

10-K/A 1 sfmi0506201310ka.htm AMENDED ANNUAL REPORT

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

**FORM 10-K/A  
(Amendment No. 1 to FORM 10-K)**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the fiscal year ended December 31, 2012

TRANSITION REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-53765

**SILVER FALCON MINING, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

26-1266967  
(I.R.S. Employer Identification No.)

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

Registrant's telephone number, including area code: (941) 761-7819

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act:  
Common Stock, \$0.0001 par value  
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Ac. Yes  No

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 past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes

No

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

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Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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  (Do not check if a smaller reporting company)

Smaller reporting company

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: \$17,135,375 based upon a market price of \$0.03 per share.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 885,664,295 Class A Shares and 15,865,419 Class B Shares as of March 15, 2013.

#### DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980). None.

**EXPLANATORY NOTE: The Company has included the XBRL Interactive Data Table 101 Exhibits with this amended filing.**

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## PART I

## ITEM 1. BUSINESS.

**Overview**

We were formed in the State of Delaware on October 15, 2007. On October 15, 2007, we completed a holding company reorganization with Dicut Holdings, 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 September 14, 2007, GoldLand Holdings Co. (“GoldLand”) acquired an interest in 174.82 acres of land on War Eagle Mountain in Idaho, consisting of a 100% interest in 103 acres, and a 29.166% interest in 71.82 acres.

On October 11, 2007, we entered into a lease agreement with GoldLand, under which we leased GoldLand’s owned and leased acreage on War Eagle Mountain, Idaho. 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. Under the lease, we are responsible for all mining activities on the land, and we are obligated to make annual lease payments of \$1,000,000 per year payable monthly, plus a nonaccountable expense allowance of \$10,000 per month for any month in which ore is mined from the property, and a royalty of 15% from any proceeds we receive from a smelter of ore produced from tailing piles on the premises or through shafts or adits located on the premises. Pierre Quilliam, our chairman and chief executive officer, was also the chairman and chief executive officer of GoldLand at the time we entered into the lease.

On September 21, 2008, we acquired from Mineral Extraction, Inc. all mineral, mining and access rights to two patented mining claims on War Eagle Mountain, covering 19.93 total acres, and four mill site locations and the Sinker Tunnel location. In December 2009, we acquired a mill site at the foot of War Eagle Mountain, and constructed a mill on the site. In 2011, we began construction of a metallurgical assay lab at our mill site, which we expect will be completed in mid-2013. We also plan to begin construction of a leaching facility on our mill site in the Fall of 2013, after we have obtained the proper permits, in order to improve the yields from the tailings that we process. We have since acquired additional claims on or at the base of War Eagle Mountain, bringing our total ownership to approximately 1,100 acres.

We began actual operations in May 2010. Initially, our operations consisted of processing tailings left on the mine site from prior mining operations, which estimate are about 500,000 tons. 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.

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 and secured to avoid land or snow slides to block access to the Sinker Tunnel. Permanent drainage pipes are being laid in the Sinker Tunnel as it was determined that the Sinker Tunnel is the main drain for the War Eagle complex. Mining and shoring or rock bolting of some weak points in the top wall is underway. Permitting for exploration of the Sinker Tunnel is underway with training for underground personnel and safety measures being installed per the latest mining rules and regulations.



## History of Mining on War Eagle Mountain

War Eagle Mountain is one of three peaks in Southwest Idaho that form a contiguous fault trend, and which have all produced minerals from the same veins: Delamar Mountain, Florida Mountain, and War Eagle Mountain.

In the summer of 1862, the Oro Fino Vein on top of War Eagle Mountain was discovered. During 1863 a number of lode claims were located and mining in earnest began. By the end of 1875 a total of ten shafts had been sunk in the Oro Fino Vein ranging in depth from 300 feet to 1,250 feet. The Oro Fino Shaft at the North end is 300 feet deep and the Mahogany Shaft at the South end is 1,100 feet deep. The Golden Chariot and Ida Elmore shafts are 1,250 feet and 1,000 feet respectively.

By 1866, all the major mines in the area had been discovered and were being developed. The major mines were the Oro Fino, Cumberland, Poorman, Ida Elmore, Golden Chariot, Minnesota, Mahogany and the Morning Star in Silver City. There were 12 mills in the area with a total of 132 stamps to pulverize the ore, separate the metal from the rock and pour the raw metal into rectangular bricks of bullion dore. This bullion was then shipped out of the area, sometimes as far away as Europe, for refining into pure gold and silver. By the end of 1875, approximately 750,000 ounces of gold equivalent were reportedly extracted from the shafts on War Eagle Mountain.

In August 1875, a financial panic that had started in New York in 1873, culminated with the San Francisco bank crash, and then the closure of the San Francisco Stock Exchange. A nationwide depression occurred, which resulted in source of working capital for the mines drying up. The miners continued to work without pay until October 1875, when they left the mountain for employment elsewhere. During the winter of 1875-1876, because the mines were not being used, the shafts filled with water. This condition has existed for the past 134 years, which has resulted in the preservation of these historical vein systems without being disturbed by intruders or miners.

From 1875 through 1899, mining men who had managed and worked in the underground mines and milling operations tried to promote a project that would allow them to recover the remaining submerged gold and silver reserves they knew existed. Finally, in November 1899, American Smelting and Refining Company (ASARCO) funded the Sinker Tunnel Project. The project objective was to drive a 10 x 10 tunnel from Sinker Creek on the North-East side of War Eagle Mountain, at an elevation of 5200 feet, approximately 2,000 feet below the bottom of the Golden Chariot Shaft. This tunnel was named the Sinker Tunnel, and its intended use was to drain water out of War Eagle Mountain and to haul ore mined from the veins to the surface for milling. The cost of the project was about \$250,000 (or the equivalent of \$25,000,000 today).

It was anticipated that the Sinker Tunnel would intersect the Oro Fino Vein at about 7,000 feet from the tunnel portal. The Oro Fino Vein was actually intersected at 6,890 feet in May 1902. After the Sinker Tunnel was extended north about 80 feet, a raise was started upwards toward the bottom of the Golden Chariot Shaft. When this raise reached 620 feet in height it was only 150 feet below the bottom of the Golden Chariot Shaft, which contained about 1,100 feet of water. At this point the amount of water permeating down into the raise was increasing every day, which caused the miners to become anxious about their safety, and raised concerns as to how ASARCO would punch the final hole into the bottom of the Golden Chariot shaft. The miners raised concerns with the Idaho Inspector of Mines about the working conditions, which resulted in the Idaho Inspector of Mines stopping any further work in the area until safety measures were implemented. At that time, ASARCO elected to close the project down, and return later if conditions changed, which never happened.

During 1932 and 1933, some additional exploration tunnels were driven to the north and to the south from the raise. In 1941, salvagers opened the Sinker Tunnel and removed all the steel rail and pipe scrap for the war effort. Shortly thereafter, a landslide completely buried the entrance to the tunnel under 50 feet or more of earth and rock, and the Sinker Tunnel complex was forgotten.

In 1993, Mineral Extraction, Inc., the current owner at the time, rediscovered the location of the tunnel and over several years attempted to refurbish the Sinker Tunnel complex, with the exception of the raise, nearest the bottom of the Golden Chariot shaft. The entrance was excavated, and a semi-permanent structure was built to protect the site. 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 tunnel was aerated in its entire length and the entrance to the tunnel was permanently extended to avoid land or snow slides to block access to the tunnel. Permanent drainage pipes are being laid in the tunnel as it was determined that the Tunnel is the main drain for the War Eagle complex. Mining and shoring or rock bolting of some weak points in the top wall is underway. Permitting for exploration of the tunnel is underway with training for underground personnel and safety measures being installed as per the latest mining rules and regulations. The company is also a member, in good standing, of the Idaho mining rescue system.

The mines on War Eagle Mountain were very productive in the first few years because the surface deposits were of extraordinary richness. As the mines got deeper the veins had a smaller yet more consistent amount of ore in relation to the amount of rock that needed to be removed to expose it. Generally, the value of ore per ton of rock removed remained consistent from a depth of 150 feet to as deep as any of the mines were worked. This would indicate that the extensions of the veins into the deeper levels, not yet reached by the mine shafts, would contain the same percentage of metal ore.

The mines became more expensive to develop and operate as they got deeper. This was not due to a decline in the yield per ton, but due to the increased cost of lifting the mineral ore and of removing water from deeper shafts. The removal of ground water in mines is a persistent expense that must be addressed on a daily basis. When a mine doesn't have a lower working level tunnel – like the Sinker Tunnel Complex – that intersects a vertical shaft, the water must be brought to the surface and disposed of no matter what the expense or technical inconvenience if the mine is to continue operating. This increased cost of mining at depth was one of the most significant problems for the mines on War Eagle Mountain.

### **Description of Mining Properties**

We have one mining property, which is a variety of land and mining claims on and near War Eagle Mountain, Idaho. War Eagle Mountain is located about 60 miles southwest of Boise, Idaho, and about one mile east of Silver City, Idaho. The Sinker Tunnel is about 15 miles off of State Highway 78 and the mine sites on the top of War Eagle Mountain are about 20 miles off of State Highway 78. Access to both the Sinker Tunnel and the mines on the mountain currently is by truck or heavy duty vehicle or ATV, as only the first seven miles of county roadway off of State Highway 78 is paved. Below is a map illustrating the location and access of War Eagle Mountain:



Our mine on War Eagle Mountain is a combination of owned and leased land and mining claims.

*Leased Properties:* GoldLand owns an undivided 29.167% fee title interest in seven properties, and fifteen unpatented lode mining claims, which we lease from GoldLand under a lease dated October 11, 2007. The lease 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. Under the lease, we are responsible for all mining activities on the land, and we are obligated to make annual lease payments of \$1,000,000 per year payable monthly, a nonaccountable expense allowance of \$10,000 per month for any month in which ore is mined from the property, and a royalty of 15% from any proceeds we receive from a smelter of ore produced from tailing piles on the premises or through shafts or adits located on the premises. The properties which we lease from GoldLand are listed below:



| Name                               | Ownership Interest | Type of Claim         | Acres |
|------------------------------------|--------------------|-----------------------|-------|
| <b>Poorman Lode Claim</b>          | 29.167%            | Patented claim        | 3.44  |
| <b>London Lode Claim</b>           | 29.167%            | Patented claim        | 17.52 |
| <b>North Empire Lode Claim</b>     | 29.167%            | Patented claim        | 0.98  |
| <b>Illinois Central Lode Claim</b> | 29.167%            | Patented claim        | 2.08  |
| <b>South Poorman Lode Claim</b>    | 29.167%            | Patented claim        | 17.06 |
| <b>Jackson Lode Claim</b>          | 29.167%            | Patented claim        | 10.33 |
| <b>Oso Lode Claim</b>              | 29.167%            | Patented claim        | 20.41 |
| <b>Western Horn #3</b>             | 100%               | Unpatented Lode Claim | 19.5  |
| <b>Western Horn #4</b>             | 100%               | Unpatented Lode Claim | 20    |
| <b>Western Horn #5</b>             | 100%               | Unpatented Lode Claim | 20    |
| <b>Western Horn #6</b>             | 100%               | Unpatented Lode Claim | 20    |
| <b>Western Horn #7</b>             | 100%               | Unpatented Lode Claim | 20    |
| <b>Western Horn #8</b>             | 100%               | Unpatented Lode Claim | 13.5  |
| <b>Western Horn #9</b>             | 100%               | Unpatented Lode Claim | 20    |
| <b>Western Horn #10</b>            | 100%               | Unpatented Lode Claim | 20    |
| <b>Western Horn #11</b>            | 100%               | Unpatented Lode Claim | 20    |
| <b>Western Horn #12</b>            | 100%               | Unpatented Lode Claim | 20    |
| <b>Western Horn #13</b>            | 100%               | Unpatented Lode Claim | 20    |
| <b>Western Horn #14</b>            | 100%               | Unpatented Lode Claim | 20    |
| <b>Diamond Creek #5</b>            | 100%               | Unpatented Lode Claim | 20    |
| <b>Diamond Creek #6</b>            | 100%               | Unpatented Lode Claim | 20    |
| <b>Diamond Creek #8</b>            | 100%               | Unpatented Lode Claim | 9.85  |

A patented mining claim is one which the federal government has passed title to the claimant, making the claimant the owner of the surface and mineral rights. An unpatented mining claim is one which is still owned by the federal government, but which the claimant has a right to possession to extract minerals, provided the land is open to mineral entry.

There are two main types of mining claims, lode claims and placer claims. Lode claims cover classic veins or lodes having well-defined boundaries. They also include other rock in-place bearing valuable minerals and may be broad zones of mineralized rock. Examples include quartz or other veins bearing gold or other metallic minerals and large volume but low-grade disseminated metallic deposits. Lode claims are usually described as parallelograms with the longer side lines parallel to the vein or lode. Descriptions are by metes and bounds surveys (giving length and direction of each boundary line). Federal law limits their size to a maximum of 1,500 feet in length along the vein or lode. Their width is a maximum of 600 feet, 300 feet on either side of the centerline of the vein or lode. The end lines of the lode claim must be parallel to qualify for underground extralateral rights. Extralateral rights involve the rights to minerals that extend at depth beyond the vertical boundaries of the claim.

Placer claims include all deposits not subject to lode claims. Traditionally, these include only deposits of unconsolidated materials, such as sand and gravel, containing free gold or other minerals. Placer claims, where practicable, are located by legal subdivision of land. The maximum size of a placer claim is 20 acres.

Claims to federal land for mining purposes may be obtained by filing a claim with the Bureau of Land Management and paying a nominal fee. A claim may be maintained as long as the holder engages in mining activity on the claim or, in lieu of mining activity, by filing an annual renewal form and paying an annual fee to the Bureau of Land Management by September 1 of each year. The annual fee is \$10 per claim for small miners and \$140 per claim for large miners. GoldLand is obligated to pay any annual fees to maintain the claims which it leases to us.

