10-Q 1 sfmi1113201210q.htm QUARTERLY REPORT

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

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2012

or

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

For the transition period from ___________ to __________

Commission file number 000-53765

SILVER FALCON MINING, INC.

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

DELAWARE	26-1266967
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

2520 Manatee Avenue West, Suite 200, Bradenton, Florida 34205
(Address of principal executive offices)

(941) 761-7819

(Issuer's telephone number, including area code)

____

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer £ Accelerated filer £Non-accelerated filer £ Smaller reporting company ¡

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 699,488,199 and 5,365,419 shares of Class A Common Stock and Class B Common Stock, respectively, as of October 29, 2012.

SILVER FALCON MINING, INC.

(AN EXPLORATION STAGE COMPANY)

FORM 10-Q REPORT INDEX

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SILVER FALCON MINING, INC.
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2012 AND DECEMBER 31, 2011

	SEPTEMBER 30, 2012 (UNAUDITED)	DECEMBER 31, 2011 (AUDITED)
ASSETS		
Cash	$ 66,454	$ -
Inventories	2,538,929	1,772,252
Due from related parties, net of amounts due to related parties	1,117,581	404,779
Total current assets	3,722,964	2,177,031
Mill equipment, net of accumulated depreciation of $1,028,203 and $737,741, respectively (see Note 4)	970,571	1,202,668
Properties	2,673,200	2,504,422
Prepaid expenses (see Notes 5 and 8)	802,909	327,183
Other assets	37,000	31,000
Total Assets	$ 8,206,644	$ 6,242,304
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Accounts payable	$ 700,734	$ 949,504
Payroll liabilities	116,710	66,334
Accrued interest	60,010	129,568
Notes payable - current portion (see Note 3)	852,000	1,691,867
Total current liabilities	1,729,454	2,837,273
Notes payable (see Note 3)	2,345,330	2,857,004
Total liabilities	4,074,784	5,694,277
STOCKHOLDERS' DEFICIT		
Common stock, Class A, par value $0.0001, 10,000,000,000 shares authorized, 685,417,250 and 419,863,368, issued and outstanding, respectively	68,542	41,986
Common stock, Class B, par value $0.0001, 250,000,000 shares authorized, 5,365,419 and 5,365,419 issued and outstanding, respectively	537	537
Additional paid in capital	42,028,960	30,327,054
Accumulated deficit	(37,966,179)	(29,821,550)
	4,131,860	548,027
Total liabilities and stockholders' deficit	$ 8,206,644	$ 6,242,304

See accompanying notes to financial statements.

SILVER FALCON MINING, INC.
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011,
AND THE PERIOD FROM OCTOBER 15, 2007 (INCEPTION) TO SEPTEMBER 30, 2012
(UNAUDITED)

	2012	**2011**	**Cumulative from Inception**
Revenue	$ 82,415	$ -	$ 259,377
Expenses			
Consulting fees	$ 1,999,527	$ 3,827,985	$ 15,433,406
Exploration and development	8,240	1,079,912	2,467,734
Mill operating expenses	329,691	1,409,229	1,678,653
Property lease fees	750,000	-	1,000,000
Compensation expense	309,762	1,055,151	2,672,939
Stock compensation expense	1,375,726	-	6,646,468
Depreciation expense	290,462	249,293	1,028,203
General and administrative	793,047	634,066	4,277,226
	5,856,455	8,255,636	35,204,629
Loss from operations	(5,774,040)	(8,255,636)	(34,945,252)
Interest expense	(293,414)	(180,431)	(943,752)
Debt conversion expense	(2,077,175)	-	(2,077,175)
Net Loss	$ (8,144,629)	$ (8,436,067)	$ (37,966,179)
Net loss per common share - basic and diluted	$ (0.01)	$ (0.03)	(0.15)
Weighted average number of common shares outstanding – basic and diluted	638,568,479	316,543,677	251,871,280

See accompanying notes to financial statements.

SILVER FALCON MINING, INC.
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011,
(UNAUDITED)

	2012	2011
Revenue	$ 7,161	$ -
Expenses		
Consulting fees	$ 443,657	$ 731,371
Exploration and development	6,576	407,999
Mill operating expenses	185,393	554,523
Property lease fees	250,000	-
Compensation expense	89,071	282,685
Stock compensation expense	458,575	-
Depreciation expense	97,778	71,367
General and administrative	213,735	113,364
	1,744,785	2,161,309
Loss from operations	(1,737,624)	(2,161,309)
Interest expense	(139,055)	(75,782)
Debt conversion expense	(20,548)	-
Net Loss	$ (1,897,227)	$ (2,237,091)
Net loss per common share - basic and diluted	$ -	$ (0.01)
Weighted average number of common shares outstanding – basic and diluted	681,475,345	333,438,236

See accompanying notes to financial statements.

SILVER FALCON MINING, INC.
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011,
AND THE PERIOD FROM OCTOBER 15, 2007 (INCEPTION) TO SEPTEMBER 30, 2012
(UNAUDITED)

	2012	2011	Cumulative from Inception
Cash flows from operating activities			
Net Loss	$ (8,144,629)	$ (8,436,067)	$ (37,966,179)

Adjustments to reconcile net loss to net cash used in operating activities:			
Issuance of common stock for consulting services	1,894,636	4,920,235	19,653,523
Issuance of common stock for compensation	1,834,302	-	4,109,039
Issuance of common stock for related party	1,534,854	-	1,534,854
Issuance of common stock for road access	-	-	13,050
Issuance of common stock for interest	133,335	13,822	196,295
Issuance of common stock for rent	113,600	-	1,315,730
Depreciation and amortization	419,038	249,294	1,156,779
Debt conversion expense	2,077,175	-	2,077,175
Options granted	-	-	2,996,004
Increase (decrease) in operating assets and liabilities:			
Inventories	(766,677)	(167,904)	(2,538,929)
Prepaid expenses	(475,726)	696,892	(802,909)
Due from related party	(712,802)	(4,788)	(1,117,581)
Other assets	(6,000)	(25,000)	(32,000)
Accounts payable and accrued expenses	(248,770)	(37,381)	1,011,039
Accrued interest	(59,366)	72,623	85,383
Accrued payroll and payroll liabilities	50,376	893,597	1,611,631
Net cash used in operating activities	(2,356,654)	(1,824,677)	(6,697,096)
Cash flows from investing activities			
Purchase of equipment	(58,365)	(356,776)	(1,973,948)
Purchase of mill and mining properties	(168,778)	(287,550)	(1,919,112)
Cash acquired in acquisition	-	-	39,780
Net cash used in investing activities	(227,143)	(644,326)	(3,853,280)
Cash flows from financing activities			
Proceeds from notes payable	2,758,842	2,442,710	10,762,921
Proceeds from sale of common stock	65,667	-	140,667
Purchase of common stock	-	-	(63,000)
Repayments of notes payable	(174,258)	-	(223,758)
Proceeds from Directors loans	-	-	338,113
Repayments of Directors loans	-	(323)	(338,113)
Net cash provided by financing activities	2,650,251	2,442,387	10,616,830
Net increase in cash	66,454	(26,616)	66,454
Cash - beginning of year	-	61,530	-
Cash - end of year	$ 66,454	$ 39,914	$ 66,454

SUPPLEMENTARY DISCLOSURE OF NONCASH TRANSACTIONS

Shares issued for notes payable conversions	3,723,268	492,600	7,144,158

Shares issued for accrued compensation	-	992,609	1,494,921
Shares issued for rent	113,600	-	453,600
Shares issued for interest	133,335	-	196,295
Shares issued for related party	1,534,854	-	1,534,854
Shares issued for acquisition	-	-	355,085
Shares issued for purchase mining properties	-	-	754,089
Shares issued for compensation	1,834,302	-	4,109,039

