

Edgar Filing: Tornado Gold International Corp - Form 10QSB

Tornado Gold International Corp  
Form 10QSB  
May 16, 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 March 31, 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 94-3409645  
(State or other jurisdiction (IRS Employer  
of incorporation or organization) Identification No.)

8600 Technology Way, Suite 118, Reno, Nevada 89521  
(Address of principal executive offices)

775-852-3770  
(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

The number of shares of common stock outstanding as of May 10, 2005  
was 23,472,271.

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

1

TORNADO GOLD INTERNATIONAL CORP.  
Index

Page  
Number

## Edgar Filing: Tornado Gold International Corp - Form 10QSB

	-----	
PART I.	FINANCIAL INFORMATION	2
Item 1.	Financial Statements	2
	Balance Sheet as of March 31, 2005 (unaudited)	3
	Statements of Operations for the three months ended March 31, 2005 and 2004 (unaudited)	4
	Statements of Cash Flows for the three months ended March 31, 2005 and 2004 (unaudited)	5
	Notes to Financial Statements (unaudited)	6
Item 2.	Management's Discussion and Analysis or Plan of Operations	15
Item 3.	Controls and Procedures	18
PART II.	OTHER INFORMATION	19
Item 1.	Legal Proceedings	19
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	19
Item 3.	Defaults Upon Senior Securities	19
Item 4.	Submission of Matters to a Vote of Security Holders	19
Item 5.	Other Information	19
Item 6.	Exhibits	20
	SIGNATURES	21
	CERTIFICATIONS	22

2

PART I.	FINANCIAL INFORMATION
Item 1.	Financial Statements

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

	March 31,	
	2005	
	-----	
	(unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$	26,887
Deposits		1,395

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TOTAL CURRENT ASSETS		-----	28,282
MINING CLAIMS			165,465
TOTAL ASSETS		-----	\$ 193,747
		=====	
LIABILITIES AND STOCKHOLDERS' DEFICIT			
CURRENT LIABILITIES			
Accounts payable	\$		17,551
Notes payable (including accrued interest of \$75,671)			1,100,671
TOTAL CURRENT LIABILITIES		-----	1,118,222
COMMITMENTS AND CONTINGENCIES			-
STOCKHOLDERS' DEFICIT			
Common stock; \$0.001 par value; 100,000,000 shares authorized; 45,012,000 shares issued and outstanding			45,012
Additional paid in capital			18,885
Accumulated deficit			(988,372)
TOTAL STOCKHOLDERS' DEFICIT		-----	(924,475)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT		-----	\$ 193,747
		=====	

The accompanying notes are an integral part of these financial statements

3

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

	Three Months Ended	
	March 31, 2005	March 31, 2004
	-----	-----
(unaudited) (unaudited)		
NET REVENUE	\$ -	\$
OPERATING EXPENSES		
Mining exploration expenses	17,850	
General and administrative expenses	28,125	41,03

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	45,975	41,03
LOSS FROM OPERATIONS	(45,975)	(41,03)
OTHER INCOME (EXPENSE)		
Interest expense	(19,638)	(5,54)
TOTAL OTHER INCOME (EXPENSE)	(19,638)	(5,54)
LOSS BEFORE PROVISION FOR INCOME TAXES AND DISCONTINUED OPERATIONS	(65,613)	(46,57)
PROVISION FOR INCOME TAXES	-	
NET LOSS FROM CONTINUING OPERATIONS	(65,613)	(46,57)
DISCONTINUED OPERATIONS:		
Income from operations of discontinued operations	-	87
	-	87
NET LOSS	\$ (65,613)	\$ (45,70)
NET LOSS PER SHARE - BASIC AND DILUTED		
Continuing operations	\$ (0.00)	\$ (0.00)
Discontinued operations	(0.00)	(0.00)
	\$ (0.00)	\$ (0.00)
WEIGHTED AVERAGE COMMON EQUIVALENT SHARES OUTSTANDING - BASIC AND DILUTED	45,012,000	1,804,631,95

The accompanying notes are an integral part of these financial statements

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

Thre  
-----  
March 31,  
2005  
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(unaudited) (unaudited)

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net loss from continuing operations	\$	(65,61
Adjustment to reconcile net loss to net cash used in operating activities:		
Net loss from discontinued operations		
Value of options granted for services		
Changes in:		
Accounts payable and accrued expenses		32,67

Net cash used in operating activities		(32,94
---------------------------------------	--	--------

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of mining claims		(43,31
---------------------------	--	--------

Net cash used in investing activities		(43,31
---------------------------------------	--	--------

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Proceeds from notes payable		50,00
Payment on note payable, related party		
Repurchase of shares of common stock		
Transfer of Salty's Warehouse, Inc's cash balance at date of disposition		

Net cash provided by financing activities		50,00
---	--	-------

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(26,25
--	--	--------

CASH AND CASH EQUIVALENTS, Beginning of period		53,14
--	--	-------

CASH AND CASH EQUIVALENTS, End of period	\$	26,88
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**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:**

Interest paid	\$	
Income taxes paid	\$	

The accompanying notes are an integral part of these financial statements

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### 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 Note3).