In 2010, as a result of a survey of portions of War Eagle Mountain, Goldland allowed its Unpatented Placer Claims to lapse, and reapplied for new Unpatented Lode Claims covering the same veins. The new Unpatented Lode Claims cover more acreage and are better oriented in the direction of the three veins in the mountain. The Unpatented Placer Claims previously known as Great Western #1 through 4, and Cape Horn #1 are now known as Western Horn #7 through 14, which are Unpatented Lode Claims. The Unpatented Placer Claims previously known as Goldland #25 and 26 are now known as Western Horn #3 through 6, which are Unpatented Lode Claims. The Unpatented Placer Claims previously known as Goldland #13 through 15 are now known as Diamond Creek #5, 6 and 8, which are Unpatented Lode Claims.

GoldLand is not the sole owner of seven of the patented claims that we lease from GoldLand, and instead owns only 29.166% of the claims. The remaining 70.834% of the patented claims are owned by a large number of descendants of the original parties that obtained the patent rights to the mining claims. We are in the process of trying to identify and acquire or lease the remainder of ownership of these mining claims.

*Owned Land and Claims:* We also own the following claims:

| <b>Name</b>              | <b>Ownership Interest</b> | <b>Type of Claim</b>  | <b>Acres</b> |
|--------------------------|---------------------------|-----------------------|--------------|
| <b>Burka #1</b>          | 100%                      | Unpatented Lode Claim | 18.85        |
| <b>Burka #2</b>          | 100%                      | Unpatented Lode Claim | 14.75        |
| <b>Burka #3</b>          | 100%                      | Unpatented Lode Claim | 12.75        |
| <b>Burka #4</b>          | 100%                      | Unpatented Lode Claim | 20.00        |
| <b>Burka #5</b>          | 100%                      | Unpatented Lode Claim | 4.00         |
| <b>Burka #6</b>          | 100%                      | Unpatented Lode Claim | 14.00        |
| <b>Burka #7</b>          | 100%                      | Unpatented Lode Claim | 9.95         |
| <b>Burka #8</b>          | 100%                      | Unpatented Lode Claim | 19.05        |
| <b>Burka#9</b>           | 100%                      | Unpatented Lode Claim | 18.25        |
| <b>Western Horn #1</b>   | 100%                      | Unpatented Lode Claim | 18.50        |
| <b>Western Horn #2</b>   | 100%                      | Unpatented Lode Claim | 20.00        |
| <b>Diamond Creek #1</b>  | 100%                      | Unpatented Lode Claim | 20.00        |
| <b>Diamond Creek #2</b>  | 100%                      | Unpatented Lode Claim | 20.00        |
| <b>Diamond Creek #3</b>  | 100%                      | Unpatented Lode Claim | 20.00        |
| <b>Diamond Creek #4</b>  | 100%                      | Unpatented Lode Claim | 20.00        |
| <b>Diamond Creek #9</b>  | 100%                      | Unpatented Lode Claim | 7.25         |
| <b>Diamond Creek #10</b> | 100%                      | Unpatented Lode Claim | 19.75        |
| <b>Diamond Creek #11</b> | 100%                      | Unpatented Lode Claim | 17.00        |
| <b>Diamond Creek #12</b> | 100%                      | Unpatented Lode Claim | 13.00        |
| <b>Diamond Creek #13</b> | 100%                      | Unpatented Lode Claim | 14.75        |
| <b>Diamond Creek #14</b> | 100%                      | Unpatented Lode Claim | 2.50         |
| <b>Diamond Creek #15</b> | 100%                      | Unpatented Lode Claim | 6.50         |
| <b>Diamond Creek #16</b> | 100%                      | Unpatented Lode Claim | 5.25         |
| <b>Diamond Creek #17</b> | 100%                      | Unpatented Lode Claim | 2.00         |

|                          |      |                       |        |
|--------------------------|------|-----------------------|--------|
| <b>Diamond Creek #18</b> | 100% | Unpatented Lode Claim | 2.85   |
| <b>Diamond Creek #19</b> | 100% | Unpatented Lode Claim | 6.85   |
| <b>Diamond Creek #22</b> | 100% | Unpatented Lode Claim | 8.00   |
| <b>Diamond Creek #24</b> | 100% | Unpatented Lode Claim | 17.25  |
| <b>Diamond Creek #25</b> | 100% | Unpatented Lode Claim | 18.65  |
| <b>Diamond Creek #26</b> | 100% | Unpatented Lode Claim | 17.50  |
| <b>Diamond Creek #27</b> | 100% | Unpatented Lode Claim | 5.50   |
| <b>Diamond Creek #28</b> | 100% | Unpatented Lode Claim | 4.75   |
| <b>Diamond Creek #29</b> | 100% | Unpatented Lode Claim | 7.25   |
| <b>Diamond Creek #30</b> | 100% | Unpatented Lode Claim | 20.00  |
| <b>Diamond Creek #31</b> | 100% | Unpatented Lode Claim | 16.85  |
| <b>Diamond Creek #32</b> | 100% | Unpatented Lode Claim | 20.00  |
| <b>Diamond Creek #33</b> | 100% | Unpatented Lode Claim | 20.00  |
| <b>Diamond Creek #34</b> | 100% | Unpatented Lode Claim | 20.00  |
| <b>Diamond Creek #35</b> | 100% | Unpatented Lode Claim | 16.00  |
| <b>Diamond Creek #36</b> | 100% | Unpatented Lode Claim | 17.00  |
| <b>Diamond Creek #37</b> | 100% | Unpatented Lode Claim | 20.00  |
| <b>Sinker #1</b>         | 100% | Mill Site Claim       | 5.00   |
| <b>Sinker #2</b>         | 100% | Mill Site Claim       | 5.00   |
| <b>Sinker #3</b>         | 100% | Mill Site Claim       | 5.00   |
| <b>Sinker #4</b>         | 100% | Mill Site Claim       | 5.00   |
| <b>Sinker Tunnel</b>     | 100% | Tunnel Site Claim     | 207.00 |
| <b>Cumberland</b>        | 100% | Patented Lode Claim   | 5.93   |
| <b>Louisiana</b>         | 100% | Patented Lode Claim   | 12.95  |

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The Sinker Tunnel is burdened by a royalty obligation to Bisell Investments, Inc. and New Vision Financial, Ltd., under which we are obligated to pay each a quarterly royalty of 7.5% of the net smelter return or net refinery return of any ore which originates, terminates or was gained access through the Sinker Tunnel or the grounds of the Sinker Tunnel complex. The royalty was originally granted by Mineral Extraction, Inc. to Laoshan Group, LLC, and then acquired by the current owners of it, before we acquired the Sinker Tunnel.

We only own the mineral rights to the Cumberland and Louisiana Lode Claims. The surface rights were retained by Mineral Extraction, Inc., although we entered into a license agreement with Mineral Extraction, Inc. under which we have the right to use the surface for all purposes related to mining ore from the claims.

*Mill Site:* We own 20 acres in Owyhee County at the foot of War Eagle Mountain, where we have offices on site and a milling complex suitable for the present planned production.

### **Geology of Mining Properties**

War Eagle Mountain is the eastern most peak in the War Eagle-Florida-Delamar Mountain trend, which is an east to west chain of mountains in Southwestern Idaho. All three peaks show the same type of gold and silver veins. Kinross Gold Corporation owns Florida and Delamar Mountains. Delamar Mountain, the western most of the three, had been successfully open pit mined from 1977 to the late 1990s.

The host rock on War Eagle Mountain is granite. The veins containing gold and silver are primarily filled fissures in the host rock that occur primarily in a north-south direction. The gold and silver bearing veins of War Eagle Mountain are steeply dipping to subvertical in attitude and are generally oriented in a NS to NW-SE direction. For example, the Oro Fino/Golden Chariot vein, which is the vein that has been mined and explored the most,

occurs at an 8 percent tilt to vertical. The textures, mineralogy and geometry of the veins all indicate that they are "epithermal" deposits. This means that, according to the current interpretations, the minerals were deposited by hydrothermal solutions of "supercritical" very hot, high pressure water that made their way upward through the earth's crust, depositing the minerals in the loose rock in the fissures. The richest ores have been found in ore shoots, which are places where small cross-fractures intersect the main vein.

Historical records indicate that the Oro Fino Vein system extends at least some 12,000 feet in a north-south direction and has been observed to vary greatly in thickness (from 0.5 ft to 25 ft) and mill grades of 0.5 to 1.25 Troy ounces of gold per ton. Our owned and leased land encompasses about 3,000 feet of the Oro Fino Vein system, but all of the major mine shafts that exist on the system. Several large pockets of very rich ore concentration have been found scattered throughout the ore shoots. Mill grades at these ore shoots containing up to 25 Troy ounces per ton have been encountered, with some areas showing grades as high as 90 to 300 oz gold/ton.

It is not known exactly how deep the vein systems are on War Eagle Mountain. The Sinker Tunnel cuts through the Oro Fino Vein approximately 2,500 feet below the outcrop on the surface and was still strong and well developed. To date, only about the first 300 to 1100 feet in depth of the Oro Fino Vein has been mined on approximately 15% of its total known length.

Because the host rock on War Eagle Mountain is granite, the mine shafts on War Eagle Mountain are very stable, with minimal need to shore the walls with timber. Also, the Sinker Tunnel Complex needs almost no timber to shore or brace its walls or ceilings.

Mining activity to date has focused on three veins that show at the surface of War Eagle Mountain – the Oro Fino Vein system, the Poorman Vein system and the Central Vein system – with the Oro Fino Vein being the most productive. The Poorman Vein is about 1,000 feet to the west of the Oro Fino Vein. Historically, the Poorman vein has produced mostly silver. The Oro Fino Vein system has approximately 6 other vein systems associated with it, while some 40 additional main vein systems are believed to exist on War Eagle Mountain.

At present, work on the mine consists largely of vertical mine shafts at the top of War Eagle Mountain, which were started by miners in the 1800's, typically on top of a vein that was evident from an outcropping on the surface. The interiors of the mine shafts are believed to be in good shape, but they are all flooded from groundwater and will have to be drained before active mining can commence. We plan to drain the mine shafts by connecting them to the Sinker Tunnel below. We have re-collared five mine shafts with stones and steel rails to make them safer and prevent rain water from entering the mines. We have extended the Sinker Tunnel entrance by 70 feet and re-landscaped the property around the extension, both on the request of the Bureau of Land Management and of our engineers.

Through December 31, 2012, we spent approximately \$2,155,040 to acquire and refurbish the mine shafts, the Sinker Tunnel and access roads.

Some of the properties have been surveyed by competent professional engineer and surveyors, but we have yet to have the properties evaluated to determine whether any mineral deposits can be mined profitably at current market rates. Therefore, the properties are without known reserves and our proposed mining activities are exploratory in nature at this time. The most comprehensive survey of the mineralogy of War Eagle Mountain is a report issued by the Idaho

Bureau of Mines and Geology in 1926. However, the authors of the report did not have access to the flooded mine shafts, and developed their report from visual observation of the surface, reports of past mining activity, and interviews with mining engineers who had previously worked at the site. Other reports include a report prepared in 1928 by Sinker Tunnel Mining Co., which at the time was in the process of refurbishing and extending the Sinker Tunnel, and a report issued by Copper Range Exploration in 1970. However, the mountain has never been surveyed with a comprehensive scheme of core samples to locate and assess the veins that exist on the mountain.

All representations of potential quantities of minerals are based on historical records which are believed to be accurate, but which may not have been performed pursuant to modern standards for evaluating mineral claims. We plan to start extracting ore from inside the Sinker tunnel during 2013.

### **Description of Milling Process**

We have installed a mill at the foot of War Eagle Mountain which is capable of processing 100 tons of ore per day using a chemical free process. When fully complete, a total of five circuits at the mill will ultimately produce gold and silver bullion as follows:

- ... Ore arrives at the mill by truck from the mountain and is weighed and stacked on site in piles clearly identified as to source. The ore is then loaded into a crushing and sorting circuit consisting of 3 crushers, conveyors and screens which reduces the ore to 5/16" nuggets or smaller.
- ... The crushed ore is brought into the mill via conveyor, weighed and mixed with water in a steel ball mill to produce a liquid slurry which is strained through a <20 mm mesh screen. The slurry water bearing precious metals is then pumped into a Falcon Concentrator, which is basically an inverted rubber bell that spins at a high rate of speed. The concentrator forces the heavy particles in the slurry up the sides of the bell, where the heavier metals exit as a paste. This paste is sent to a riffles table where a divider allows the precious metals thus separated to go to a concentrate tank for settling. The cloudy water is sent to the clarifier which removes 97% of the clear and settled water out of the feed and sends it to the water storage to be reused, while the sediments are sent to a floatation circuit where the remaining precious metal is then extracted as concentrate and stored for future use through our permitted and soon to be built leaching line. The water thus provided is stored in our underground storage tanks and is recycled continuously, thus requiring only a small amount of water to make up for losses due to evaporation and spillage.
- ... The concentrate will then enter our leaching process where the heavy metals (gold, silver, titanium, etc.) are separated from other substances and deposited in sealed containers. The final product is then dried, assayed and sent to our metallurgical lab for purification and the pouring of bullion dore bars.

### **Proposed Leaching Facility**

We plan to begin construction of a chemical leaching facility in the Spring of 2013 after we have obtained the financing necessary to complete our precious metals extraction facility. We decided to construct a chemical leaching facility based on assays of the 35,000 tons of ore fed to the mill since the opening, which indicated that a material amount of the gold and silver in the tailings were not being separated using our existing gravity separation process because the gold and silver was chemically bound to less valuable rock. We expect that the facility will cost about \$2 million, and will take about one year to complete. After the leaching facility is complete, our mill will be modified to route the ore through the gravity circuit then through the floatation circuit then to the leaching facility and finally to our metallurgical lab in one continuous loop. The lab will enable us to process the gold and silver in our concentrate into bullion dore bars, which will then be assayed and shipped to our contracted refiner for final processing to the level of purity needed to create revenue. Until our leaching line is commissioned, we are smelting our concentrate into dore bars after an onerous and time consuming partial separation of the precious metals from the sulphides to which they are bound by nature. The concentrate that we cannot process in our temporary smelter due to capacity constraints will be stockpiled until our leaching line is

operational.