See accompanying notes to financial statements

SILVER FALCON MINING, INC.
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012
(UNAUDITED)

	COMMON STOCK SERIES A		COMMON STOCK SERIES B		ADDITIONAL PAID IN	ACCUMULATED	
	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL	DEFICIT	TOTAL
Balance as of December 31, 2011	419,863,368	$ 41,986	5,365,419	$ 537	$ 30,327,054	$ (29,821,550)	$ 548,027
Issuance of common stock for services	63,386,288	6,339	-	-	1,888,297	-	1,894,636
Issuance of common stock for rent	3,480,000	348	-	-	113,252	-	113,600
Issuance of common stock for related party	43,852,978	4,385	-	-	1,530,469	-	1,534,854
Issuance of common stock for interest	2,778,567	278	-	-	133,057	-	133,335
Issuance of common stock for notes payable conversions	97,647,413	9,765	-	-	3,713,503	-	3,723,268
Issuance of common stock for compensation	52,408,636	5,241	-	-	1,829,061	-	1,834,302
Beneficial conversion and debt issue costs			-	-	2,428,800	-	2,428,800
Issuance of common stock for cash	2,000,000	200	-	-	65,467	-	65,667
Net loss	-	-	-	-	-	(8,144,629)	(8,144,629)
Balance as of September 30, 2012	685,417,250	$ 68,542	5,365,419	$ 537	$ 42,028,960	$ (37,966,179)	$ 4,131,860

See accompanying notes to financial statements.

SILVER FALCON MINING, INC.
(AN EXPLORATION STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED September 30, 2012 AND 2011
(UNAUDITED)

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

Silver Falcon Mining, Inc. (the “Company,” “we” or “us”) was formed in the State of Delaware on October 11th, 2007. On October 15, 2007, we completed a holding company reorganization with Dicut, Inc. (“Dicut”) pursuant to Section 251(g) of the Delaware General Corporation Law. Dicut previously operated in the information technology business, but ceased operations in 2005.

On October 11, 2007, GoldLand leased its mineral rights on War Eagle Mountain to us. Under the lease, we are responsible for all mining activities on War Eagle Mountain, and we are obligated to pay GoldLand annual lease payments of $1,000,000, payable on a monthly basis, a monthly non-accountable expense reimbursement of $10,000 during any month in which ore is mined from the leased premises, and a royalty of 15% of all amounts we receive from the processing of ore mined from the properties. The lease provides that lease payments must commence April 1, 2008, but by agreement with GoldLand we extended the commencement date to July 1, 2010. In the first quarter of 2011, we amended the above-described lease with GoldLand. The amendment provided that the annual lease payments would be deferred for a fifteen month period from October 2010 to December 2011, and the term of the Lease would be extended for an equal amount of time. The lease currently expires on October 1, 2026.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Sales of all metals products sold directly to refiners, including by-product metals, are recorded as revenues when title and risk of loss transfer to the refiner. Revenue is recognized, net of treatment and refining charges, from a sale when persuasive evidence of an arrangement exists, the price is determinable, the product has been delivered, the title has been transferred to the customer and collection of the sales price is reasonably assured. Upon delivery of our bullion dore to the refiner, we agree on a price based on assay results performed by our lab and the refiner.

Cash and Cash Equivalents

Cash and cash equivalents consist of all cash balances and highly liquid investments with an original maturity of three months or less. Because of the short maturity of these investments, the carrying amounts approximate their fair value.

Inventories

Inventories are stated at the lower of average costs incurred or estimated net realizable value. Inventories include metals product inventory, which is determined by the stage at which the ore is in the production process (stockpiled ore, work in process and finished goods).

Stockpiled ore inventory represents ore that has been hauled our mill site for further processing. Stockpiles are measured by estimating the number of tons added and removed from the stockpile, the number of contained metal ounces or pounds (based on assay data) and the estimated metallurgical recovery rates (based on the expected processing method). Stockpile ore tonnages are verified by periodic surveys. Costs are allocated to a stockpile based on relative values of material stockpiled and processed using current mining costs incurred up to the point of stockpiling the ore, including applicable overhead, depreciation, depletion and amortization relating to mining operations, and removed at each stockpile’s average cost per recoverable unit.

Work in process inventory represents materials that are currently in the process of being converted to a saleable product and includes inventories in our milling process. In-process material is measured based on assays of the material fed into the process and the projected recoveries of the respective plants. In-process inventories are valued at the average cost of the material fed into the process attributable to the source material coming from the mines and stockpiles, plus the in-process conversion costs, including applicable depreciation relating to the process facilities incurred to that point in the process.

Finished goods inventory includes bullion doré and concentrates at our operations, bullion doré in transit to refiners and bullion dore in our accounts at refineries. Inventories are valued at the lower of full cost of production or net realizable value based on current metals prices.

At the present time, our inventories consist of the historical cost of transporting raw ore from our mine site to our mill site for further processing and a proportionate amount of our direct mill operating expenses based on the amount of time that the mill is operational in the period. All other direct mill operating expenses are expensed as incurred.

Property, Plant and Equipment

Expenditures for new facilities or equipment and expenditures that extend the useful lives of existing facilities or equipment are capitalized and recorded at cost. The facilities and equipment are depreciated using the straight-line method at rates sufficient to depreciate such costs over the estimated productive lives.

Costs are capitalized when it has been determined an ore body can be economically developed as a result of establishing proven and probable reserves. The development stage begins at new projects when our management and/or Board of Directors makes the decision to bring a mine into commercial production, and ends when the production stage, or exploitation of reserves, begins. Expenditures incurred during the development and production stages for new facilities, new assets or expenditures that extend the useful lives of existing facilities and major mine development expenditures are capitalized, including primary development costs such as costs of building access ways, shaft sinking, lateral development, drift development, ramps and infrastructure developments.

Costs for exploration, secondary development at operating mines, and maintenance and repairs on capitalized property, plant and equipment are charged to operations as incurred. Exploration costs include those relating to activities carried out (a) in search of previously unidentified mineral deposits, (b) at undeveloped concessions, or (c) at operating mines already containing proven and probable reserves, where a determination remains pending as to whether new target deposits outside of the existing reserve areas can be economically developed. Secondary development costs are incurred for preparation of an ore body for production in a specific ore block, stope or work area, providing a relatively short-lived benefit only to the mine area they relate to, and not to the ore body as a whole.

When assets are retired or sold, the costs and related allowances for depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in current period net income (loss). Idle facilities placed on standby basis are carried at the lower of net carrying value or estimated net realizable value.

Proven and Probable Ore Reserves

At least annually, management reviews the reserves used to estimate the quantities and grades of ore at our mines which we believe can be recovered and sold economically. Management's calculations of proven and probable ore reserves are based on engineering and geological estimates, including future metals prices and operating costs. From time to time, management obtains external audits of reserves. To date, we have not obtained any third party report regarding potential reserves on our owned and leased property at War Eagle Mountain, and accordingly we have not estimated that there are any proven or probable reserves on our property.

Reserve estimates will change as existing reserves are depleted through production and as production costs and/or metals prices change. A significant drop in metals prices may reduce reserves by making some portion of such ore uneconomic to develop and produce. Changes in reserves may also reflect that actual grades of ore processed may be different from stated reserve grades because of variation in grades in areas mined, mining dilution and other factors. Estimated reserves, particularly for properties that have not yet commenced production, may require revision based on actual production experience. It is reasonably possible that certain of our estimates of proven and probable ore reserves will change in the near term, which could result in a change to estimated future cash flows, associated carrying values of the asset and amortization rates in future reporting periods, among other things.