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Interim Financial Statements

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The unaudited financial statements have been prepared by the Company, pursuant 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 three months ended March 31, 2005 are not necessarily indicative of the results to be expected for the full year ending December 31, 2005.

#### Basis of Presentation

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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 three months ended March 31, 2005 of \$65,613, and at March 31, 2005 had a negative working capital of \$1,089,940 and had a stockholders' deficit of \$924,475. 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

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

## 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, Mr. Abbott, Carl A. Pescio and Stanley B. Keith have collectively purchased 28,836,364 shares of common stock from the Company for \$10,000. Mr. Abbott, Mr. Pescio and Mr. Keith replaced Messrs. Shannon, Hudson and Bodenweber on the Board of Directors of the Company.

## Cash and Cash Equivalents

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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 March 31, 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. The accompanying financial statements have been retroactively restated to present the effect of these two stock splits.

## Stock Options

-----

SFAS No. 123, "Accounting for Stock-Based Compensation," establishes and

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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

7

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

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 three months ended March 31, 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%; 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.

#### 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 and warrants to purchase common shares would have an anti-dilutive effect. The only potential common shares as of March 31, 2005 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.

#### 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:

##### a) HMD Property

##### Schedule of lease payments:

Due Date	Amount
-----	-----



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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

8

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

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 on June 1, 2004.

b) NT Green Property

Schedule of lease payments:

Due Date -----	Amount -----
June 5, 2004	\$ 15,000

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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

9

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

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 on June 1, 2004.

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

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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.

10

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

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 on June 1, 2004.

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

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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 on June 1, 2004.

11

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

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

Notes payable at March 31, 2005 consist of the following:

Promissory Note dated March 5, 2004 due to New Regent Industries Limited. The note is unsecured and accrues interest at 8% per annum. The note was originally due on July 5, 2004 and an extension has been granted to April 15, 2005. \$

Promissory Note dated April 27, 2004 due to New Regent Industries

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Limited. The note is unsecured and accrues interest at 8% per annum. The note is payable upon demand.

Promissory Note dated March 21, 2005 (fund actually received in November 2004) due to New Regent Industries Limited. The note is unsecured and accrues interest at 8% per annum. The note is due on April 15, 2005.

Promissory Note dated March 21, 2005 (fund actually received in February 2005) due to New Regent Industries Limited. The note is unsecured and accrues interest at 8% per annum. The note is due on April 15, 2005.

Add: accrued interest

Balance - March 31, 2005

\$ 1,10

NOTE 6 - 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. 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 two stock splits.

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

NOTE 7 - 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
	-----

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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 8 - 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.
- b) During the three months ended March 31, 2005, the Company incurred consulting fees for services rendered by Mr. Earl Abbott, the Company's President totaling \$23,100 of which \$17,850 related to mining exploration and the remaining \$5,250 related to was charged to general administrative activities. The Company also during the three months ended March 31, 2005, the Company reimbursed Mr. Abbott \$7,809.39 for travel and other company related expenses.

13

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

### NOTE 9 - SUBSEQUENT EVENT

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 1,104,271 shares of the Company's common stock.

Also on April 15, 2005, the Company redeemed a total of 22,644,000 from three of its board members for \$7,906.

In addition, on April 15, 2005, the Company's board of directors approved the Tornado Gold International Corp. 2005 Stock Option Plan. Under the plan, 6,000,000 shares of the Company's common stock are reserved for the issuance of stock option under this plan. Currently, no stock options have been granted.

14

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

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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

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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 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.

### MINING COSTS

Our second critical accounting policy pertains to the accounting of costs associated with our mining operations. We charged all explorations costs to

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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.

LIQUIDITY AND CAPITAL RESOURCES. We had cash and cash equivalents totaling \$26,887 as of March 31, 2005 and a security deposit on our office lease of \$1,395, making our total current assets \$28,282. We also had mining assets of \$165,465, making our total assets \$193,747 as of March 31, 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 March 31, 2005 we had a net working capital deficit of \$1,089,940 as compared to \$981,013 of 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 1,104,271 shares of our common stock.



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Net cash used in operating activities was \$32,940 for the three months ended March 31, 2005 compared to \$38,856 for the three months ended March 31, 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 MARCH 31, 2005 COMPARED TO THE THREE MONTHS ENDED MARCH 31, 2004.