**Competition**

We have no competition for the extraction of minerals from War Eagle Mountain, since no other mining company has an interest on War Eagle Mountain at this time. However, the mineral extraction business in general is highly competitive. Numerous larger mining companies actively seek out and bid for mining prospects and properties as well as for the services of third-party providers and supplies, such as mining equipment, transportation equipment and smelters, upon which we rely. Many of these companies not only explore for, produce and market minerals, but also carry out smelting and refining operations and market the resultant products on a worldwide basis. Most of our competitors have longer operating histories and substantially greater financial and personnel resources than we do.

Competitive conditions may be substantially affected by various forms of legislation and regulation considered from time to time by the government of the United States and the states in which we have operations, as well as factors that we cannot control, including international political conditions, overall levels of supply and demand for minerals, and currency fluctuations.

**Markets and Major Customers**

Our original plan was to process the ore we mine into concentrate and then contract with a refinery to refine the bullion concentrate and purchase any resulting minerals at market prices, less a commission. While there are a number of refiners which will refine concentrate on a contract basis, our current plan is to construct our own smelting operation to convert our concentrate into bullion dore bars, and then ship the bullion dore bars to a refinery for final processing. Operating our own smelting operation will allow us to control the processing of our minerals better, including the ability to more precisely assay our production before it is shipped to a third party for final processing. Under our lease agreement with GoldLand, we are obligated to pay a royalty of 15% of any amounts we receive from the refinery resulting from ore produced from tailing piles on the premises or through shafts or adits located on the premises.

**Seasonality of Business**

Weather conditions will not affect our ability to mine ore from our property. Generally, from November to April of each year the road leading to the top of the mountain property is impassable because of snow. However, during the Winter months we plan to transport ore from the Sinker Tunnel, which is open year round. Under our exploration permit, we plan to mine and deliver more ore to the mill to ensure a steady stream of revenues throughout the year.

**Operational Risks**

Mining involves a high degree of risk, which a combination of experience, knowledge and careful evaluation may not be able to overcome. Mining involves the risk that fires, shaft collapses, flooding, equipment failure, human error and other circumstances may cause significant injury to persons or property, and may affect our ability to extract mined ore from our properties without significant additional capital expenditures. In such event, substantial liabilities to third parties or governmental entities may be incurred, the satisfaction of which could substantially reduce available cash and possibly result in loss of our leased mining properties. Such hazards may also cause damage to or destruction of our mine shafts, producing formations, production facilities, storage and transportation facilities, or other processing facilities.

We will not insure fully against all risks associated with our business either because such insurance is not available or because we believe the premium costs are prohibitive. A loss not fully covered by insurance could have a materially adverse effect on our financial position and results of operations. For further discussion on risks see "Risk Factors" below.

## **Regulation**

Our business is subject to extensive U.S., federal, state and local laws and regulations governing development, production, labor standards, occupational health, waste disposal, use of toxic substances, environmental regulations, mine safety and other matters relating to the resource industry. Most of the extraction operations require permits or authorizations from federal, state or local agencies. We are responsible for compliance with all applicable laws and regulations under the terms of our lease with GoldLand. We are at present fully permitted both at the mill site and at the Sinker Tunnel complex, but the denial or vacating of permits needed by us could have a material adverse effect on our revenues. In view of the many uncertainties with respect to current and future laws and regulations, we cannot predict the overall effect of such laws and regulations on our future revenues.

We are subject to the Mine Safety and Health Act of 1977, which is administered by the Federal Mine Safety and Health Administration ("MSHA"). MSHA has the power to make routine surprise inspections. In the event MSHA finds that our operations contravene mine safety regulations, MSHA has the power to issue orders requiring that we remedy the violation, closing our mine or mill until the remedy is implemented, and imposing fines for violations, among other things. To the extent that federal or state environmental or mine safety regulatory agencies order certain of our sites to be temporarily or permanently closed, such order would have a material adverse effect on our cash flows, results of operations, or financial condition.

In addition to existing regulatory requirements, legislation and regulations may be adopted or permit limits reduced at any time that result in additional operating expense, capital expenditures or restrictions and delays in the mining, production or development of our properties. Mining accidents and fatalities, whether or not at our mines or related to gold and silver mining, may increase the likelihood of additional regulation or changes in law.

Legislative and regulatory measures to address climate change and greenhouse gas emissions are in various phases of consideration. If adopted, such measures could increase our cost of environmental compliance and also delay or otherwise negatively affect efforts to obtain permits and other regulatory approvals with regard to existing and new facilities. Proposed measures could also result in increased cost of fuel and other consumables used at our operations if we are unable to regularly access utility power. Climate change legislation may also affect our metallurgical operations to the extent that they burn fossil fuels, resulting in increased costs to us, and may affect the market for the metals we produce with effects on prices that are not possible for us to predict.

From time to time, the U.S. Congress considers proposed amendments to the General Mining Law of 1872, as amended, which governs mining claims and related activities on federal lands. The extent of any future changes is

not known and the potential impact on us as a result of U.S. Congressional action is difficult to predict. Changes to the General Mining Law, if adopted, could adversely affect our ability to economically develop mineral reserves on federal lands. Although we are not currently mining on federal land, exploration and future mining could occur on federal land.

We expect that our operations will comply in all material respects with applicable laws and regulations. We believe that the existence and enforcement of such laws and regulations will have no more restrictive an effect on our operations than on other similar companies in the resource industry.

## **Environmental**

General. Mining operations on War Eagle Mountain are subject to local, state and federal laws and regulations governing environmental quality and pollution control in the United States. The extraction of mineral ore, is subject to stringent environmental regulation by state and federal authorities, including the Environmental Protection Agency ("EPA"). Such regulation can increase the cost of planning, designing, installing and operating mining facilities.

Significant fines and penalties may be imposed for the failure to comply with environmental laws and regulations. Some environmental laws provide for joint and several strict liability for remediation of releases of hazardous substances, rendering a person liable for environmental damage without regard to negligence or fault on the part of such person. In addition, we may be subject to claims alleging personal injury or property damage as a result of alleged exposure to hazardous substances.

Waste Disposal. Mining operations on War Eagle Mountain may generate wastes, including hazardous wastes, that are subject to the federal Resource Conservation and Recovery Act ("RCRA") and comparable state statutes. The EPA has limited the disposal options for certain wastes that are designated as hazardous under RCRA ("Hazardous Wastes"). Furthermore, it is possible that certain wastes generated by mining operations on War Eagle Mountain that are currently exempt from treatment as Hazardous Wastes may in the future be designated as Hazardous Wastes, and therefore be subject to more rigorous and costly operating and disposal requirements.

CERCLA. The federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as the "Superfund" law, generally imposes joint and several liability for costs of investigation and remediation and for natural resource damages, without regard to fault or the legality of the original conduct, on certain classes of persons with respect to the release into the environment of substances designated under CERCLA as hazardous substances ("Hazardous Substances"). These classes of persons or so-called potentially responsible parties include the current and certain past owners and operators of a facility where there is or has been a release or threat of release of a Hazardous Substance and persons who disposed of or arranged for the disposal of the Hazardous Substances found at such a facility. CERCLA also authorizes the EPA and, in some cases, third parties to take action in response to threats to the public health or the environment and to seek to recover from the potentially responsible parties the costs of such action. Mining operations on War Eagle Mountain may generate wastes that fall within CERCLA's definition of Hazardous Substances, and predecessor mining companies on our properties may have generated wastes that fall within CERCLA's definition of Hazardous Substances.

Air Emissions. Mining operations on War Eagle Mountain may be subject to local, state and federal regulations for the control of emissions of air pollution. Major sources of air pollutants are subject to more stringent, federally imposed permitting requirements, including additional permits. If ozone problems are not resolved by the deadlines imposed by the federal Clean Air Act, or on schedule to meet the standards, even more restrictive requirements may be imposed, including financial penalties based upon the quantity of ozone producing emissions. If the operator of mining operations on War Eagle Mountain fails to comply strictly with applicable air pollution regulations or permits, we may be subject to monetary fines and be required to correct any identified deficiencies. Alternatively, regulatory agencies could require us to forego construction, modification or operation of certain air emission sources.

Clean Water Act. The Clean Water Act requires permits for operations that discharge into waters of the United States. Such permitting has been a frequent subject of litigation by environmental advocacy groups, which has resulted, and may in the future result, in declines in such permits or extensive delays in receiving them. This may result in delays in, or in some instances preclude, the commencement or continuation of development or production operations. Adverse outcomes in lawsuits challenging permits or failure to comply with applicable regulations could result in the suspension, denial, or revocation of required permits, which could have a material adverse impact on our cash flows, results of operations, or financial condition.

We believe that we are in substantial compliance with current applicable environmental laws and regulations and that, absent the occurrence of an extraordinary event, compliance with existing local, state, federal and international laws, rules and regulations governing the release of materials in the environment or otherwise relating to the protection of the environment will not have a material effect upon our business, financial condition or results of operations.

#### **Research and Development Expenditures**

We have not incurred any research or development expenditures in the last two fiscal years.

#### **Patents and Trademarks**

We do not own, either legally or beneficially, any patents or trademarks.

#### **Employees and Consultants**

At December 31, 2012, we had 21 employees.

We have no collective bargaining agreements with our employees, and believe all consulting and employment agreements relationships are satisfactory. We hire independent contractors on an as-needed basis, and we may retain additional employees and consultants during the next twelve months, including additional executive management personnel with substantial experience in the mining exploration and development business.

**ITEM 1A. RISK FACTORS.****We Have Minimal Revenue To Date From Our Mining Properties, Which May Negatively Impact Our Ability To Achieve Our Business Objectives.**

Since entering into the lease with GoldLand in October 2007, we have experienced losses from our operations. We began processing tailings left over from prior mining activities in June 2010, and shipped our first load of concentrate to a smelter in late 2010, for which we received a small amount of revenues. In 2011 we decided to build our own metallurgical lab on our mill site to process our concentrate into bullion dore bars, which would then be shipped to a refiner for final processing. As a result, we began stockpiling our concentrate until we had the capability of transforming it ourselves. In late 2011, we began processing our concentrate into bullion dore bars in a temporary metallurgical laboratory on our premises while our permanent lab is being constructed, and began making regular shipments of bullion dore to our refiner in the fourth quarter of 2011, except for a suspension of several months in 2012 while we complete our flotation circuit. Our ability to become profitable will be dependent on the receipt of revenues from our mining properties being greater than our operational expenses. We need to raise capital to finance the purchase and installation of mining equipment, to complete a survey of War Eagle Mountain, to complete our metallurgical lab and our leaching facility, and for working capital in order to finance the processing of tailings while we construct our metallurgical lab and leaching facility. Until we receive material revenues from our mining operations, we are dependent on our convertible note offering to provide funds for operations, the deferral of salaries by our officers and loans from our officers to pay routine administrative expenses, and the willingness of business parties and consultants to accept our common shares as payment. If we cannot generate sufficient revenues from our mining operations, we may never become profitable.

**The Properties In Which We Have An Interest Do Not Have Any Known Reserves.**

None of the properties in which we have an interest have any reserves. To date, we have engaged in only limited preliminary exploration activities on the properties. Accordingly, we do not have sufficient information upon which to assess the ultimate success of our exploration efforts. If we do not establish reserves, we may be required to curtail or suspend our operations, in which case the market value of our common stock may decline, and you may lose all or a portion of your investment.

**We Have a Limited Operating History as a Mining Company, Which Makes It Hard To Evaluate Our Prospects.**

We have only a five year operating history as a mining company upon which to base an evaluation of our current business and future prospects. To date, our operations have consisted of transporting tailings left from prior mining activities to our mill site, and processing some of the tailings into bullion dore. We do not have an established history of locating and developing properties that have mining reserves. As a result, the revenue and income potential of our business is unproven. In addition, because of our limited operating history, we have limited insight into trends that may emerge and affect our business, and we may not be fully aware of many of the specific requirements related to working in the industry. We may make errors in predicting and reacting to relevant business trends and will be subject to the risks, uncertainties and difficulties frequently encountered by early-stage companies in evolving markets such as ours. We may also make decisions and choices that do not take into account standard engineering or managerial approaches mineral exploration companies commonly use. We may not be able to successfully address any or all of these risks and uncertainties. Our operations, earnings, and ultimate financial success could suffer due to our management's relative lack of experience in this industry.

**Our Ability To Become Profitable Is Subject To Our Success in the Mining Business, Which Is Subject To Typical Risks In The Mining Business**

Our ability to become profitable is subject to the economic risks typically associated with mineral extraction and processing business, including the necessity of making significant expenditures to mine properties and to test potential reserves. The availability of mining and transportation equipment and the cost of actual mining operations are often uncertain. In conducting mining activities, the presence of unanticipated irregularities in formations, miscalculations or accidents may cause exploration, development and, if warranted, production activities to be unsuccessful. This could result in a total loss of our investment.

**Shareholders May Suffer Dilution From the Issuance of Common Stock and Convertible Notes To Finance Our Operations**

Since we decided to enter the mining business, we have financed the development of our mining operations through the issuance of common stock for services or the issuance of convertible notes for cash. The amount of common stock and convertible notes that have been issued in the last three years has resulted in substantial dilution to shareholders. For example, at December 31, 2008, we had outstanding 97,843,962 shares of common stock, of which 49,572,217 shares had been issued in 2008 largely for services, rent and the conversion of notes.

During the year ended December 31, 2009, we issued an additional 71,986,613 shares, largely for services, rent and acquisitions. During the year ended December 31, 2010, we issued an additional 116,756,429 shares, largely for services, rent and the conversion of notes. During the year ended December 31, 2011, we issued an additional 133,276,364 shares, largely for services, rent and the conversion of notes. During the year ended December 31, 2012, we issued an additional 395,145,489 shares, largely for services, rent and the conversion of notes. At December 31, 2012, we had \$3,488,883 in convertible notes outstanding which were convertible into an additional 127,602,591 shares of common stock.

We expect that we will need to continue issuing shares of common stock for services and convertible notes in order to finance the development of our mining operations until our mining operations become self-sustaining. The future issuance of shares or convertibles will result in additional dilution to existing shareholders which may be substantial.