Declines in the market prices of metals, increased production or capital costs, reduction in the grade or tonnage of the deposit or an increase in the dilution of the ore or reduced recovery rates may render ore reserves uneconomic to exploit unless the utilization of forward sales contracts or other hedging techniques are sufficient to offset such effects. If our realized price for the metals we produce were to decline substantially below the levels set for calculation of reserves for an extended period, there could be material delays in the development of new projects, net losses, reduced cash flow, restatements or reductions in reserves and asset write-downs in the applicable accounting periods. Reserves should not be interpreted as assurances of mine life or of the profitability of current or future operations. No assurance can be given that the estimate of the amount of metal or the indicated level of recovery of these metals will be realized.

To date, we have not obtained any third party report regarding potential reserves on our owned and leased property at War Eagle Mountain, and accordingly we have not estimated that there are any proven or probable reserves on our property.

Depreciation, Depletion and Amortization

Capitalized costs are depreciated or depleted using the straight-line method or unit-of-production method at rates sufficient to depreciate such costs over the shorter of estimated productive lives of such facilities or the useful life of the individual assets. Productive lives do not exceed the useful life of the individual asset. Determination of expected useful lives for amortization calculations are made on a property-by-property or asset-by-asset basis at least annually. Our estimates for mineral reserves are a key component in determining our units of production depreciation rates. Our estimates of proven and probable ore reserves may change, possibly in the near term, resulting in changes to depreciation, depletion and amortization rates in future reporting periods.

Undeveloped mineral interests are amortized on a straight-line basis over their estimated useful lives taking into account residual values. At such time as an undeveloped mineral interest is converted to proven and probable reserves, the remaining unamortized basis is amortized on a unit-of-production basis as described above.

Impairment of Long-Lived Assets

We review and evaluate our long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. An impairment is considered to exist if the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the assets, including goodwill, if any. An impairment loss is measured and recorded based on discounted estimated future cash flows. Future cash flows are estimated based on quantities of recoverable minerals, expected gold and other commodity prices (considering current and historical prices, price trends and related factors), production levels and operating costs of production and capital, all based on life-of-mine plans. Existing proven and probable reserves and value beyond proven and probable reserves, including mineralization other than proven and probable reserves and other material that is not part of the measured, indicated or inferred resource base, are included when determining the fair value of mine site reporting units at acquisition and, subsequently, in determining whether the assets are impaired. The term “recoverable minerals” refers to the estimated amount of gold or other commodities that will be obtained after taking into account losses during ore processing and treatment. Estimates of recoverable minerals from such exploration stage mineral interests are risk adjusted based on management’s relative confidence in such materials. In estimating future cash flows, assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of future cash flows from other asset groups. Our estimates of future cash flows are based on numerous assumptions and it is possible that actual future cash flows will be significantly different than the estimates, as actual future quantities of recoverable minerals, gold and other commodity prices, production levels and operating costs of production and capital are each subject to significant risks and uncertainties.

Reclamation and Remediation Costs (Asset Retirement Obligations)

We accrue costs associated with environmental remediation obligations in accordance with Accounting Standards Codification 410, “Asset Retirement and Environmental Obligations.” ASC No. 410 requires us to record a liability for the present value of our estimated environmental remediation costs, and the related asset created with it, in the period in which the liability is incurred. The liability will be accreted and the asset will be depreciated over the life of the related assets. Adjustments for changes resulting from the passage of time and changes to either the timing or amount of the original present value estimate underlying the obligation will be made.

Future closure, reclamation and environmental-related expenditures are difficult to estimate, in many circumstances, due to the early stage nature of investigations, and uncertainties associated with defining the nature and extent of environmental contamination and the application of laws and regulations by regulatory authorities and changes in reclamation or remediation technology. We periodically review accrued liabilities for such reclamation and remediation costs as evidence becomes available indicating that our liabilities have potentially changed. Changes in estimates at our non-operating properties are reflected in current period net income (loss). We had no accruals for closure costs, reclamation and environmental matters for operating and non-operating properties at September 30, 2012.

Goodwill

We evaluate, on at least an annual basis during the fourth quarter, the carrying amount of goodwill to determine whether current events and circumstances indicate that such carrying amount may no longer be recoverable. To accomplish this, we compare the estimated fair value of our reporting units to their carrying amounts. If the carrying value of a reporting unit exceeds its estimated fair value, we compare the implied fair value of the reporting unit’s goodwill to its carrying amount, and any excess of the carrying value over the fair value is charged to earnings.

Our fair value estimates are based on numerous assumptions and it is possible that actual fair value will be significantly different than the estimates, as actual future quantities of recoverable minerals, gold and other commodity prices, production levels and operating costs of production and capital are each subject to significant risks and uncertainties.

Stock Based Compensation

We have issued and may issue stock in lieu of cash for certain transactions. The fair value of the stock, which is based on comparable cash purchases, third party quotations, or the value of services, whichever is more readily determinable, is used to value the transaction in accordance with Accounting Standards Codification 718, “Stock Compensation”.

Use of Estimates

Our Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of our Consolidated Financial Statements requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities and the related disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Accordingly, actual results may differ significantly from these estimates under different assumptions or conditions.

Basic and Diluted Per Common Share

Basic earnings per common share is computed by dividing income available to common stockholders by the weighted average number of common shares assumed to be outstanding during the period of computation. Diluted earnings per share is computed similar to basic earnings 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. Because we have incurred net losses, basic and diluted loss per share are the same since additional potential common shares would be anti-dilutive.

Significant Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2011-04, “Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (“IFRS”).” This pronouncement was issued to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and IFRS. ASU 2011-04 changes certain fair value measurement principles and changes the disclosure requirements to include quantitative information about unobservable inputs used for level 3 fair value measurements. This pronouncement is effective for reporting periods beginning on or after December 15, 2011 (early adoption is prohibited). The Company is evaluating the potential impact of adopting this guidance on its consolidated financial position, results of operations, cash flows, and disclosures.

In June 2011, the FASB issued ASU No. 2011-05, “Presentation of Comprehensive Income.” ASU 2011-05 eliminates the option to report other comprehensive income and its components in the statement of changes in stockholders’ equity and requires an entity to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement or in two separate but consecutive statements. This pronouncement is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 (early adoption is permitted). The Company is evaluating the potential impact of adopting this guidance on its consolidated financial position, results of operations, cash flows, and disclosures.

In December 2011, the FASB issued ASU No. 2011-12, "Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05." ASU 2011-12 indefinitely defers certain provisions of ASU 2011-05 relating to the presentation of reclassification adjustments out of accumulated other comprehensive income by component. This pronouncement is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011.

NOTE 3 – NOTES PAYABLE

7% Two Year Notes

As of September 30, 2012, we had outstanding $1,711,712 of two-year promissory notes that we have issued to various investors starting in 2010. Interest accrues on the notes at the rate of 7% per year, and is payable monthly, except for notes issued to New Vision Financial, Ltd., which provide that interest is payable annually. Principal and interest due on the notes is convertible into shares of Class A Common Stock at the election of the holder at conversion prices ranging from $0.015 to $0.275 per share. The conversion price of the notes is set at the market price of the Class A Common Stock on the date of issuance. The notes mature at various dates ranging from October 18, 2012 to September 20, 2014. During the nine months ended September 30, 2011, we issued $1,158,842 of new notes.

