	-
Balance December 31, 2012	2,002,580	$ 0.446	0.727
Granted	266,667	0.50	0.727
Expired	-	-	-
Cancelled	-	-	-
Exercised	-	-	-
Balance March 31, 2013	2,269,247	$ 0.50	0.727

During the three months ended March 31, 2013, the Company issued 266,667 warrants in connection with its private placements of common stock. Each warrant entitles the holder to purchase one share of common stock of the Company at exercise prices ranging from $0.30 to $0.60 per share for a term of one year from the issue date.

The warrants described above were not included in the calculation of loss per share as they would have been antidilutive.

f) Stock-Based Compensation

The Company incurred stock-based compensation expense in connection with its compensation agreements for its directors, management, and employees. Under these agreements, common stock may be issued as a signing bonus or at certain benchmark dates within an individual s period of service. Stock-based compensation is calculated as the fair value of the stock issued or to be issued to an individual and is recorded at the time the stock becomes owing to the individual. Stock issued to a director, manager, or employee is deferred in the event that their contract requires the individual to remain employed with the Company for a specified time period after issuance. For the three months ended March 31, 2013, the Company issued 2,576,825 shares of common stock and a further 323,110 shares became issuable in the year in connection with stock-based compensation arrangements. These shares were valued at amounts ranging from $0.28 to $0.30 per share and resulted in management fees expenses of $165,989 and consulting fees expenses of $284,081. Of these expenses, $331,978 resulted from a reduction of deferred stock based compensation.

7. Related Party Transactions

The following transactions with related parties were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the parties.

For the three months ended March 31, 2013, the Company issued 2,576,825 shares of common stock as compensation to directors and officers of the Company. As of March 31, 2013 an additional 323,110 shares of common stock are due to be issued to directors and officers of the Company. Stock-based compensation of $474,386 was recorded in relation to these shares, and is presented within management fees and consulting fees on the statement of operations.

8. Financial Instruments

Fair Values

The Company s financial instruments consist of cash, sales tax receivable, notes receivable, subscriptions receivable, accounts payable and accrued liabilities, dividends payable, advances from stockholders, and amounts due on mineral rights acquisition. The fair values of these financial instruments approximate their carrying values due to the short-term maturity of these instruments. The Company s only financial instruments carried at fair value on the balance sheet is cash, which is classified at Level 1 and is measured using quoted market prices. Furthermore, there were no transfers of financial instruments between Levels 1, 2, and 3 during the three months ended March 31, 2013.

Foreign Currency Risk

Foreign currency risk is the risk that changes in the rates of exchange on foreign currencies will impact the financial position or cash flows of the Company. The Company s functional currency is the Canadian dollar, thus the Company is exposed to foreign currency risks in relation to certain payables that are to be settled in US funds. Management monitors its foreign currency exposure regularly to minimize the risk of an adverse impact on its cash flows.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss in the event that certain counterparties are unable to fulfill its obligations to the Company. The Company limits its exposure to credit loss on its cash by placing its cash with high credit quality financial institutions. The Company does not have any cash in excess of federally insured limits. Sales taxes receivable are due from the Canadian government and notes receivable are due from stockholders with whom the Company also has advances payable. Subscriptions receivable are collateralized by the shares for which the subscriptions are paid.

Liquidity Risk

Liquidity risk is the risk that the Company s cash flows from operations will not be sufficient for the Company to continue operating and discharge is liabilities. The Company is exposed to liquidity risk as its continued operation is dependent upon its ability to obtain financing, either in the form of debt or equity, or achieving profitable operations in order to satisfy its liabilities as they come due.