**We Need Additional Capital To Finance Our Mining Operations And We Expect To Obtain It On Terms That Dilute Existing Shareholders**

While we have already begun processing tailings left from prior mining operations, we will need to raise substantial new capital before we can process higher quality raw ore instead of tailings. Costs of completing the exploration work will largely consist of drilling in the Sinker Tunnel and on the mountain to build a 3-D picture of War Eagle Mountain, along with engineering work. We will need to raise an indeterminate amount to complete improvements to access raw ore veins inside the mountain based on the findings and recommendations of the engineers and geologists involved. The prior issuance of shares and convertible notes to finance our mining operations has resulted in substantial dilution to shareholders and we expect the future issuance of shares and convertible notes will result in additional, substantial dilution to existing shareholders.

**We Have A Very Small Management Team And The Loss Of Any Member Of This Team May Prevent Us From Implementing Our Business Plan In A Timely Manner; Some Members of Our Management Have Outside Business Interests.**

We have five executive officers and a limited number of additional consultants. Our success depends largely upon the continuing services of our executive officers. We need additional executive personnel in order to fulfill our business plan and satisfy our reporting obligations as a public company in a timely fashion. We do not maintain key person life insurance policies on the lives of any of our officers. The loss of any of our officers could seriously harm our business, financial condition and results of operations. In such an event, we may not be able to recruit personnel to replace our officers in a timely manner, or at all, on acceptable terms.

Furthermore, our employment agreements with all executives permit them to have outside business interests, such that they are not required to devote 100% of their working time to our business. Mr. Quilliam estimates that he spends 100% of his working time on activities related to the operations of GoldLand and us. Christian Quilliam and Thomas Ridenour spend about 95% of their working time on activities related to operations of GoldLand and us. The fact that our executives have outside business interests could lessen their focus on our business.

**Our Officers And Directors Have Voting Control Over Us, And Outside Shareholders Will Have Little Voice In Management.**

Our Directors currently control us by virtue of their control of the majority of our Class B Common Stock. Each share of our Class A Common Stock is entitled to one vote per share, while each share of our Class B Common Stock is entitled to forty (40) votes per share. As of March 15, 2013, our Directors combined control 15,485,419 shares of Class B Common Stock, which is 97.6% of the outstanding Class B Common Stock. In addition, they control 341,024,862 shares of Class A Common Stock which is 38.5% of the outstanding Class A Common Stock. Because of the voting power of the Class B Common Stock, our Directors control 63.2% of the possible votes on any matter that must be approved by shareholders, which is sufficient to control the outcome of any shareholder vote.

**Our Directors Have A Material Conflict of Interest With Respect To Our Mining Lease With GoldLand.**

Our mining operations are based upon a lease of GoldLand's mining rights on War Eagle Mountain. Five of our seven directors, Pierre Quilliam, Denise Quilliam, Christian Quilliam, Tom Ridenour and Allan Breitzkreuz, are the sole directors of GoldLand.

**Our Directors Have A Material Conflict of Interest With Respect To A Royalty Interest In The Sinker Tunnel.**

One of our directors, Pierre Quilliam, controls an entity that owns a 7.5% royalty in the Sinker Tunnel. Under the royalty, we are obligated to pay two entities, one of which is controlled by Mr. Quilliam, an aggregate royalty of 15% of the net smelter return or net refinery return of any ore which originates, terminates or was gained access through the Sinker Tunnel or the grounds of the Sinker Tunnel complex. As a result, Mr. Quilliam's financial interest in our use of the Sinker Tunnel may cause him to favor use of the Sinker Tunnel to extract ore from War Eagle Mountain over alternative methods that might be more cost effective.

### **We Have Substantial Indebtedness and Capital Needs That Require That We Raise Capital.**

As of December 31, 2012, we had current assets of \$3,445,040, current liabilities of \$4,104,402, and a working capital deficit of (\$659,362). We have \$936,456 of accounts payable to third parties, and \$2,906,605 of note payments due in the next year. In addition, we have an additional \$407,228 of notes payable due in more than one year, some of which have been reclassified to current liabilities due to our failure to make interest payments on the notes. As discussed elsewhere, we also have substantial capital needs to complete our leaching facility and metallurgical lab, complete our survey of War Eagle Mountain and for working capital. We are currently unable to pay our liabilities in the normal course of business from cash flow from mining operations. If we are unable to raise substantial new capital, we be forced to terminate our operations or sell out to a larger company. We expect that any capital we raise will be dilutive to existing shareholders.

Our high level of debt could:

- make it more difficult for us to satisfy our obligations with respect to our outstanding debt;
- require a substantial portion of any capital we raise be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- limit our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements;
- increase our vulnerability to general adverse economic and industry conditions;
- expose us to the risk of increased interest rates as certain of our borrowings, including borrowings under our revolving credit facility, are at variable rates of interest;
- limit our flexibility in planning for and reacting to changes in the industry in which we compete;
- place us at a disadvantage compared to other, less leveraged competitors; and
- increase our cost of borrowing.

Any of the above-listed factors could have an adverse effect on our business, financial condition and results of operations and our ability to meet our payment obligations under our debt, and the price of our common stock.

### **The Mining Industry Historically Is A Cyclical Industry And Market Fluctuations In The Prices Of Minerals Could Adversely Affect Our Business.**

Prices for minerals tend to fluctuate significantly in response to factors beyond our control. These factors include, but are not limited to:

- ... weather conditions in the United States and elsewhere;
- ... economic conditions in the United States and elsewhere;



- ... political instability in Africa and other major mineral producing regions;
- ... governmental regulations, both domestic and foreign;
- ... domestic and foreign tax policy;
- ... the pace adopted by foreign governments for the exploration, development, and production of their national reserves;
- ... the price of foreign imports of minerals;
- ... the cost of exploring for, producing and processing raw mineral ore;
- ... the rate of decline of existing and new mineral reserves;
- ... available transportation capacity;
- ... the ability of mineral extraction companies to raise capital;
- ... the overall supply and demand for minerals; and

Changes in commodity prices may significantly affect our capital resources, liquidity and expected operating results. Price changes will directly affect revenues and can indirectly impact expected production by changing the amount of funds available to reinvest in exploration and development activities. Reductions in mineral prices not only reduce revenues and profits, but could also reduce the quantities of reserves that are commercially recoverable. Significant declines in prices could result in non-cash charges to earnings due to impairment. We do not currently engage in any hedging program to mitigate our exposure to fluctuations in mineral prices.

Changes in commodity prices may also significantly affect our ability to estimate the value of producing properties for acquisition and divestiture and often cause disruption in the market for mineral properties, as buyers and sellers have difficulty agreeing on the value of the properties. Price volatility also makes it difficult to budget for and project the return on acquisitions and the development and exploitation of projects. We expect that commodity prices will continue to fluctuate significantly in the future.

**Mining development, exploration, and processing operations pose risks and costs that may negatively impact our business.**

Mining development, exploration, and processing operations involve many hazards and uncertainties, including, among others:

- unusual and unexpected rock formations or water conditions;
- seismic activity;
- metallurgical or other processing problems;

- ground or slope failures;
- industrial accidents;
- environmental contamination or leakage;
- fires;
- flooding and periodic interruptions due to inclement or hazardous weather conditions or other acts of nature;
- organized labor disputes or work slow-downs;
- mechanical equipment failure and facility performance problems; and
- the availability of critical materials, equipment and skilled labor.

These occurrences could result in damage to, or destruction of, our properties or production facilities, personal injury or death, environmental damage, delays in mining or processing, increased production costs, asset write downs, monetary losses and legal liability, which could have an adverse effect on our results of operations and financial condition and adversely affect our projected development and production estimates.

**Changes in the cost or supply of energy or commodities used in operations may adversely affect the profitability of our operations and our financial condition.**

Our mining operations and exploration activities are intensive users of energy. Our principal energy sources are electricity and diesel fuel. We rely upon third parties for our supply of energy resources consumed in our mining and exploration activities. Energy prices can be affected by numerous factors beyond our control, including global and regional supply and demand, political and economic conditions, and applicable regulatory regimes. The prices of various sources of energy may increase significantly from current levels. An increase in energy prices could materially and adversely affect our results of operations and financial condition.

Disruptions in the supply of our energy resources could temporarily impair our ability to produce gold and silver or delay our expansion projects. Our mining operations and exploration projects are in remote locations requiring the building of power lines and long distance transmission of power. A disruption in the transmission of energy, inadequate energy transmission infrastructure or the termination of any of our energy supply contracts could interrupt our energy supply and adversely affect our operations or expansion projects.

Our production costs are also affected by the prices of commodities we consume or use in our operations, such as diesel fuel, lime, sodium cyanide and explosives. The prices of such commodities are influenced by supply and demand trends affecting the mining industry in general and other factors outside our control. Increases in the price for materials consumed in our mining and production activities could materially and adversely affect our results of operations and financial condition.



**Our operations are subject to numerous governmental permits that are difficult to obtain and we may not be able to obtain or renew all of the permits we require, or such permits may not be timely obtained or renewed.**

In the ordinary course of business we are required to obtain and renew governmental permits for our operations, including in connection with our mining and exploration plans at the War Eagle Mountain and our exploration plan at War Eagle Mountain. Obtaining or renewing the necessary governmental permits is a complex and time-consuming process involving costly undertakings by us. The duration and success of our efforts to obtain and renew permits are contingent upon many variables not within our control, including the interpretation of applicable requirements implemented by the permitting authority and intervention by third parties in any required environmental review. We may not be able to obtain or renew permits that are necessary to our operations on a timely basis or at all, and the cost to obtain or renew permits may exceed our estimates. Failure to comply with the terms of our permits may result in injunctions, fines, suspension or revocation of permits and other penalties. We can provide no assurance that we have been, or will at all times, be in full compliance with all of the terms of our permits or that we have all required permits. The costs and delays associated with compliance with these permits and with the permitting process could delay or stop us from executing our War Eagle Mountain project, proceeding with the operation or development of a property or increase the costs of development or production and may materially adversely affect our business, results of operations or financial condition.

**There are uncertainties as to title matters in the mining industry. Any defects in such title could cause us to lose our rights in mineral properties and jeopardize our business operations.**

Our mineral properties consist of private mineral rights, leases covering private lands, leases of patented mining claims and unpatented mining claims. Many of our mining properties in the United States are unpatented mining claims located on lands administered by the U.S. Bureau of Land Management ("BLM"), Idaho State Office to which we have only possessory title. Because title to unpatented mining claims is subject to inherent uncertainties, it is difficult to determine conclusively ownership of such claims. These uncertainties relate to such things as sufficiency of mineral discovery, proper location and posting and marking of boundaries, and possible conflicts with other claims not determinable from descriptions of record. We believe a substantial portion of all mineral exploration, development and mining in the United States now occurs on unpatented mining claims, and this uncertainty is inherent in the mining industry.

The present status of our unpatented mining claims located on public lands allows us the right to mine and remove valuable minerals, such as precious and base metals, from the claims conditioned upon applicable environmental reviews and permitting programs. We also are generally allowed to use the surface of the land solely for purposes related to mining and processing the mineral-bearing ores. However, legal ownership of the land remains with the United States. We remain at risk that the mining claims may be forfeited either to the United States or to rival private claimants due to failure to comply with statutory requirements. Prior to 1994, a mining claim locator who was able to prove the discovery of valuable, locatable minerals on a mining claim, and to meet all other applicable federal and state requirements and procedures pertaining to the location and maintenance of federal unpatented mining claims, had the right to prosecute a patent application to secure fee title to the mining claim from the Federal government. The right to pursue a patent, however, has been subject to a moratorium since October 1994, through federal legislation restricting the BLM from accepting any new mineral patent applications. If we do not obtain fee title to our unpatented mining claims, we can provide no assurance that we will be able to obtain compensation in connection with the forfeiture of such claims.

There may be challenges to title to the mineral properties in which we hold a material interest. If there are title defects with respect to any properties, we might be required to compensate other persons or perhaps reduce our interest in the affected property. Also, in any such case, the investigation and resolution of title issues would divert our management's time from ongoing production, exploration and development programs.

**Legislation has been proposed that could, if enacted, significantly affect the cost of our operations on our unpatented mining claims.**

Members of the U.S. Congress have repeatedly introduced bills which would supplant or alter the provisions of the Mining Law of 1872. Such bills have proposed, among other things, to either eliminate or greatly limit the right to a mineral patent and to impose a federal royalty on production from unpatented mining claims. Such proposed legislation could change the cost of holding unpatented mining claims and could significantly impact our ability to develop mineralized material on unpatented mining claims. A majority of our mining claims are on unpatented claims. Although we cannot predict what legislated royalties might be, the enactment of these proposed bills could adversely affect the potential for development of our unpatented mining claims and the economics of our existing operating mines on federal unpatented mining claims. Passage of such legislation could adversely affect our financial performance.

**Regulations and pending legislation governing issues involving climate change could result in increased operating costs, which could have a material adverse effect on our business.**

A number of governments or governmental bodies have introduced or are contemplating regulatory changes in response to various climate change interest groups and the potential impact of climate change. Legislation and increased regulation regarding climate change could impose significant costs on us, our venture partners and our suppliers, including costs related to increased energy requirements, capital equipment, environmental monitoring and reporting and other costs to comply with such regulations. Any adopted future climate change regulations could also negatively impact our ability to compete with companies situated in areas not subject to such regulations. Given the emotion, political significance and uncertainty around the impact of climate change and how it should be dealt with, we cannot predict how legislation and regulation will affect our financial condition, operating performance and ability to compete. Furthermore, even without such regulation, increased awareness and any adverse publicity in the global marketplace about potential impacts on climate change by us or other companies in our industry could harm our reputation.

**Climate change could have an adverse impact on our cost of operations.**

The potential physical impacts of climate change on our operations are highly uncertain and would be particular to the geographic circumstances in areas in which we operate. These climate changes may include changes in rainfall and storm patterns and intensities, water shortages, changing sea levels and changing temperatures. These changes in climate could have an impact on the cost of production at our mines and adversely affect the financial performance of our operations.