REVENUE. We have realized no revenues for the three months ended March 31, 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 three months ended March 31, 2005, our total operating expenses were \$45,975 of which \$17,850 was specifically related to mining exploration and \$28,125 related to general and administrative expenses. During the three months ended March 31, 2005, we accrued \$19,638 in interest expense on notes payable totaling \$1,025,000. No interest was paid on these notes during the quarter.

Of the \$17,850 that we incurred in our mining operations during the three months ended March 31, 2005, \$17,850 was paid to our President for his technical consulting services to us. Of the \$28,125 that we incurred in general and administrative expenses, \$5,250 was paid to our president for management services, \$4,392 was incurred for accounting and legal professional services, rent expense of \$4,185, and travel and other related company expenses which were reimbursed to our President totaling \$7,809.

This is in comparison to the three months ended March 31, 2004, where we had \$41,030 in general and administrative expense, which also represented our total operating expenses. The increase in our operating expenses, and loss from operations and net loss is due to the change in our business operations.

NET INCOME (LOSS). Our loss from operations for the three months ended March 31, 2005 totaled \$45,975. With our interest expense of \$19,638, our net loss was \$65,613. This is in comparison to the three months ended March 31, 2004, where we had operating expenses of \$41,030. We also had \$5,554 in interest expenses which we incurred during the three months ended March 31, 2004. Income from discontinued operations during the three months ended March 31, 2004 amounted to \$871, making our net loss \$45,703.

Our expenses and net losses for the three months ended March 31, 2005 are higher than those for the same period ended in 2004 due to the transition to our new business plan. In March 2004, we underwent a change of management; our prior management received our former operating subsidiary, and our new management has acquired interests in properties exhibiting the potential for mining operations as part of our new business plan, which accounts for the changes in our

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operating expenses. 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.

17

OUR PLAN OF OPERATION FOR THE NEXT TWELVE MONTHS. Our current business is the identification and acquisition of properties exhibiting the potential for gold mining operations by others. Through March 31, 2005, we have acquired \$165,465 in mining assets.

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 1,104,271 shares of our common stock.

We have cash of \$26,887 as of March 31, 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. 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

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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.

18

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.

### Part II. OTHER INFORMATION

#### Item 1. Legal Proceedings

None

#### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Subsequent to the reporting period, and 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 1,104,271 shares of our common stock. This transaction was not registered under the Act in reliance on the exemption from registration under Regulation S and in Section 4(2) of the Act, as a transaction not involving any public offering and without any general or public solicitation. The conversion of the notes for shares was with a single foreign investor which had knowledge and experience in business matters to enable them to evaluate 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

In November 2004, as described herein, we received \$100,000 from an unrelated third party pursuant to the terms of a promissory note executed in March 2005. The note accrues interest at 8% per annum from the date the funds were received and is due April 15, 2005.

19

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Subsequent to the reporting period, and as of April 15, 2005, we have adopted our 2005 stock option plan to compensate our directors as follows:

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 we acquire 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.

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.

None of these options have yet been granted.

On April 15, 2005, our officers and directors agreed to redeem 22,654,000 of their shares for \$7,909.25 or \$.000349 per share. This includes 11,332,000 shares from Dr. Abbott, and 5,661,000 shares from Messrs. Pescio and Keith. Dr. Abbott's shares were redeemed for \$3,954.87, and Messrs. Pescio and Keith each received \$1,975.69 for their shares. These amounts are the equivalent to the pre-split prices they paid for their shares when they joined us in March 2004.

1 "Drill-indicated resource" means a deposit that has been investigated and measured through industry-standard geologic and engineering methods, but that has not had a positive feasibility study performed.

2 "Gold equivalent" means the value of gold and other metals expressed as gold ounces at the price of gold and the other metals at the time of acquisition.

### Item 6. Exhibits

#### Regulation

#### S-B Number

#### Exhibit

3.1	Articles of Incorporation (1)
3.2	Bylaws (1)
10.1	Plan of Reorganization and Acquisition, dated May 10, 2002 (1)
10.2	Yahoo! Store Merchant Service Agreement (1)
10.3	Promissory Note for Steven W. Hudson, executed October 18, 2002 (1)
10.4	Promissory Note for Earl T. Shannon, executed October 18, 2002 (1)
10.5	Commission Agreement with International Yacht Collection, dated May 11, 2000 (1)
10.6	Promissory Note for Steven W. Hudson, executed October 18, 2002 (1)
10.7	Promissory Note for Earl T. Shannon, executed October 18, 2002 (1)
31	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

(1) Incorporated by reference from our Registration Statement on Form SB-2, filed on September 11, 2002, as amended (Registration No. 333-99443)

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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.

May 13, 2005

By: /s/ Earl W. Abbott

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Earl W. Abbott  
President, Chief Financial Officer  
and Secretary