During the nine months ended September 30, 2012, we issued 10,925,188 shares of our common stock upon conversion of notes payable with an aggregate principal amount of $500,000.

During the nine months ended September 30, 2012, we issued 86,722,225 shares of our common stock upon conversion of notes payable with an aggregate principal amount of $3,213,076. These conversions were at prices lower than the conversion price at the date of issuance. The conversion of the notes at discounts to their stated conversion prices resulted in the recognition of an additional expense of $2,077,175 and a corresponding increase to paid in capital.

8% Two Year Notes

As of September 30, 2012, we had outstanding $301,182 of two-year promissory notes that we have issued to various investors starting in 2010. Interest accrues on the notes at the rate of 8% per year, and is payable monthly. Principal and interest due on the notes is convertible into shares of Class A Common Stock at the election of the holder at conversion prices ranging from $0.025 to $0.031 per share. The conversion price of the notes is set at the market price of the Class A Common Stock on the date of issuance. The notes mature at various dates ranging from June 9, 2014 to September 6, 2014. During the nine months ended September 30, 2011, we issued $350,000 of new notes.

The maturities of two-year notes payable are as follows:

2012	$	97,000
2013		334,780
2014		1,581,114
Total		2,012,894
Less current maturities		(263,000)
Long term debt	$	1,749,894

Land Purchase Note

On December 3, 2009, we executed a promissory note for $225,000 as partial consideration for the purchase of land in Idaho. The promissory note is payable without interest in ten annual installments of $22,500 each, with the first installment being due on January 1, 2010. The balance due on the note at September 30, 2012 was $157,485.

Iliad Research & Trading, LP Convertible Note

On March 30, 2012 we issued a convertible promissory note to Iliad Research & Trading, LP ("Iliad") in the original principal amount of $566,500. Our net proceeds were $500,000, after deducting original issue discount of $51,500 and attorney's fees and costs of the investor of $15,000. The note bears interest at 8% per annum, and is payable in twelve monthly installments beginning on October 1, 2012 and continuing for each of the next eleven calendar months. Each monthly payment will be equal to $47,208.33, plus any accrued and unpaid interest as of the installment date. Any installment payment may be either cash or shares of common stock, at our election, except that we may not pay less than six of the twelve installments in shares of common stock. Also, of the first six installment payments not less than three must be in shares of common stock, and of the last six installment payments not less than three must be in shares of common stock. If we make an installment payment in cash that we are required to make in shares of common stock, then we will be required to pay a 25% penalty on the amount of the installment payment. The note is convertible into shares of Class A Common Stock at $0.04 per share, subject to adjustment downward under certain circumstances defined in the note.

JMJ Financial Convertible Note

On June 4, 2012, we issued a convertible promissory note in the original principal amount of $315,000 to JMJ Financial. The note bears interest at the rate of 5% per annum. All principal and accrued interest is due and payable under the note on December 4, 2013. The note is convertible into shares of Class A Common Stock at any time at the option of the holder. The conversion price is equal to 80% of the three lowest daily average trading prices of our Class A Common Stock during the 15 trading days preceding any conversion. We received gross proceeds of $300,000, which was net of original issue discount of $15,000. We cannot prepay any part of the note without the prior consent of the holder. The note is subject to standard default provisions.

We also issued the holder a warrant to purchase 10,000,000 shares of Class A Common Stock for $0.03 per share at any time until June 4, 2016. The warrant must be exercised for cash, unless after the earlier of (i) the six (6) month anniversary of the date of the Purchase Agreement and (ii) the completion of the then-applicable holding period required by Rule 144, there is no effective registration statement registering shares issuable upon exercise of the warrant, in which event the holder may exercise the warrant on a "cashless basis."

The holder has the right to loan us up to $1,000,000 more in multiple transactions on the same or better terms for a three year period following the date of this transaction. We also granted the holder piggyback registration rights, under which we are required to include all shares issuable upon conversion of the Note in any future registration statement filed by the us, other than a registration statement filed on Form S-8 or a registration statement that is a post-effective amendment to a registration statement that is in effect on the date of the Purchase Agreement.

In connection with the loan from JMJ Financial, we also issued to Iliad a warrant to 16,666,667 shares of Common Stock at an exercise price of $0.3 per share until June 4, 2016. The form of warrant issued to Iliad is the same as the form of warrant issued to JMJ.

On July 12, 2012, we issued a convertible promissory note in the original principal amount of $525,000 to JMJ Financial. The note bears interest at the rate of 5% per annum. All principal and accrued interest is due and payable under the note on January 12, 2014. The note is convertible into shares of Class A Common Stock at any time at the option of the holder. The conversion price is equal to 80% of the three lowest daily average trading prices of the Common Stock during the 15 trading days preceding any conversion. We received gross proceeds of $500,000, which was net of original issue discount of $25,000. We cannot prepay any part of the note without the prior consent of the holder. The note is subject to standard default provisions.

We also issued the holder a warrant to purchase 16,666,667 shares of Common Stock for $0.03 per share at any time until January 12, 2016. The warrant must be exercised for cash, unless after the earlier of (i) the six (6) month anniversary of the date of the Purchase Agreement and (ii) the completion of the then-applicable holding period required by Rule 144, there is no effective registration statement registering shares issuable upon exercise of the warrant, in which event the holder may exercise the warrant on a “cashless basis.”

NOTE 4 – MILL EQUIPMENT

The following table summarizes the Company’s equipment as of September 30, 2012.

Mill equipment	$ 1,932,634
Vehicles	66,140
Accumulated depreciation	(1,028,203)
Net	$ 970,571

NOTE 5 – PREPAID EXPENSES

On October 1, 2010, we entered into a four year Commercial Lease Agreement, under which we leased office space in New York, New York. Under the Commercial Lease Agreement, we issued the lessor 9,000,000 shares of our Class A Common Stock at the inception of the lease in full payment of lease payments under the lease totaling $444,000. We capitalized the lease payment as a prepaid expense, and are amortizing the amount on a monthly basis over the life of the lease.

We also lease office space at 641-2 Chrislea Road, Woodbridge, Ontario Canada, under a lease that runs from January 1, 2012 to December 31, 2013 at a rate of $400 per month. Under the lease, we issued the lessor 480,000 shares of our common stock valued at $9,600. We capitalized the lease payment as a prepaid expense, and are amortizing the amount on a monthly basis over the life of the lease.

In 2009, we issued 10,000,000 shares of Class A Common Stock for consulting contracts with terms of 12 to 48 months totaling $454,500. We capitalized these consulting fee payments as a prepaid expense, and amortize the amounts over the lives the consulting agreements.

During the three months ended March 31, 2012, we issued 52,408,636 shares of our common stock to our officers for compensation totaling $1,834,302 for the year 2012. We capitalized these payments as a prepaid expense, and amortize the amounts over the life of the employment contracts of the officers, which is for the twelve months ended December 31, 2012.

NOTE 6 - RELATED PARTY TRANSACTIONS

We are obligated to pay Goldland $83,333 per month as rent under a lease of Goldland's interest in War Eagle Mountain dated October 11, 2007, plus a monthly non-accountable expense reimbursement of $10,000 during any month in which ore is mined from the leased premises, and a royalty of 15% of all amounts we receive from the processing of ore mined from the properties. The lease currently expires on October 1, 2026, although we have the right to extend the lease for an additional five years upon payment of a lease extension fee of $1,000,000. All of the officers and directors of GoldLand are also officers and directors of us. Instead of paying the rent in cash, we have, since January 1, 2012, satisfied our rental obligation by reductions in the amount that Goldland owes us, as discussed below.