**A shortage of equipment and supplies could adversely affect our ability to operate our business.**

We are dependent on various supplies and equipment to carry out our mining exploration and development operations. The shortage of such supplies, equipment and parts could have a material adverse effect on our ability to carry out our operations and therefore limit or increase the cost of production. Such shortages could also result in increased construction costs and cause delays in expansion projects.

**We do not currently use forward sale or other significant hedging arrangements to protect against gold and silver prices and commodity prices and, as a result, our operating results are exposed to the impact of any significant decrease in the price of gold or silver or any significant increase in commodity prices.**

We do not currently enter into forward sales or other significant hedging arrangements to reduce the risk of exposure to volatility in commodity prices. Accordingly, our future operations are exposed to the impact of any significant decrease in gold or silver prices and any significant increase in commodity prices. If such prices change significantly, we will realize reduced revenues and increased costs. While it is not our current intention to enter into forward sales or other significant hedging arrangements, we are not restricted from entering into such arrangements at a future date.

**We do not intend to pay dividends for the foreseeable future.**

We have never declared or paid any dividends on our common stock. We intend to retain all of our earnings for the foreseeable future to finance the operation and expansion of our business, and we do not anticipate paying any cash dividends in the future. As a result, you may only receive a return on your investment in our common stock if the market price of our common stock increases. Our board of directors retains the discretion to change this policy.

**If We Fail To Maintain Adequate Insurance, Our Business Could Be Materially And Adversely Affected.**

Our operations are subject to risks typical of the mining industry, such as mine collapses, flooding, explosions, fires, pollution, earthquakes and other environmental risks. These risks could result in substantial losses due to injury and loss of life, severe damage to and destruction of property and equipment, pollution and other environmental damage, and suspension of operations. We could be liable for environmental damages caused by previous property owners. As a result, substantial liabilities to third parties or governmental entities may be incurred, the payment of which could have a material adverse effect on our financial condition and results of operations. We currently carry general liability and worker's compensation insurance, but we do not carry insurance against environmental claims. We consider our coverage adequate for our current operations. We expect to increase our insurance coverage when we begin mining ore from the interior of War Eagle Mountain.

**Complying With Environmental And Other Government Regulations Could Be Costly And Could Negatively Impact Our Production, Which Would Adversely Impact Our Royalty Revenues.**

The mining business is governed by numerous laws and regulations at various levels of government. These laws and regulations govern the operation and maintenance of any facilities on War Eagle Mountain, the discharge of materials into the environment and other environmental protection issues. Such laws and regulations may, among other potential consequences, require that any operator of mining operations on War Eagle Mountain acquire permits before commencing operations and restrict the substances that can be released into the environment with mining and production activities. Those laws and regulations could also require substantial and costly improvements to the mining operations to ensure the safety of our workers, and could delay mining activities until those improvements are completed and approved by the appropriate authorities.

Under our lease of War Eagle Mountain, we are primarily responsible for compliance with all laws and regulations applicable to the mining operations, and our failure to comply could result in damages or claims for personal injury, clean-up costs and other environmental and property damages, as well as administrative, civil and criminal penalties. We do not currently carry insurance coverage for sudden and accidental environmental damages as well as environmental damage that occurs over time. While we do not believe we need environmental insurance based on our current operations, we will reconsider our decision to not have environmental coverage prior to the time we begin to mine raw ore from the interior of War Eagle Mountain. However, we do not believe that insurance coverage for the full potential liability of environmental damages is available at a reasonable cost, and therefore there is a good possibility that we will not procure insurance for environmental liabilities. Accordingly, we could be liable, or could be required to cease production on properties, if environmental damage occurs.

The costs of complying with environmental laws and regulations in the future may harm our business. Furthermore, future changes in environmental laws and regulations could occur that result in stricter standards and enforcement, larger fines and liability, and increased capital expenditures and operating costs, any of which could have a material adverse effect on our financial condition or results of operations.

**Provisions in Our Certificate of Incorporation and Bylaws and Delaware law May Inhibit a Takeover of Us, Which Could Limit the Price Investors Might Be Willing to Pay in the Future for our Common Stock and Could Entrench Management.**

Our certificate of incorporation and bylaws contain provisions that may discourage unsolicited takeover proposals that stockholders may consider to be in their best interests. Our stock is divided into two classes – Class A and Class B – which have an equal right to profits and distributions. However, Class A Common Stock only has one vote per share while Class B Common Stock has forty votes per share. Members of the Quilliam family hold 9,485,419 shares of Class B Common Stock, which is 59.8% of the outstanding Class B Common Stock and represents 379,416,760 votes. When combined with the Quilliam family's ownership of Class A Common Stock, the Quilliam family controls 36% of the total votes at any meeting of shareholders. As a result, at any meeting of shareholders the Quilliam family has a disproportionate voting power. The Quilliam family's control of our Class B Common Stock may prevent our stockholders from replacing a majority of our board of directors at any shareholder meeting, which may entrench management and discourage unsolicited stockholder proposals that may be in the best interests of stockholders. Moreover, our board of directors has the ability to designate the terms of and issue new series of preferred stock without stockholder approval.

In addition, as a Delaware corporation, we are subject to Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that the stockholder became an interested stockholder, unless certain specific requirements are met as set forth in Section 203. Collectively, these provisions may make more difficult the removal of management and may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for our securities.

**Our Common Stock is Subject to the "Penny Stock" Rules of the SEC and the Trading Market in Our Securities is Limited, Which Makes Transactions in Our Stock Cumbersome and May Reduce the Value of an Investment in Our Stock.**

The Securities and Exchange Commission has adopted Rule 15g-9 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require:

- ... that a broker or dealer approve a person's account for transactions in penny stocks; and
- ... the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must:

- ... obtain financial information and investment experience objectives of the person; and
- ... make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the Commission relating to the penny stock market, which, in highlight form:

- ... sets forth the basis on which the broker or dealer made the suitability determination; and
- ... that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

**We Will Incur Significant Costs As A Result Of Operating As A Public Company. We May Not Have Sufficient Personnel For Our Financial Reporting Responsibilities, Which May Result In The Untimely Close Of Our Books And Record And Delays In The Preparation Of Financial Statements And Related Disclosures.**

As a registered public company, we experienced an increase in legal, accounting and other expenses. In addition, the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), as well as new rules subsequently implemented by the SEC, has imposed various requirements on public companies, including requiring changes in corporate governance practices. Our management and other personnel need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and make some activities more time-consuming and costly.

If we are not able to comply with the requirements of Sarbanes-Oxley Act, or if we or our independent registered public accounting firm identifies additional deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline and we could be subject to sanctions or investigations by the SEC and other regulatory authorities.

**If we fail to remain current on our reporting requirements, we could be removed from the OTC Bulletin Board which would limit the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market.**

Companies trading on the OTC Bulletin Board, such as us, must be reporting issuers under Section 12 of the Securities Exchange Act of 1934, as amended, and must be current in their reports under Section 13, in order to maintain price quotation privileges on the OTC Bulletin Board. More specifically, the Financial Industry Regulatory Authority ("FINRA") has enacted Rule 6530, which determines eligibility of issuers quoted on the OTC Bulletin Board by requiring an issuer to be current in its filings with the Commission. Pursuant to Rule 6530(e), if we file our reports late with the Commission three times our securities will be removed from the OTC Bulletin Board for failure to timely file. As a result, the market liquidity for our securities could be severely adversely affected by limiting the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market.

**Because the market may respond to our business operations and that of our competitors, our stock price will likely be volatile.**

Our common stock is currently quoted on the OTC Bulletin Board ("OTCBB") and OTCQB. The OTCBB and OTCQB are networks of security dealers who buy and sell stock. The dealers are connected by a computer network that provides information on current "bids" and "asks", as well as volume information. Our shares are quoted on the OTCBB and OTCQB under the symbol "SFMI." We anticipate that the market price of our Common Stock will be subject to wide fluctuations in response to several factors, including: our ability to develop projects successfully; increased competition from competitors; and our financial condition and results of our operations.

#### ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable.

#### ITEM 2. PROPERTIES.

A description of our mining properties is included in Item 1. Description of Business and is incorporated herein by reference.

We have purchased a 20 acres site in Owyhee County at the foot of War Eagle Mountain for an amount of \$250,000 payable as follows; \$25,000 at purchase and \$22,500 per year for the next ten years interest free. We have offices on site and a milling complex suitable for the present planned production. We are also constructing a metallurgical lab and have received a permit to operate a closed circuit cyanide leaching plant on the property.

We also lease office space at 1385 Broadway, New York, under a lease that runs from October 1, 2011 to September 30, 2015 at a rate of \$9,250 per month. Under the lease, we issued the lessor 9,000,000 shares of our common stock valued at \$444,000 at the inception of the lease as payment of rent for a substantial portion of the lease term.

We also lease office space at 2520 Manatee Avenue West, Suite #200, Bradenton, FL 34205, which we share with GoldLand, under a lease that runs from August 8, 2010 to August 1, 2013 at a rate of \$1,065 per month for the first 12 months and \$1,095 per month for the second 12 months and \$1,187.40 for the third 12 months. We share the cost of the lease with GoldLand equally.

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. We assumed this lease in March 2010.

We believe that we have satisfactory title to the properties owned and used in our business, subject to liens for taxes not yet payable, liens incident to minor encumbrances, liens for credit arrangements and easements and restrictions that do not materially detract from the value of these properties, our interests in these properties, or the use of these properties in our business. We believe that our properties are adequate and suitable for us to conduct business in the future.

### ITEM 3. LEGAL PROCEEDINGS.

On June 4, 2012, we issued a convertible promissory note to JMJ Financial in the original principal amount of \$315,000 (the "June Note"). On July 12, 2012, we issued a convertible promissory note to JMJ Financial in the original principal amount of \$525,000 (the "July Note" and with the June Note, the "Notes"). The Notes are convertible into Class A Common Stock at a conversion price equal to 80% of the three lowest daily average trading prices of the Common Stock during the 15 trading days preceding the conversion. On November 30, 2012, JMJ submitted a conversion request for \$54,079.20 of indebtedness under the June Note, which by JMJ's calculations would have required us to issue JMJ 3,000,000 shares of Class A Common Stock. On December 12, 2012, JMJ submitted another conversion request for \$52,360 of indebtedness under the June Note, which by JMJ's calculations would have required us to issue JMJ 3,500,000 shares of Class A Common Stock. We did not honor either conversion request because of our belief that JMJ was impermissibly shorting our Class A Common Stock, and was improperly manipulating the market price of our Class A Common Stock. On December 17, 2012, JMJ issued us a notice of default. On December 18, 2012, JMJ sent us a Notice of Acceleration for immediate payment of all amounts due under both Notes. On December 21, 2012, JMJ filed a lawsuit against us and Pierre Quilliam, our chief executive officer. The lawsuit seeks a judgment against us for all amounts due under both Notes. The lawsuit also seeks a judgment against Mr. Quilliam for amounts due under both Notes on the theory of fraudulent inducement and/or fraudulent misrepresentation. We are defending the lawsuit vigorously.

### ITEM 4. MINE SAFETY DISCLOSURES.

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95.1 to this Form 10-K.

## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES.

From March 4, 2010 to March 1, 2011, our Class A Common Stock was quoted on the OTC Bulletin Board. On March 1, 2011, trading in our Class A Common Stock was removed from the OTC Bulletin due to quoting inactivity under Rule 15c2-11. On November 1, 2011, trading in our Class A Common Stock resumed on the OTC Bulletin Board. During the period from March 1, 2011 to November 1, 2011, our Class A Common Stock was quoted on the OTCQB operated by OTC Markets Group, Inc. The following table summarizes the low and high prices for our common stock for each of the calendar quarters of 2011 and 2012.

|                | <u>2012</u> |            | <u>2011</u> |            |
|----------------|-------------|------------|-------------|------------|
|                | <u>High</u> | <u>Low</u> | <u>High</u> | <u>Low</u> |
| First Quarter  | 0.07        | 0.03       | 0.23        | 0.13       |
| Second Quarter | 0.04        | 0.01       | 0.18        | 0.07       |
| Third Quarter  | 0.05        | 0.02       | 0.15        | 0.07       |
| Fourth Quarter | 0.04        | 0.02       | 0.08        | 0.04       |

There were 182 shareholders of record of the common stock as of December 31, 2012. This number does not include an indeterminate number of shareholders whose shares are held by brokers in "street name."

Our common stock is subject to rules adopted by the Securities and Exchange Commission ("Commission") regulating broker dealer practices in connection with transactions in "penny stocks." Those disclosure rules applicable to "penny stocks" require a broker dealer, prior to a transaction in a "penny stock" not otherwise exempt from the rules, to deliver a standardized disclosure document prepared by the Commission. That disclosure document advises an investor that investment in "penny stocks" can be very risky and that the investor's salesperson or broker is not an impartial advisor, but rather paid to sell the shares. The disclosure contains further warnings for the investor to exercise caution in connection with an investment in "penny stocks," to independently investigate the security, as well as the salesperson the investor is working with and to understand the risky nature of an investment in this security. The broker dealer must also provide the customer with certain other information and must make a special written determination that the "penny stock" is a suitable investment for the purchaser, and receive the purchaser's written agreement to the transaction. Further, the rules require that, following the proposed transaction, the broker provide the customer with monthly account statements containing market information about the prices of the securities. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for our common stock. Many brokers may be unwilling to engage in transactions in our common stock because of the added disclosure requirements, thereby making it more difficult for stockholders to dispose of their shares.

### **Dividend Policy**

We have not declared any cash dividends on our Common Stock during our fiscal years ended on December 31, 2012 or 2011. Our Board of Directors has made no determination to date to declare cash dividends during the foreseeable future, but is not likely to do so. There are no restrictions on our ability to pay dividends.

### **Securities Issued in Unregistered Transactions**

During the quarter ended December 31, 2012, we issued securities in the following unregistered transactions:

- ... We issued a total of \$335,046 in two year notes payable. 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 \$0.0345 per share.
- ... We issued a \$36,000 two year note payable. The note is payable in 22oz of gold.
- ... We issued 7,242,575 shares of Class A Common Stock to certain of our officers as compensation for their services as officers of GoldLand, the value of which was applied to rental payments that we owe GoldLand.
- ... We issued 66,693,987 shares of Class A Common Stock to our officers and directors for compensatory purposes.
- ... We issued 36,966,000 shares of Class A Common Stock to vendors for consulting services.
- ... We issued 10,500,000 shares of our Class B Common Stock to our Directors.

All securities were issued in reliance on the exemption from registration provided by Section 4(2) of the Securities Act of 1933, during the quarter ended December 31, 2012.

#### ITEM 6. SELECTED FINANCIAL DATA.

Because we are a smaller reporting company, we are not required to provide the information called for by this Item.

#### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

##### ***Disclosure Regarding Forward Looking Statements***

This Annual Report on Form 10-K 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 our business, we, in an effort to help keep our shareholders and the public informed about our operations, may from time-to-time issue certain statements, either in writing or orally, which contain or may contain Forward-Looking Statements. Although we believe that the expectations reflected in such Forward Looking Statements are reasonable, we 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 us, or projections involving anticipated revenues, earnings, levels of capital expenditures or other aspects of operating results. All phases of our operations are subject to a number of uncertainties, risks and other influences, many of which are outside of our control and any one of which, or a combination of which, could materially affect the results of our proposed operations and whether Forward Looking Statements made by us ultimately prove to be accurate. Such important factors (“Important Factors”) and other factors could cause actual results to differ materially from our expectations are disclosed in this report, including those factors discussed in “Item 1A. Risk Factors.” All prior and subsequent written and oral Forward Looking Statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the Important Factors described below that could cause actual results to differ materially from our expectations as set forth in any Forward Looking Statement made by or on behalf of us.

### *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 tailing piles on the premises or through shafts or adits located on the premises. The lease, as amended, provides that lease payments must commence July 1, 2010. Effective October 1, 2010, GoldLand agreed to allow us to defer lease payments until December 31, 2011, and to extend the lease term by fifteen months.

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 consists 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. In the Fall of 2013, 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 underway with 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-April 2013, 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. In 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 linking State Route 78 with Silver City, 1.8 miles of access road to the Sinker Tunnel Complex from the county road, and about 1.6 miles of access road to the Oro Fino vein outcrop area to permit heavier loads and year round access, 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

### *Fiscal Years ended December 31, 2012 and 2011*

We are in the exploration stage and generated revenues of \$162,141 in the year ended December 31, 2012 and \$174,002 in the year ended December 31, 2011. Our revenues in the year ended December 31, 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 smelt our concentrate. In 2011, we completed a temporary smelter on our mill site and began shipping dore bars to a refiner on a regular basis.

We reported losses from operations during the years ended December 31, 2012 and 2011 of (\$10,433,678) and (\$12,022,786), respectively. The decrease in loss in 2012 as compared to 2011 was largely attributable to the following factors:

- ... Consulting fees decreased (\$1,120,687) from \$4,163,376 in 2011 to \$3,042,689 in 2012 as a result of decreased use of consultants in connection with our efforts to commence mining operations on War Eagle Mountain. The material components of expenses charged to consulting services in both years were as follows:

| <u>Type of Services</u>   | <u>2012</u> | <u>2011</u> |
|---|-------------|-------------|
| Shareholder relations services  | \$ 208,519  | \$ 786,500  |
| Investment banking  | 183,180     | 496,000     |
| Equity line fees  | -           | 164,000     |
| Locating and due diligence services on future acquisition opportunities | 1,518,400   | 515,300     |
| Administrative, office, clerical  | -           | 31,112      |
| Technical consulting  | -           | 187,792     |
| Legal services  | 63,320      | 59,325      |
| Advice on debt and equity capital raising                               | 945,000     | 1,977,000   |

- ... Exploration and development expenses were \$28,248 in 2012 as compared to \$1,362,022 in 2011 as a result of decreased activity developing and refurbishing the Sinkers Tunnel;
- ... Mill operating expenses were \$665,572 in 2012 as compared to \$512,453 in 2011. Mill operations ramped up in 2011 and we incurred more operating costs, however, we capitalized operating costs of \$766,677 in inventory.

- ... Property lease fees were \$1,000,000 in 2012 as compared to zero in 2011 due to the extension of the commencement of lease payments to GoldLand that expired on January 1, 2012;
- ... Compensation expense decreased to \$414,005 in 2012 as compared to \$729,288 in 2011 as a result of lower compensation accruals to employees.
- ... Stock compensation expense increased to \$4,122,143 in 2012 as compared to \$4,107,200 in 2011 as a result of the issuance of stock options and common stock for compensation.
- ... General and administrative expenses decreased to \$929,054 in 2012 as compared to \$977,008 in 2011 primarily due to lower legal, travel and general office expenses.

We reported net losses during the years ended December 31, 2012 and 2011 of (\$12,955,490) and (\$12,270,871), respectively. The increased loss in 2012 as compared to 2011 was largely attributable to debt conversion costs and increased interest expense resulting from higher interest-bearing debt in 2012 as compared to 2011, offset by decreased loss from operations. In particular, interest expense increased from \$248,085 in 2011 to \$432,813 in 2012.

### *Liquidity and Sources of Capital*

The following table sets forth the major sources and uses of cash for fiscal years ended December 31, 2011 and 2012:

|   | Fiscal Year ended December 31, |                 |
|---|--------------------------------|-----------------|
|   | 2011                           | 2012            |
| Net cash provided by (used) in operating activities               | \$ (1,734,319)                 | \$ (2,498,652)  |
| Net cash provided by (used) in investing activities               | (1,009,932)                    | (519,504)       |
| Net cash provided by (used) in financing activities               | 2,682,721                      | 3,021,297       |
| Net (decrease) increase in unrestricted cash and cash equivalents | <u>\$ (61,530)</u>             | <u>\$ 3,141</u> |

### *Comparison of 2011 and 2012*

In the years ended December 31, 2011 and 2012, we financed our operations primarily through the issuance of convertible notes and the issuance of common stock for services.

Operating activities used (\$1,734,319) of cash in 2011, as compared to (\$2,498,652) of cash in 2012. Major non-cash items that affected our cash flow from operations in 2011 were non-cash charges of \$345,442 for depreciation and amortization, \$5,643,059 for the value of common stock issued to consultants for services, \$2,274,737 for the value of common stock issued for compensation to officers and employees, and \$340,000 for the value of common stock issued for rent. Our operating assets and liabilities supplied \$433,334 of cash, most of which resulted from an increase in accounts payable and accrued liabilities of \$639,207, an increase in accrued payroll of \$803,445, and a decrease in prepaid expenses of \$387,842, offset by an increase in amounts due from related parties of (\$410,779) and an increase in inventories of (\$1,419,341).

Major non-cash items that affected our cash flow from operations in 2012 were non-cash charges of \$603,031 for depreciation and amortization, \$2,872,931 for the value of common stock issued for compensation to consultants, \$113,600 for the value of common stock issued for rent, \$3,272,772 for the value of common stock issued for compensation to officers and employees, \$1,657,979 for the value of common stock issued for GoldLand officers for compensation, \$849,371 for the value of stock options and warrants issued for compensatory purposes, and non-cash debt conversion costs of \$2,088,999. Our operating assets and liabilities used (\$532,149) of cash, most of which resulted from an increase in inventories of (\$846,403), a decrease in prepaid expenses of \$15,000, and a reduction of accounts payable and accrued expenses of (\$13,048), offset by an increase in accrued payroll of \$120,808.



Investing activities used (\$519,504) of cash in 2012, as compared to (\$1,009,932) of cash in 2011. The significant decrease in cash used in investing activities was primarily attributable to materially lower expenditures for equipment and buildings.

Financing activities supplied \$3,021,297 of cash in 2012 as compared to \$2,682,721 of cash in 2011. Substantially all of the cash supplied in both years resulted from the issuance of notes, net of sums spent to repay notes. In 2011, we issued \$2,683,044 in notes, as compared to 2012 when we issued \$3,129,888 of notes.

### *Liquidity*

Our balance sheet as of December 31, 2012 reflects current assets of \$3,445,040, current liabilities of \$4,104,402, and a working capital deficit of (\$659,362). In January 2013, we issued 3,964,258 shares of Class A Common Stock upon conversion of promissory notes with an aggregate principal and interest amount of \$100,692.

We will need substantial capital over the next year. We project that we will need about \$1,900,000 of working capital 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 December 31, 2012, we had outstanding \$3,646,368 in notes payable, of which \$1,580,223 was due within one year of that date. Also, beginning January 1, 2012, we began to make monthly payments of \$83,333 to GoldLand under our lease of its mining interests on War Eagle Mountain. We 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.

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 paying 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 common stock, including our monthly lease payments to GoldLand. GoldLand, for example, is controlled by our officers, and therefore we do not expect GoldLand to take any legal action as a result of our deferral of lease payments to it. 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 years ended December 31, 2012 and 2011. 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 preferred 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 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES OF MARKET RISK.**

Because we are a smaller reporting company, we are not required to provide the information called for by this Item.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

The financial statements required by Article 8 of Regulation S-X are attached hereto as Exhibit A.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

During the two fiscal years ended December 31, 2012, there has not been any change in accountants, or any disagreement on any matter of accounting principles or practices, financial statement disclosures or auditing scope or procedure with our auditors.

## **ITEM 9A. CONTROLS AND PROCEDURES.**

### **Management's Report on Internal Control over Financial Reporting and Remediation Initiatives**

### *Evaluation of Disclosure Controls and Procedures*

Pierre Quilliam, our chief executive officer, and Thomas C. 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 December 31, 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 December 31, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### *Management's Report on Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined by the Securities and Exchange Commission, internal control over financial reporting is a process designed by, or under the supervision of our principal executive officer and principal financial officer and implemented by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements in accordance with U.S. generally accepted accounting principles.

Our internal control over financial reporting includes those policies and procedures that:

- ... pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- ... provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and directors; and
- ... provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As of December 31, 2012 we conducted an evaluation, under the supervision and with the participation of our chief executive officer (our principle executive officer), our chief operating officer and our chief financial officer (also our principal financial and accounting officer) of the effectiveness of our internal control over financial reporting based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or the COSO Framework. Management's assessment included an evaluation of the design of our internal control over financial reporting and testing of the operational effectiveness of those controls.

A material weakness is defined within the Public Company Accounting Oversight Board's Auditing Standard No. 5 as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. Based upon this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2012.

This annual report does not include an attestation report of the company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the company to provide only management's report in this annual report.

#### ITEM 9A(T). CONTROLS AND PROCEDURES.

None.

#### ITEM 9B. OTHER INFORMATION.

None.

### PART III

#### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS.

Listed below are our directors and executive officers.

| <u>Name</u>        | <u>Age</u> | <u>Present Positions with Company</u>               |
|--------------------|------------|---|
| Pierre Quilliam    | 74         | Chairman and Chief Executive Officer                |
| Allan Breitzkreuz  | 45         | Vice President of Finance and Development, Director |
| Denise Quilliam    | 74         | Director  |
| Paul Parliament    | 47         | Director  |
| Christian Quilliam | 49         | Chief Operating Officer and Director                |
| Thomas C. Ridenour | 51         | Chief Financial Officer and Director                |
| Lewis Georges      | 59         | Director  |

The following information sets forth the backgrounds and business experience of the directors and executive officers.

*Pierre Quilliam* has served as our chief executive officer and a member of our board since our formation on October 15, 2007. Prior to that, Mr. Quilliam was a board member and chief financial officer of Dicut, our former corporate parent from 2001 to January 2006, and chairman and chief executive officer of Dicut from January 2006 to October 2007. In addition to his services as our office and director, Mr. Quilliam has been a director and

officer of GoldLand since November 2003. From 1975 to 1980, Mr. Quilliam established and operated Outico, Ltd., a reseller of industrial tools and equipment. From 1980 to the present, Mr. Quilliam has established and managed numerous companies in various capacities, including finance, consulting, accounting and management.

*Allan Breikreuz* has served as our vice president and a member of our board since November 1, 2008. In addition to his services as our officer and director, Mr. Breikreuz has been a director of GoldLand since 2005, and its Vice President of Finance and Development since September 9, 2006. From 2002 to 2008, Mr. Breikreuz was an officer and director of Warner International Networks and Extend a Pop, which provided dial up internet access. Mr. Breikreuz majored in commercial and business financial administration at Brock University in Ontario, Canada, but did not receive a degree.

*Denise Quilliam* has served as a member of our board since October 30, 2007. On July 1, 2009, Ms. Quilliam became our corporate secretary. On January 1, 2012, Ms. Quilliam resigned as corporate secretary. In addition to her services as an officer and director, Ms. Quilliam has been an officer and director of GoldLand since October 30, 2007. Other than her employment with us, Ms. Quilliam serves as a director of four private Canadian companies involved in real estate and finance, but has otherwise not been employed during the last five years. Ms. Quilliam received a B.S. degree in Teaching from the Ignace Bourget College in Quebec in 1957.

*Christian Quilliam* has served as a member of our board since August 24, 2009, and as our chief operating officer since April 2010. In addition to his services as an officer and director, Mr. Quilliam has been a director of GoldLand since September 2010, and its chief operating officer since April 2010. Mr. Quilliam holds a master's degree in digital music from McGill University in Montreal and brings extensive experience into the management and development of small cap companies. Mr. Quilliam presently owned Q-Prompt, Inc., a teleprompting company which serviced large corporations' needs during presentations. On July 21, 2006, the United States District Court for the Northern District of Illinois entered a Stipulated Final Judgment and Order for Permanent Injunction and Other Equitable Relief against Mr. Quilliam, and 25 corporate entities and five other individuals, in an action styled Federal Trade Commission v. STF Group, Inc., et al., Case No. 03-C-0977. The action involved allegations that the defendants violated the Federal Trade Commission Act and the Telemarketing and Consumer Fraud and Abuse Prevention Act in the manner in which they marketed healthcare savings plans. Under the Stipulated Final Judgment, the defendants cumulatively paid a monetary settlement of \$200,000 and agreed to a permanent injunction against the conduct alleged in the complaint.