During the three months ended March 31, 2012, we issued 43,852,978 shares valued at $1,534,854 to various officers of Goldland (who are also our officers) to pay compensation that will be owed to them by Goldland for the 2012 fiscal year. The value of the shares issued by us was recorded as an amount due to us by Goldland.

As of September 30, 2012 and December 31, 2011, GoldLand owed us $1,296,926 and $452,799 respectively. The amounts are non-interest bearing, unsecured demand loans.

Pierre Quilliam has made loans to us from time to time. The loans are non-interest bearing, unsecured demand loans. The amount outstanding to Mr. Quilliam at September 30, 2012 and December 31, 2011 was $179,345 and $0, respectively.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

We are obligated under employment agreements with our officers to make total salary payments of $890,000 per year.

On October 11, 2007, we entered into a lease agreement with GoldLand, under which we leased its mineral rights on War Eagle Mountain. Under the lease, we are responsible for all mining activities on War Eagle Mountain, and we are obligated to pay GoldLand annual lease payments of $1,000,000, payable on a monthly basis, a monthly non-accountable expense reimbursement of $10,000 during any month in which ore is mined from the leased premises, and a royalty of 15% of all amounts we receive from the processing of ore mined from the properties. The lease currently expires on October 1, 2026, although we have the right to extend the lease for an additional five years upon payment of a lease extension fee of $1,000,000.

In July 2012, we filed a lawsuit against Earll Excavations, Inc. ("EEI") and William Earll ("Earll") in Owyhee County, Idaho seeking damages of $2,000,000. In the lawsuit, we contend that EEI failed to complete improvements to the Sinker Tunnel and construction of our metallurgical laboratory complex in accordance with the contracts. Our lawsuit also seeks damages for Earll's and EEI's breach of a confidentiality agreement, breach of an implied covenant of good faith and fair dealing, and for slander. At about the same time that we filed our lawsuit, EEI filed suit against us in Owyhee County, Idaho. EEI's lawsuit seeks damages of $477,783.42 for amounts that EEI contends it is owed for construction services performed on the Sinker Tunnel, construction services performed on the Diamond Creek Mill, hauling services, and road maintenance, as well as managerial services provided to Diamond Creek Mill. We dispute the claims of EEI and intend to defend its suit, and prosecute our claims, vigorously.

NOTE 8 - CAPITAL STOCK

We are authorized to issue 10,000,000,000 shares of Class A Common Stock with a par value of $0.0001 per share, and 250,000,000 shares of Class B Common Stock with a par value of $0.0001 per share. Class A Common Stock and Class B Common Stock have equal rights to dividends and distributions. However, each outstanding share of Class A Common Stock is entitled to one vote on all matters that may be voted upon by the owners thereof at meetings of the stockholders, while each outstanding share of Class B Common Stock is entitled to forty votes on all matters that may be voted upon by the owners thereof at meetings of the stockholders. As of September 30, 2012, there were 685,417,250 and 5,365,419 shares of Class A Common Stock and Class B Common Stock issued and outstanding, respectively.

During the nine months ended September 30, 2012, we issued shares of Class A Common Stock in the following transactions:

- 97,647,413 shares of Class A Common Stock upon conversion of promissory notes with a principal balance of $3,713,076.
- 63,386,288 shares of Class A Common Stock were issued to various vendors for consulting services valued at $1,894,636.
- 52,408,636 shares of Class A Common Stock valued at $1,834,302 were issued in payment of compensation.
- 3,480,000 shares of Class A Common Stock valued at $113,600 were issued in payment of rent.
- 43,852,978 shares of Class A Common Stock valued at $1,534,854 were issued in payment of compensation for GoldLand Officers.
- 2,000,000 shares of Class A Common Stock valued at $65,667 were issued for cash.
- 2,778,567 shares of Class A Common Stock valued at $133,335 were issued in payment of interest.

As of September 30, 2012, the Company had outstanding notes payable to various investors in the original principal amount of $3,419,394. All of the notes are convertible into shares of Class A Common Stock at election of the holder at conversion prices ranging from $0.015 to $0.275 per share. Maturity dates range from October 18, 2012 to September 20, 2014. At September 30, 2012, an aggregate of 115,560,537 shares of Class A Common Stock were issuable upon conversion of the notes.

Shares issued for services are valued at the market price on the date of the invoice for the services. Shares issues for prepaid services are valued at the market price on the date of the contract for the services. Shares issued for services which specify that a specific number of shares be issued are valued at the market price on the date of the contract. The conversion prices on all convertible notes were set at the market price on the date on the issuance of the convertible note.

NOTE 9 – GOING CONCERN

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. However, we incurred a net loss of ($8,144,629) for the nine months ended September 30, 2012. We have remained in business primarily through the deferral of salaries by management, the issuance of stock to compensate employees and consultants, and raising funds from the sale of two year convertible notes. We intend on financing our future development activities from the same sources, until such time that funds provided by operations are sufficient to fund working capital requirements.

These factors, among others, raise substantial doubt about our ability to continue as a going concern for a reasonable period of time.

NOTE 10 – SUBSEQUENT EVENTS

During October 2012, we issued shares of Class A Common Stock in the following transactions:

- 3,549,868 shares of Class A Common Stock to various vendors for consulting services valued at $124,500.
- 10,521,081 shares of Class A Common Stock upon conversion of notes payable with a aggregate principal amount of at $208,842.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Disclosure Regarding Forward Looking Statements

This Quarterly Report on Form 10-Q includes forward looking statements (“Forward Looking Statements”). All statements other than statements of historical fact included in this report are Forward Looking Statements. In the normal course of its business, the Company, in an effort to help keep its shareholders and the public informed about the Company’s operations, may from time-to-time issue certain statements, either in writing or orally, that contain or may contain Forward-Looking Statements. Although the Company believes that the expectations reflected in such Forward Looking Statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Generally, these statements relate to business plans or strategies, projected or anticipated benefits or other consequences of such plans or strategies, past and possible future, of acquisitions and projected or anticipated benefits from acquisitions made by or to be made by the Company, or projections involving anticipated revenues, earnings, levels of capital expenditures or other aspects of operating results. All phases of the Company operations are subject to a number of uncertainties, risks and other influences, many of which are outside the control of the Company and any one of which, or a combination of which, could materially affect the results of the Company’s proposed operations and whether Forward Looking Statements made by the Company ultimately prove to be accurate. Such important factors (“Important Factors”) and other factors could cause actual results to differ materially from the Company’s expectations are disclosed in this report. All prior and subsequent written and oral Forward Looking Statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the Important Factors described below that could cause actual results to differ materially from the Company’s expectations as set forth in any Forward Looking Statement made by or on behalf of the Company.

Overview

On September 14, 2007, GoldLand acquired an interest in 174.82 acres of land on War Eagle Mountain, consisting of a 100% interest in 103 acres, and a 29.166% interest in 71.82 acres. GoldLand also has five placer claims on War Eagle Mountain from the U.S. Bureau of Land Management, each of which covers approximately 20 acres, or approximately 100 acres in total.

On October 11, 2007, GoldLand leased its mineral rights on War Eagle Mountain to us. Under the lease, we are responsible for all mining activities on War Eagle Mountain, and we are obligated to pay GoldLand annual lease payments of $1,000,000, payable on a monthly basis, a monthly non-accountable expense reimbursement of $10,000 during any month in which ore is mined from the leased premises, and a royalty of 15% of all amounts we receive from the processing of ore mined from the properties. The lease currently expires on October 1, 2026, although we have the right to extend the lease for an additional five years upon payment of a lease extension fee of $1,000,000.

On September 21, 2008, we acquired from Mineral Extraction, Inc. all mineral, mining and access rights to two mining claims on War Eagle Mountain, covering 18.877 total acres, as well as claims for four mill site locations and the Sinker Tunnel location.

We began actual operations in May 2010. Initially, as described below, actual operations consisted of processing dump material left on the mine site from prior mining operations. Later, after we complete an exploration program to prove up and locate reserves on our property, and make further capital improvements to the mine site, we plan to begin mining and processing raw ore.

Our plan to develop our mining properties into an active mine will take place in three phases.

Start-up Phase

Our initial phase involved completing construction of a mill, and using the mill to process tailings left over from prior mining operations. We were successful in our negotiations to purchase a parcel of land about half way between Highway 78 and the Sinker Tunnel entrance where we have constructed our mill. We closed on the purchase of this site in December 2009. We have purchased all of the milling equipment we need, which is currently installed and operating in Murphy, Idaho. As the mill is up and running, we plan to haul sufficient dump material, leftover from 6 prior mill sites on the mountain, during the summer months, to our mill site for processing during the summer and winter. Our testing indicates that, as a result of milling techniques used in the 1800’s which failed to extract all of the gold and silver from the ore, there are sufficient quantities of gold and silver remaining in the dump material to justify further processing. We elected to build the mill on private property that we own, rather than BLM property, because of lower reclamation costs, even though the offsite property will entail higher transportation costs. In early 2011, we began construction of a metallurgical lab at our mill site. A temporary smelter became operational in July 2011, although we still need to complete a building to house the smelter and lab so that it can be used in the winter months. In the Fall of 2012, after we obtain the necessary permits, we plan to install a chemical leaching facility at our mill site in order to improve the yields from our ore.

The installation and startup of the mill and the working capital to begin transport of ore to the mill for processing has necessitated an investment of approximately $3.46 million, as follows:

- The purchase and the preparation of property for mill use cost about $549,375;
- The installation and certification of the mill cost about $517,283;
- Completing the purchase mill equipment cost about $1,617,368;
- Moving ore to stockpile at the mill in 2010 cost about $352,911;

- .. The purchase and installation of smelter equipment;
- ... Start-up mill salaries to the end of 2010 cost $425,238.

We have also made a number of improvements that we initially expected would not occur until the Development Phase. In particular, in 2010, the roads to the Sinker Tunnel Complex were upgraded to allow 25-ton trucks access to the site, and an area 300x400 feet was prepared to act as a staging area at the 5,200 foot level. The Sinker Tunnel was aerated in its entire length and the entrance to the Sinker Tunnel was permanently extended to avoid land or snow slides to block access to the Sinker Tunnel. Permanent drainage pipes are being laid in the tunnel as it was determined that the Sinker Tunnel is the main drain for the War Eagle complex. Exploring and shoring or rock bolting of some weak points in the top wall is underway. Permitting for exploration of the Sinker Tunnel is complete as well as training for underground personnel and safety measures being installed as per the latest mining rules and regulations.

We need approximately $1,900,000 in capital to complete this phase of development, of which about $1,800,000 is attributable to working capital and $100,000 is the estimated cost of completing our permanent metallurgical lab. In addition, we estimate that our leaching facility will cost an estimated $2,000,000.

Exploration Phase

During 2010, we substantially revised the scope and cost of our exploration phase. Our exploration phase refers to a program to prove up and locate reserves on our property. We need to obtain a satisfactory estimate of the remaining reserves on the property and their location in order to develop a comprehensive plan for the full development of the mine site. The program will involve building a three dimensional map of War Eagle Mountain showing the precise location of veins, shafts and tunnels. Through exploratory drilling and core sampling, we hope to obtain as much information as possible about the location, thickness and quality of the vein systems near the main shafts, and later throughout the entire mountain. The map will be a valuable tool in analyzing the extent of the remaining reserves, mineralization trends, and other pertinent geological and mining information. The most significant change to the exploration phase contemplates a more comprehensive set of core samples, both from the surface of the mountain and from the inside of the mountain using the Sinker Tunnel, and associated costs, including locating drilling equipment at the site, and logistical costs for the crew, such as vehicles, meals, shelter on the mountain, and accommodations for a geologist, field technician and drill crew. We decided to expand the scope of the exploration phase in order to obtain a National Instrument 43-101, which is a report developed by the Canadian Securities Administrators for mining companies. A National Instrument 43-101 is necessary for listing our common stock on any exchange overseen by the Canadian Securities Authority, including the Toronto Stock Exchange.

Another aspect of the exploration phase will involve the development of a plan to use the Sinker Tunnel to mine the interior of the mountain on a year round basis. The plan will involve accessing and draining the mine shafts on the top of the mountain from the Sinker Tunnel, as well as relocating and collaring old shafts on the mountain. We estimate that the exploration phase will take about 18 months from mid-2012, and will cost approximately $10,000,000. We began preliminary work on the exploration phase in mid-2010.

Development Phase

The development phase involves transitioning the mine from processing tailings leftover from prior mining activities to extracting and processing raw ore from the mountain. We believe that full scale mining of raw ore will be profitable. In particular, historical records of mining on the site, and subsequent reports of the geology of the mountain, indicate that veins containing gold and silver extend much further vertically than could be mined when the site was last mined in the 1880’s. In addition, historical records indicate that gold and silver exists in the veins in sufficient densities to warrant mining using modern extraction and milling techniques. The scope of the development phase will depend on the outcome of the exploration phase, which is designed to test the accuracy of our analysis. Our goal is to develop a drilling program that reaches as many reserves as possible at the lowest cost. Among the improvements to the mine site that we anticipate making in the development phase are:

- We plan to connect the mine shafts on the top of the mountain to the Sinker Tunnel in order to provide drainage to those shafts;

- We plan to install a transportation system in the Sinker Tunnel (either tire mounted trams, narrow gauge railway, or conveyor system) to move ore out of the Sinker Tunnel for transport to our mill site; and

- Additional improvements include housing, storage, food preparation facilities, generators for power, etc.

In addition to the improvements identified above, we expect that we will need to make other improvements necessary to access the highest quality mineral veins, which improvements are not known at this time but which will be identified in our National Instrument 43-101 report. During the year ended December 31, 2010, we started (and have since completed) some improvements to the mine site that were previously part of our development phase, including improving about four miles of the county road, 1.8 miles of access road to the Sinker Tunnel Complex from the county road permitting year round access, and about 1.6 miles of access road to the Belle Peck area to permit heavier loads, as well improvements to the physical facilities at the milling location site and mine site to accommodate our workers.

Our revenue, profitability, and future growth rate depend substantially on factors beyond our control, including our success in the commencement of mining operations, as well as economic, political, and regulatory developments and fluctuations in the market prices of minerals processed from ore derived from our mining operations.

Results of Operations

Nine months ended September 30, 2012 and 2011

We are in the exploration stage and generated revenues of $82,415 and $0 in the nine months ended September 30, 2012 and 2011, respectively. Our revenues in the nine months ended September 30, 2012 are not representative of our revenues in the future. In May 2010, we began processing tailings from our mine site at our mill. We initially planned to process the tailings into concentrate, which would then be shipped for final processing to a smelter, which would either then either return the material to us in the form of dore bars (which would have to be shipped to a refiner for final processing) or pay us a market price for the minerals ultimately extracted from the concentrate. In October 2010, we shipped our first load of concentrate to a smelter. We subsequently decided to construct our own metallurgical lab at our milling site, and stockpiled concentrate until we had the capacity to extract the precious metals from our concentrate. In 2011, we completed a pilot plant on our mill site and began shipping dore bars to a refiner on a regular basis. We expect to complete our metallurgical lab in 2012.