*Thomas C. Ridenour* has been our Chief Financial Officer since June 2010. Mr. Ridenour has been a principal of Ridenour and Associates, LLC, an accounting consulting firm providing CFO services to small public and private companies, since 2002. From 2000 to 2002, Mr. Ridenour served as Senior Vice President and Chief Financial Officer of HealthWatch, Inc., a software technology company. Prior to joining HealthWatch, Mr. Ridenour served as Senior Vice President and Chief Financial Officer of Nationwide Credit, Inc., a receivables management company, from 1998 to 2000. From 1983 to 1998, Mr. Ridenour served in various financial management roles at American Security Group, a financial services company, Primerica Financial Services, Inc., a financial services company, and Southmark Corporation, a real estate service and development company. Mr. Ridenour is a CPA and holds a B.S. Accounting degree from the University of South Carolina.

*Lewis Georges* has been a member of our board since July 2010. Mr. Georges has over 31 years combined experience in both the investment and commercial real-estate industries. He is an Executive Vice-president of Investments for Davenport & Company, LLC, where he actively manages millions of dollars for individuals, corporations, non-profit organizations and 401(K) retirement plans. He is the main principal of a real estate development company where he owns and rents commercial real-estate space. He has strong business acumen and experiences and has been actively involved in numerous non-profit charities in the Norfolk, Virginia area. Mr. Georges received a B.S. in Management from Virginia Commonwealth University and maintains a Series 7 Broker's license with FINRA (Financial Industry Regulatory Authority).

Paul Parliament has been a member of our board since October 2012. For the last five years, Mr. Parliament has served as president of The Parliament Corporation and The Parliament Apartment Corporation, which is in the real estate business. Mr. Parliament has 28+ years as a successful real estate developer, and as President of "Marsadi Layne Properties, Inc.," "The Parliament Corporation," "P.D.P Developments, Inc.," and "The Parliament Apartment Corporation," Mr. Parliament has a vast knowledge of property acquisitions, corporate finance, planning, permitting, staffing, and management.

Mr. and Ms. Quilliam are married to each other.

Mr. Christian Quilliam is the son of Mr. and Mrs. Quilliam.

None of the above directors and executive officers has been involved in any legal proceedings as listed in Regulation S-K, Section 401(f).

### **Board of Directors**

Our board currently consists of seven directors. There have been no material changes to the procedures by which security holders may recommend nominees to the board of directors.

### **Board Committees**

We do not currently have an executive committee or stock plan committee. We recently formed a compensation committee, which consists of three members of our Board of Directors, namely Mr. Lewis Georges, Mr. Thomas C. Ridenour and Mr. Christian Quilliam.

We do not have a separately-designated standing audit committee. The entire Board of Directors performs the functions of an audit committee, but no written charter governs the actions of the Board when performing the functions of what would generally be performed by an audit committee. The Board approves the selection of our independent accountants and meets and interacts with the independent accountants to discuss issues related to financial reporting. In addition, the Board reviews the scope and results of the audit with the independent accountants, reviews with management and the independent accountants our annual operating results, considers the adequacy of our internal accounting procedures and considers other auditing and accounting matters including fees to be paid to the independent auditor and the performance of the independent auditor.

Our Board of Directors does not maintain a nominating committee. As a result, no written charter governs the director nomination process. Our size and the size of our Board, at this time, do not require a separate nominating committee.

When evaluating director nominees, our directors consider the following factors:

- ... The appropriate size of our Board of Directors;
- ... Our needs with respect to the particular talents and experience of our directors;
- ... The knowledge, skills and experience of nominees, including experience in finance, administration or public service, in light of prevailing business conditions and the knowledge, skills and experience already possessed by other members of the Board;
- ... Experience in political affairs;
- ... Experience with accounting rules and practices; and
- ... The desire to balance the benefit of continuity with the periodic injection of the fresh perspective provided by new Board members.

Our goal is to assemble a Board that brings together a variety of perspectives and skills derived from high quality business and professional experience. In doing so, the Board will also consider candidates with appropriate non-business backgrounds.

Other than the foregoing, there are no stated minimum criteria for director nominees, although the Board may also consider such other factors as it may deem are in our best interests as well as our stockholders. In addition, the Board identifies nominees by first evaluating the current members of the Board willing to continue in service. Current members of the Board with skills and experience that are relevant to our business and who are willing to continue in service are considered for re-nomination. If any member of the Board does not wish to continue in service or if the Board decides not to re-nominate a member for re-election, the Board then identifies the desired skills and experience of a new nominee in light of the criteria above. Current members of the Board are polled for suggestions as to individuals meeting the criteria described above. The Board may also engage in research to identify qualified individuals. To date, we have not engaged third parties to identify or evaluate or assist in identifying potential nominees, although we reserve the right in the future to retain a third party search firm, if necessary. The Board does not typically consider shareholder nominees because it believes that its current nomination process is sufficient to identify directors who serve our best interests.

### **Code of Ethics**

Our Board of Directors has adopted a Code of Business Conduct and Ethics, which was previously filed as Exhibit 14 to our Registration Statement on Form 10 filed August 17, 2009.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

For the year ended December 31, 2012, the following officers, directors and beneficial owners failed to file the following Forms 4 or 5 on a timely basis:

... Pierre Quilliam, Denise Quilliam, Christian Quilliam, Thomas C. Ridenour, Allan Breitzkreuz, Lewis Georges and Paul Parliament failed to file a timely Form 4 with respect to shares of Class A and Class B common stock that they received as compensation in 2012 and options that they received as compensation, but they timely filed a Form 5 reporting those transactions.

... Tom Ridenour and Christian Quilliam failed to file a timely Form 4 reporting the sale of shares of Class A Common Stock, but filed a timely Form 5 reporting those transactions.

## ITEM 11. EXECUTIVE COMPENSATION.

The following table sets forth the compensation earned by our named Executive Officers during the last two fiscal years and other officers who received compensation in excess of \$100,000 during any of the last three fiscal years. In accordance with Item 402(a)(5), we have omitted certain columns from the table required by Item 402 (c).

**Summary Compensation Table**

| Name and Principal Position                                    | Year | Salary     | Bonus      | Stock Awards | Option Awards | All Other Compensation | Total        |
|--|------|------------|------------|--------------|---------------|------------------------|--------------|
|  |      | \$ (1)     | \$ (2)     | \$ (3)       | \$ (4)        | \$ (1) (5)             | \$           |
| Pierre Quilliam,<br>Chairman and CEO                           | 2012 | \$ 325,000 | \$ 113,750 | \$ 310,000   | \$ 143,961    | \$ 232,908             | \$ 1,125,619 |
|  | 2011 | \$ 250,000 | \$ 121,013 | \$ 316,000   | \$ 155,139    | \$ 133,667             | \$ 975,819   |
| Allan Breittkreuz,<br>Vice President -<br>Finance and Director | 2012 | \$ 115,000 | \$ 40,250  | \$ --        | \$ 143,961    | \$ 69,433              | \$ 368,644   |
| Christian Quilliam,<br>COO and Director                        | 2012 | \$ 225,000 | \$ 78,750  | \$ 210,000   | \$ 143,961    | \$ 133,020             | \$ 790,731   |
|  | 2011 | \$ 195,000 | \$ 94,390  | \$ 216,000   | \$ 155,139    | \$ 76,535              | \$ 737,063   |
| Thomas C. Ridenour,<br>CFO and Director                        | 2012 | \$ 225,000 | \$ 78,750  | \$ 210,000   | \$ 143,961    | \$ 796,008             | \$ 1,453,719 |
|  | 2011 | \$ 195,000 | \$ 98,485  | \$ 216,000   | \$ 155,139    | \$ 130,092             | \$ 794,716   |
| Pascale Tutt, Vice<br>President-Corporate<br>Development       | 2012 | \$ 126,500 | \$ 44,275  | \$ --        | \$ 71,981     | \$ 31,815              | \$ 274,571   |

- (1) The salary for each named executive is based on the amount of salary payable for 2012 under employment agreements dated January 1, 2012. The salary for Pierre Quilliam and Thomas C. Ridenour were paid by multiple issuances of shares of Class A Common Stock totaling 13,956,429 shares and 10,047,857 shares, respectively. The shares were valued at \$488,475 and \$351,675, respectively. Christian Quilliam received half salary in cash and half in multiple issuances of shares of Class A Common Stock totaling 4,831,071 shares valued at \$169,087. Pascale Tutt received half salary in cash and half in multiple issuances of shares of Class A Common Stock totaling 2,716,136 shares valued at \$95,065. The board granted each executive additional shares of Class A Common Stock as compensation for the fact that the executive was not being paid in cash as required by his/her employment agreement and the executive's commitment to pay any taxes associated with the portion of the salary paid in shares of Class A Common Stock. To the extent an executive was issued shares of Class A Common Stock in excess of the amount due the executive for salary, the excess is reported in "All Other Compensation."

The salary for each named executive is based on the amount of salary payable for 2011 under employment agreements dated January 1, 2011. The salary for Pierre Quilliam, Denise Quilliam and Thomas Ridenour was paid by multiple issuances of shares of Class A Common Stock totaling 5,828,178 shares, 2,315,767 shares and 4,798,544 shares, respectively. The shares were valued at \$353,267, \$134,240 and \$289,692, respectively. Christian Quilliam received half salary in cash and half in multiple issuances of shares of Class A Common Stock totaling 2,288,354 shares valued at \$138,635. The board granted each executive additional shares of Class A Common Stock as compensation for the fact that the executive was not being paid in cash as required by his/her employment agreement and the executive's commitment to pay any taxes associated with the portion of the salary paid in shares of Class A Common Stock. To the extent an executive was issued shares of Class A Common Stock in excess of the amount due the executive for salary, the excess is reported in "All Other Compensation."

- (2) The bonus paid in 2012 for each named executive was paid by the issuance of shares of restricted Class A Common Stock in the following amounts: Pierre Quilliam, 7,583,334 shares; Thomas C. Ridenour, 5,250,000 shares; Allan Breitreuz, 2,683,333 shares; Pascale Tutt, 2,951,667 shares; and Christian Quilliam, 5,250,000 shares. All shares were valued at \$0.015 per share, which was the market price on the date of issuance.

The bonus paid in 2011 for each named executive was paid by the issuance of shares of restricted Class A Common Stock in the following amounts: Pierre Quilliam, 2,951,524 shares; Denise Quilliam, 1,121,579 shares; Thomas C. Ridenour, 2,402,067 shares; and Christian Quilliam, 2,302,189 shares. All shares were valued at \$0.041 per share, which was the market price on the date of issuance.

- (3) In 2012, the board approved stock grants of shares of Class A Common Stock for Pierre Quilliam, Christian Quilliam and Thomas C. Ridenour of 8,857,143 shares, 6,000,000 shares, and 6,000,000 shares, respectively. All shares were valued at \$0.035 per share, which was the market price on the date of issuance. All shares were granted as deferred compensation subject to a one year vesting requirement.

In 2011, the board approved stock grants of shares of Class A Common Stock for Pierre Quilliam, Denise Quilliam, Christian Quilliam and Thomas C. Ridenour of 7,707,317 shares, 1,000,000 shares, 5,268,293 shares, and 5,268,293 shares, respectively. All shares were valued at \$0.041 per share, which was the market price on the date of issuance. All shares were granted as deferred compensation subject to a one year vesting requirement.

- (4) The option awards to Pierre Quilliam, Allan Breitreuz, Pascale Tutt, Christian Quilliam and Thomas C. Ridenour for 2012 consisted of 10,000,000, 10,000,000, 5,000,000, 10,000,000 and 10,000,000 options to purchase Class A Common Stock, respectively. The options have an exercise price of \$0.017 per share, a ten year term, and are subject to a one year vesting period. The option awards to Pierre Quilliam, Denise Quilliam, Christian Quilliam and Thomas C. Ridenour for 2011 consisted of 10,000,000, 5,000,000, 10,000,000 and 10,000,000 options to purchase Class A Common Stock, respectively. The options have an exercise price of \$0.041 per share, a ten year term, and are subject to a one year vesting period.

The option awards to Pierre Quilliam, Denise Quilliam, Christian Quilliam and Thomas C. Ridenour for 2011 consisted of 10,000,000, 5,000,000, 10,000,000 and 10,000,000 options to purchase Class A Common Stock, respectively. The options have an exercise price of \$0.041 per share, a ten year term, and are subject to a one year vesting period. The option awards to Pierre Quilliam, Denise Quilliam, Christian Quilliam and Thomas C. Ridenour for 2010 consisted of 2,000,000, 500,000, 3,000,000 and 3,000,000 options to purchase Class A Common Stock, respectively. The options have an exercise price of \$0.20 per share, a ten year term, and are subject to a one year vesting period.

- (5) In addition to the amounts included in “All Other Compensation” described in paragraph 1 above, “All Other Compensation” in 2012 also includes 2,188,867, 2,188,867, 2,655,533 and 2,655,533 shares of Class A Common Stock issued to Pierre Quilliam, Allan Breikreuz, Christian Quilliam and Thomas C. Ridenour, respectively, for serving on the board of directors. All shares were valued at \$0.015 per share, which was the market price on the date of issuance. Also, 1,500,000, 1,500,000, 1,500,000 and 1,500,000 shares of Class B Common Stock were issued to Pierre Quilliam, Allan Breikreuz, Christian Quilliam and Thomas C. Ridenour, respectively. All shares were valued at \$0.0244 per share, which was the market price on the date of issuance.

In addition to the amounts included in “All Other Compensation” described in paragraph 1 above, “All Other Compensation” in 2011 also includes 741,463, 741,463, 863,414 and 863,414 shares of Class A Common Stock issued to Pierre Quilliam, Denise Quilliam, Christian Quilliam and Thomas C. Ridenour, respectively, for serving on the board of directors. All shares were valued at \$0.041 per share, which was the market price on the date of issuance.

- (6) The value of stock and options reported for each named executive is the amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with ASC Topic 718.

We did not reprice any options or stock appreciation rights during the last fiscal year.