We reported losses from operations during the nine months ended September 30, 2012 and 2011 of ($5,774,040) and ($8,255,636), respectively. The decreased loss in 2012 as compared to 2011 was attributable to the following factors:

- Consulting fees decreased from $3,827,985 in 2011 to $1,999,527 as a result of decreased use of consultants in 2012. The material components of expenses charged to consulting services in both years were as follows:

Type of Services	2011	2012
Shareholder relations services	765,500	128,700
Mineral claims administration	19,000	-
Investment banking	496,000	105,100
Equity line fees	164,000	-
Technical consulting	180,292	-
Locating and due diligence services on future acquisition opportunities	452,100	721,800
Administrative, office and clerical	31,112	-
Legal services	-	36,320
Advice on debt and equity capital raising	1,743,000	945,000

- Compensation expense increased from $1,055,151 in 2011 to $1,685,488 as a result of higher salaries payable to our officers, although $1,375,726 of the compensation payable in the nine months ended September 30, 2012 was paid in shares of Class A Common Stock instead of cash;

- Depreciation expense increased from $249,293 in 2011 to $290,462 in 2012 as a result of the acquisition of substantial equipment to be used in our milling operations.

- Exploration and development costs decreased from $1,079,912 in 2011 to $8,240 in 2012 as a result of decreased work on the Sinker Tunnel.

- Lease payment fees increased from $0 in 2011 to $750,000 in 2012 as a result of the resumption of monthly lease payments under our lease with Goldland.

- Mill operating expenses decreased from $1,409,229 in 2011 to $329,691 in 2012. We began capitalizing certain operating costs in the fourth quarter of 2011.

- General and administrative expenses increased to $793,047 in 2012 as compared to $634,066 in 2011 as a result increased expenses related to the new mill operations.

We reported net losses during the nine months ended September 30, 2012 and 2011 of ($8,144,629) and ($8,436,067), respectively. The decreased loss in 2012 as compared to 2011 was largely attributable to debt conversion expenses in 2012 of $2,077,175 offset by a decrease in the loss from operations and by an increase in interest expense resulting from higher levels of interest bearing debt in 2012. In particular, interest expense increased from $180,431 in 2011 to $293,414 in 2012.

Three months ended September 30, 2012 and 2011

We are in the exploration stage and generated revenues of $7,161 and $0 in the three months ended September 30, 2012 and 2011, respectively. Our revenues in the three months ended September 30, 2012 are not representative of our revenues in the future. In May 2010, we began processing tailings from our mine site at our mill. We initially planned to process the tailings into concentrate, which would then be shipped for final processing to a smelter, which would either then either return the material to us in the form of dore bars (which would have to be shipped to a refiner for final processing) or pay us a market price for the minerals ultimately extracted from the concentrate. In October 2010, we shipped our first load of concentrate to a smelter. We subsequently decided to construct our own metallurgical lab at our milling site, and stockpiled concentrate until we had the capacity to extract the precious metals from our concentrate. In 2011, we completed a pilot plant on our mill site and began shipping dore bars to a refiner on a regular basis. We expect to complete our metallurgical lab in 2012.

We reported losses from operations during the three months ended September 30, 2012 and 2011 of ($1,737,624) and ($2,161,309), respectively. The decreased loss in 2012 as compared to 2011 was attributable to the following factors:

- Consulting fees decreased from $731,371 in 2011 to $443,657 as a result of decreased use of consultants in 2012. The material components of expenses charged to consulting services in both years were as follows:

Type of Services	2011	2012
Shareholder relations services	21,000	86,700
Mineral claims administration	5,000	-
Investment banking	158,000	105,100
Locating and due diligence services on future acquisition opportunities	445,700	158,800
Administrative, office and clerical	7,778	-
Advice on debt and equity capital raising	95,000	-

- Compensation expense increased from $282,685 in 2011 to $547,646 as a result of higher salaries payable to our officers, although $458,575 of the compensation payable in the three months ended September 30, 2012 was paid in shares of Class A Common Stock instead of cash;

- Depreciation expense increased from $71,367 in 2011 to $97,778 in 2012 as a result of the acquisition of substantial equipment to be used in our milling operations.

- Exploration and development costs decreased from $407,999 in 2011 to $6,576 in 2012 as a result of decreased work on the Sinker Tunnel.

- Lease payment fees increased from $0 in 2011 to $250,000 in 2012 as a result of the resumption of monthly lease payments under our lease with Goldland.

- Mill operating expenses decreased from $554,523 in 2011 to $185,393 in 2011. We began capitalizing certain operating costs in the fourth quarter of 2011.

- General and administrative expenses increased to $213,735 in 2012 as compared to $113,364 in 2011 as a result increased expenses related to the new mill operations.

We reported net losses during the three months ended September 30, 2012 and 2011 of ($1,897,227) and ($2,237,091), respectively. The decreased loss in 2012 as compared to 2011 was largely attributable to lower loss from operations offset by debt conversion expenses in 2012 of $20,548 and by an increase in interest expense resulting from higher levels of interest bearing debt in 2012. In particular, interest expense increased from $75,782 in 2011 to $139,055 in 2012.

Liquidity and Sources of Capital

The following table sets forth the major sources and uses of cash for the nine months ended September 30, 2011 and 2012:

	Nine months ended September 30, 2011	Nine months ended September 30, 2012
Net cash provided by (used) in operating activities	$ (1,824,677)	$ (2,356,654)
Net cash provided by (used) in investing activities	(644,326)	(227,143)
Net cash provided by (used) in financing activities	2,442,387	2,650,251
Net (decrease) increase in unrestricted cash and cash equivalents	$ (26,616)	$ 66,454

Comparison of 2012 and 2011

In the nine months ended September 30, 2012 and 2011, we financed our operations primarily through the issuance of convertible notes and the issuance of common stock for services.

Operating activities used ($2,356,654) of cash in 2012, as compared to ($1,824,677) of cash in 2011. Major non-cash items that affected our cash flow from operations in 2012 were non-cash charges of $419,038 for depreciation and amortization, non-cash debt conversion costs of $2,077,175, $1,894,636 for the value of common stock issued for services, and $1,834,302 for the value of common stock issued for compensation. Other non-cash items include changes in operating assets and liabilities of ($2,218,965), most of which resulted from a decrease in prepaid expenses of ($475,726), a decrease in accounts payable of ($248,770), an increase in inventories of $766,667 and an increase in due from related parties of $712,802.

Major non-cash items that affected our cash flow from operations in 2011 were non-cash charges of $249,294 for depreciation and amortization, and $4,920,235 for the value of common stock issued for services. Other non-cash items include changes in operating assets and liabilities of $1,428,039, most of which resulted from a decreases in prepaid expenses of ($696,892) and an increase in accrued payroll of $893,597, offset by a reduction of ($37,381) of accounts payable and accrued expenses.

Investing activities used ($644,326) of cash in 2011, as compared to ($227,143) of cash in 2012. The decrease in cash used in investing activities was attributable to lower expenditures for equipment and improvements to our mining property.

Financing activities supplied $2,442,387 of cash in 2011 as compared to $2,650,251 of cash in 2012. Substantially all of the cash supplied in both years derived from the issuance of notes, net of sums spent to repay notes. In 2011, we issued $2,442,710 in notes, as compared to 2012 when we issued $2,915,342 of notes less commissions and original issue discounts of $156,500.

Liquidity

Our balance sheet as of September 30, 2012 reflects current assets of $3,722,964, current liabilities of $1,729,454, and working capital of $1,993,510.

We will need substantial capital over the next year. We project that we will need about $1,900,000 of working capital for operations pending the building of a leaching unit, about $2,000,000 to build a leaching unit to improve the yields from our tailings, and about $10,000,000 to complete the exploration phase. In addition, we financed a lot of prior activities by the issuance of convertible notes that mature two years after their issuance. In particular, as of September 30, 2012, we had outstanding $3,197,330 in notes payable, of which $852,000 was due within one year of that date. Also, beginning January 1, 2012, we are obligated to make monthly payments of $83,333 to GoldLand under our lease of its mining interests on War Eagle Mountain. We plan to pay the monthly liability to Goldland by issuing shares of our Class A Common Stock to GoldLand employees for compensation on behalf of GoldLand, and applying the value of the shares against our liability to GoldLand.

In 2011 we entered into an equity line of credit with Centurion Private Equity, LLC, under which we are entitled to raise up to $7.2 million from the sale of our shares to Centurion over a 24 month period. Centurion is obligated to purchase our shares pursuant to put notices that we send from time to time at a purchase price equal to 97% of the market price of our common stock, as defined in the agreement. In order to draw under the equity line of credit, we filed and obtained approval of a registration statement covering 87,500,000 shares issuable under the equity line of credit, which are sufficient to enable us to raise about $3.5 million at the current price of our common stock. In order to raise the full $7.2 million available under the equity line of credit, we would need to register additional shares after the shares under the current registration statement have been issued. The issuance of shares under the equity line of credit could result in substantial dilution to existing shareholders. This financing will enable us to commence the exploration phase of our business plan.

We are also exploring other options to raise capital that will result in less immediate dilution to shareholders. The amount of capital that we currently have the capacity to raise is not sufficient to pay all of the capital expenses that we need to pay to commence operations, and pay our other liabilities as they come due. However, we have a number of options that we believe will enable us to continue with our business plan despite insufficient capital. For example, we plan to continue payment most of the salaries of our management by issuing shares of Class A Common Stock. We also plan to continue paying certain accounts payable with shares of Class A Common Stock, including our monthly lease payments to GoldLand by means of issuance of our shares of Class A Common Stock to satisfy the compensation obligations of Goldland to its officers. We also plan to continue issuing shares to certain service providers that are willing to accept shares for payment. In the event we are able to raise some, but not all, of the capital that we need, we plan to request that note holders extend the maturity of their notes or convert their notes into shares of common stock.

Going Concern

Our financial statements have been presented on the basis that we continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the accompanying financial statements, we incurred a net operating loss in the nine months ended September 30, 2012, and have minimal revenues at this time. These factors create an uncertainty about our ability to continue as a going concern. We are currently trying to raise capital through a private offering of convertible notes and to solicit existing convertible note holders to convert their notes into common stock. Our ability to continue as a going concern is dependent on the success of this plan. The financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that 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.

Critical Accounting Estimates

Our significant accounting policies are described in Note 2 of Notes to Financial Statements. At this time, we are not required to make any material estimates and assumptions that affect the reported amounts and related disclosures of assets, liabilities, revenue, and expenses. However, as we begin actual mining operations, we will be required to make estimates and assumptions typical of other companies in the mining business.

For example, we will be required to make critical accounting estimates related to future metals prices, obligations for environmental, reclamation, and closure matters, mineral reserves, and accounting for business combinations. The estimates will require us to rely upon assumptions that were highly uncertain at the time the accounting estimates are made, and changes in them are reasonably likely to occur from period to period. Changes in estimates used in these and other items could have a material impact on our financial statements in the future.

Our estimates will be based on our experience and our interpretation of economic, political, regulatory, and other factors that affect our business prospects. Actual results may differ significantly from our estimates.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Because the Company is a smaller reporting company, it is not required to provide the information called for by this Item.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Pierre Quilliam, our chief executive officer, and Tom Ridenour, our chief financial officer, are responsible for establishing and maintaining our disclosure controls and procedures. Disclosure controls and procedures means controls and other procedures that are designed to ensure that information we are required to disclose in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and to ensure that information required to be disclosed by us in those reports is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our chief executive officer and chief financial officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of September 30, 2012. Based on that evaluation, our chief executive officer and chief financial officer concluded that, as of the evaluation date, such controls and procedures were effective.

Changes in internal controls

There were no changes in our internal controls over financial reporting that occurred during the quarter ended September 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION.

ITEM 1. LEGAL PROCEEDINGS.

In July 2012, we filed a lawsuit against Earll Excavations, Inc. (“EEI”) and William Earll (“Earll”) in Owyee County, Idaho seeking damages of $2,000,000. In the lawsuit, we contend that EEI failed to complete improvements to the Sinker Tunnel and construction of our metallurgical laboratory complex in accordance with the contracts. Our lawsuit also seeks damages for Earll’s and EEI’s breach of a confidentiality agreement, breach of an implied covenant of good faith and fair dealing, and for slander. At about the same time that we filed our lawsuit, EEI filed suit against us in Owyee County, Idaho. EEI’s lawsuit seeks damages of $477,783.42 for amounts that EEI contends it is owed for construction services performed on the Sinker Tunnel, construction services performed on the Diamond Creek Mill, hauling services, and road maintenance services, as well as managerial services provided to Diamond Creek Mill. We dispute the claims of EEI and intend to defend its suit, and prosecute our claims, vigorously.

ITEM 1A. RISK FACTORS.

Not applicable.

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

During the three months ended September 30, 2012, we issued shares of Class A Common Stock in the following transactions:

- 2,384,615 shares of Class A Common Stock upon conversion of promissory notes with a principal balance of $60,000.

- 4,200,000 shares of Class A Common Stock were issued to two vendors for consulting services valued at $110,700.

During the three months ended September 30, 2012, we issued $379,500 of our 7% two year convertible promissory notes and $250,000 of our 8% two year promissory notes to various investors. Each note is convertible into shares of common stock at the holder's election at the market price of the common stock on the date of issuance.

On July 12, 2012, we issued a convertible promissory note in the original principal amount of $525,000 to JMJ Financial. The note bears interest at the rate of 5% per annum. All principal and accrued interest is due and payable under the note on January 12, 2014. The note is convertible into shares of Class A Common Stock at any time at the option of the holder. The conversion price is equal to 80% of the three lowest daily average trading prices of the Common Stock during the 15 trading days preceding any conversion. We received gross proceeds of $500,000, which was net of original issue discount of $25,000. We cannot prepay any part of the note without the prior consent of the holder. The note is subject to standard default provisions. We also issued JMJ Financial a warrant to purchase 16,666,667 shares of Common Stock for $0.03 per share at any time until January 12, 2016.

The shares, notes and warrants were issued pursuant to the exemption from registration provided by Section 4(2) of the Securities Act of 1933.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

The information concerning mine safety violations and other regulatory matters required by Item 104 of Regulation S-K is included in Exhibit 95 to this Report on Form 10-Q.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

31.1	Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934
31.2	Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
95	Mine Safety Disclosures

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.

SILVER FALCON MINING, INC.

Date: November 14, 2012

/s/ Pierre Quilliam
By: Pierre Quilliam, Chief Executive Officer
(principal executive officer)

Date: November 14, 2012

/s/ Thomas C. Ridenour
By: Thomas C. Ridenour, Chief Financial Officer
(principal financial and accounting officer)