### Outstanding Equity Awards at Fiscal Year-End

| Name<br>(a)        | Option Awards   |   |   |                                |  | Stock Awards  |  |   |  |
|--------------------|---|---|---|--------------------------------|--|---|--|---|--|
|                    | Number of Securities Underlying Unexercised options (#) (b) | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) (c) | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) (d) | Option Exercise Price (\$) (e) | Option Expiration Date (\$) (f)              | Number of Shares or Units of Stock that have not Vested (#) (g) | Market Value of Shares of Units of Stock that Have not Vested (\$) (h) | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that have not Vested (#) (i) | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or other Rights that have not Vested (\$) (j) |
| Pierre Quilliam    | 2,000,000<br>10,000,000<br>-<br>--                          | --<br>--<br>10,000,000*   | --<br>--<br>--<br>--  | 0.20<br>0.041<br>0.017<br>--   | 10/19/2020<br>12/30/2021<br>12/10/2022<br>-- | --<br>--<br>--<br>8,857,143**                                   | --<br>--<br>--<br>177,143  | --<br>--<br>--<br>--  | --<br>--<br>--<br>--   |
| Allan Breikreuz    | 3,000,000<br>10,000,000<br>--                               | --<br>--<br>10,000,000*   | --<br>--<br>--  | 0.20<br>0.041<br>0.017         | 10/19/2020<br>12/30/2021<br>12/10/2022       | --<br>--<br>--<br>--  | --<br>--<br>--<br>--   | --<br>--<br>--<br>--  | --<br>--<br>--<br>--   |
| Pascale Tutt       | 1,000,000<br>5,000,000<br>--                                | --<br>--<br>5,000,000*  | --<br>--<br>--  | 0.20<br>0.041<br>0.017         | 10/19/2020<br>12/30/2021<br>12/10/2022       | --<br>--<br>--<br>--  | --<br>--<br>--<br>--   | --<br>--<br>--<br>--  | --<br>--<br>--<br>--   |
| Christian Quilliam | 3,000,000<br>10,000,000<br>--                               | --<br>--<br>10,000,000*   | --<br>--<br>--  | 0.20<br>0.041<br>0.017         | 10/19/2020<br>12/30/2021<br>12/10/2022       | --<br>--<br>--<br>6,000,000**                                   | --<br>--<br>--<br>120,000  | --<br>--<br>--<br>--  | --<br>--<br>--<br>--   |
| Thomas C. Ridenour | 3,000,000<br>10,000,000<br>--                               | --<br>--<br>10,000,000*   | --<br>--<br>--  | 0.20<br>0.041<br>0.017         | 10/19/2020<br>12/30/2021<br>12/10/2022       | --<br>--<br>--<br>6,000,000**                                   | --<br>--<br>--<br>120,000  | --<br>--<br>--<br>--  | --<br>--<br>--<br>--   |

\*The options vest one year from the date of issuance, or on December 10, 2013.

\*\*The stock grants vest one year from the date of issuance of the shares, or on January 3, 2013. The market value of the shares is based on a closing price of \$0.02 per share on December 31, 2012.

## Employment Agreements

We have no employment agreements currently. We are accruing compensation to our officers at rate specified in employment agreements with each officer that expired on December 31, 2012.

### Director Compensation

| Name                | Fees Earned or Paid in |                   | Option Awards (\$) | Non-Equity Incentive Plan Compensation (\$) | Nonqualified Deferred Compensation Earnings (\$) | All Other Compensation (\$) | Total (\$) |
|---------------------|------------------------|-------------------|--------------------|---|--|-----------------------------|------------|
|                     | Cash (\$)              | Stock Awards (\$) |                    |   |  |                             |            |
| Denise Quilliam (1) | -                      | 69,433            | 71,981             | -   | -  | -                           | 141,414    |
| Lewis Georges (2)   | -                      | 76,433            | 71,981             | -   | -  | -                           | 148,414    |
| Paul Parliament (3) | -                      | 39,360            | -                  | -   | -  | -                           | 39,360     |

- (1) Ms. Quilliam's stock award consists of 2,188,867 shares of Class A Common Stock valued at \$0.015 per share that were issued as compensation for serving on the board of directors. In addition, 1,500,000 shares of Class B Common Stock valued at \$0.0244 per share were issued to Ms. Quilliam. Ms. Quilliam's option award consists of options to purchase 5,000,000 shares of Class A Common Stock at \$0.017 per share. The options have a term of 10 years, and are subject to a one year vesting requirement.
- (2) Mr. Georges' stock award consists of 2,655,533 shares of Class A Common Stock valued at \$0.015 per share that were issued as compensation for serving on the board of directors. In addition, 1,500,000 shares of Class B Common Stock valued at \$0.0244 per share were issued to Mr. Georges. Mr. Georges' option award consists of options to purchase 5,000,000 shares of Class A Common Stock at \$0.017 per share. The options have a term of 10 years, and are subject to a one year vesting requirement.
- (3) Mr. Parliament's stock award consists of 184,000 shares of Class A Common Stock valued at \$0.015 per share that were issued as compensation for serving on the board of directors. In addition, 1,500,000 shares of Class B Common Stock valued at \$0.0244 per share were issued to Mr. Parliament.
- (4) All amounts reported for each director are the amounts recognized for financial statement reporting purposes with respect to the fiscal year in accordance with ASC Topic 718.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth certain information, as of March 15, 2013, with respect to the beneficial ownership of our common stock by (i) all of our directors, (ii) each of our executive officers named in the Summary Compensation Table, (iii) all of our directors and named executive officers as a group, and (iv) all persons known to us to be the beneficial owner of more than five percent (5%) of any class of our voting securities.

| Name and Address of Beneficial Owner  | Class A Shares                            |                      | Class B Shares                            |                      |
|---|---|----------------------|---|----------------------|
|   | Amount and Nature of Beneficial Ownership | Percent of Class (1) | Amount and Nature of Beneficial Ownership | Percent of Class (1) |
| New Vision Financial, Ltd. (2)<br>Akara Bldg 24<br>De Castro Street<br>Wickhams Cay<br>British Virgin Islands | 79,860,946                                | 8.9%                 | -   | 0.0%                 |
| Pierre Quilliam (3)(4)(13)  | 103,969,866                               | 11.6%                | 1,519,500                                 | 9.58%                |
| Denise Quilliam (3)(5)(13)  | 22,651,932                                | 2.5%                 | 4,719,044                                 | 29.74%               |
| Thomas C. Ridenour (6)(13)  | 100,916,028                               | 11.2%                | 1,500,000                                 | 9.45%                |
| Christian Quilliam (7)(13)  | 72,599,884                                | 8.1%                 | 3,246,875                                 | 20.47%               |
| Allan Breikreuz (8)(13)   | 26,655,057                                | 3.0%                 | 1,500,000                                 | 9.45%                |
| Lewis Georges (9)(13)   | 9,540,847                                 | 1.1%                 | 1,500,000                                 | 9.45%                |
| Paul Parliament (10)(13)  | 67,191,248                                | 7.6%                 | 1,500,000                                 | 9.45%                |
| Pascale Tutt (11)(13)   | 16,298,428                                | 1.8%                 | -   | 0.0%                 |
| All Officers and Directors as a Group   | 351,323,290                               | 44.0%                | 15,485,419                                | 97.6%                |

(1) Based upon 885,664,295 shares of Class A Common Stock issued and outstanding as of March 15, 2013, and 15,865,419 shares of Class B Common Stock issued and outstanding as of March 15, 2013.

(2) New Vision Financial, Ltd.'s shares include 68,426,071 shares of Class A Common Stock owned outright, as well as 11,434,875 shares of Class A Common Stock which it has the present right to acquire under notes which are convertible into common stock at its election. The notes have an aggregate principal amount of \$395,000, and are convertible at various prices based on the market value of the Class A Common Stock on the date of issuance.

(3) Pierre Quilliam and Denise Quilliam are married.

(4) Pierre Quilliam's ownership of Class A Common Stock consists of 91,768,774 shares owned outright, 201,092 shares owned by Bisell Investments of Florida, Inc., and 2,000,000 and 10,000,000 shares issuable pursuant to options that are immediately exercisable, have an exercise price of \$0.20 and \$0.041 per share and expire October 19, 2020 and December 30, 2021, respectively. Mr. Quilliam's ownership does not include 10,000,000 shares which he has the right to acquire under options that have not vested yet. Mr. Quilliam serves as President of Bisell investments of Florida, Inc.

(5) Denise Quilliam's ownership of Class A Common Stock consists of 16,681,932 shares owned outright, 470,000 shares owned by 87807 Canada and 500,000 and 5,000,000 shares issuable pursuant to options that are immediately exercisable, have an exercise price of \$0.20 per share and \$0.041 per share and expire October 19, 2020 and December 30, 2021, respectively. Ms. Quilliam's ownership does not include 5,000,000 shares which she has the right to acquire under options that have not vested yet.

(6) Thomas C. Ridenour's ownership of Class A Common Stock consists of 87,916,028 shares owned outright, and 3,000,000 and 10,000,000 shares issuable pursuant to options that are immediately exercisable, have an exercise price of \$0.20 and \$0.041 per share and expire October 19, 2020 and December 30, 2021, respectively. Mr. Ridenour's ownership does not include 10,000,000 shares which he has the right to acquire under options that have not vested yet.

(7) Christian Quilliam's ownership of Class A Common Stock consists of 58,507,200 shares owned outright, 1,092,434 shares owned by Q-Prompt, Inc., a corporation owned by Mr. Quilliam, 250 shares owned by Mr. Quilliam's Spouse and 3,000,000 and 10,000,000 shares issuable pursuant to options that are immediately exercisable, have an exercise price of \$0.20 and \$0.041 per share and expire October 19, 2020 and December 30, 2021, respectively. Mr. Quilliam's ownership does not include 10,000,000 shares which he has the right to acquire under options that have not vested yet.

(8) Mr. Breitzkreuz's ownership of Class A Common Stock consists of 13,655,057 shares owned outright, and 3,000,000 and 10,000,000 shares issuable pursuant to options that are immediately exercisable, have an exercise price of \$0.20 and \$0.041 per share and expire October 19, 2020 and December 30, 2021, respectively. Mr. Breitzkreuz's ownership does not include 10,000,000 shares which he has the right to acquire under options that have not vested yet.

(9) Mr. Georges' ownership of Class A Common Stock consists of 3,536,447 shares owned outright, 4,400 shares owned by a minor child, and 1,000,000 and 5,000,000 shares issuable pursuant to options that are immediately exercisable, have an exercise price of \$0.20 and \$0.041 per share and expire October 19, 2020 and December 30, 2021, respectively. Mr. Georges' ownership does not include 5,000,000 shares which he has the right to acquire under options that have not vested yet.

(10) Mr. Parliament's ownership of Class A Common Stock consists of 4,316,522 shares owned outright, 35,524,299 shares owned by The Parliament Corporation, a company owned by Mr. Parliament, and 27,350,427 shares of Class A Common Stock which it has the present right to acquire under notes which are convertible into common stock at its election. The notes have an aggregate principal amount of \$500,000, and are convertible at various prices based on the market value of the Class A Common Stock on the date of issuance.

(11) Ms. Tutt's ownership of Class A Common Stock consists of 10,298,428 shares owned outright and 1,000,000 and 5,000,000 shares issuable pursuant to options that are immediately exercisable, have an exercise price of \$0.20 and \$0.041 per share and expire October 19, 2020 and December 30, 2021, respectively. Ms. Tutt's ownership does not include 5,000,000 shares which he has the right to acquire under options that have not vested yet.

(12) All shares of Class B Common Stock are owned outright, and there are no options or warrants to issue Class B Common Stock.

(13) 5709 Manatee Avenue West, Bradenton, Florida 34209.

### Equity Compensation Plan Information

The following table provides information as of December 31, 2012 about our outstanding compensation plans under which shares of stock have been authorized:

| Plan Category   | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance (c) |
|---|---|---|--|
| Equity compensation plans approved by security holders        |   |   |  |
| 2010 Stock Option Plan  | 16,000,000  | 0.20  | 4,000,000  |
| 2010 Employee, Consultant and Advisor Stock Compensation Plan | 20,000,000  | 0.118   | --   |
| 2011 Stock Option Plan  | 75,000,000  | 0.041   | --   |
| 2011 Employee, Consultant and Advisor Stock Compensation Plan | 40,000,000  | 0.059   | --   |
| Equity compensation plans not approved by security holders    |   |   |  |
| 2012 Stock Option Plan  | 59,000,000  | 0.017   | 16,000,000   |
| 2012 Employee, Consultant and Advisor Stock Compensation Plan | 31,891,112  | 0.017   | 8,108,888  |
| Total   | 241,891,112   | --  | 28,108,888   |

#### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

##### Related Party Transactions

###### *Goldland Transactions*

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 tailing piles on the premises or through shafts or adits located on the premises. We have entered into various amendments to the lease which deferred lease payments and extended the lease term for an equal amount of time. 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.

In October and November 2011, we issued 8,969,107 shares valued at \$502,312 to various officers of Goldland (who are also our officers) to pay accrued compensation owed to them by Goldland. In 2012, we issued 51,095,553 shares valued at \$1,657,978 to various officers of Goldland (who are also our officers) to pay compensation due to them by Goldland for the 2012 fiscal year. The value of the shares will be applied to amounts that we owe Goldland under the above-described lease.

As of December 31, 2012, GoldLand owed us \$1,187,282. As of December 31, 2011, GoldLand owed us \$469,799. The substantial balance owed by GoldLand to us resulted from the issuance of shares of our Class A Common Stock to officers of Goldland in payment of their accrued salary from GoldLand. The receivable will be applied to monthly rental payments that we owe GoldLand in the amount of \$83,333 per month as they come due. The amounts are non-interest bearing, unsecured demand loans.

#### *Sinker Tunnel Royalty*

Under an agreement dated July 14, 2006 entered into by a prior owner of the Sinker Tunnel location, we are obligated to pay Bisell Investments, Inc. (“Bisell”) and New Vision Financial, Ltd. (“New Vision”) a total of 15% of the net smelter return or net refinery return of any ore which originates, terminates or was gained access through the Sinker Tunnel or the grounds of the Sinker Tunnel complex. New Vision is a significant stockholder of us. Pierre Quilliam controls Bisell.

#### *Loans by Officers*

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 December 31, 2012 and December 31, 2011 was \$156,713 and \$65,020, respectively. The loans represent amounts paid by Mr. Quilliam on our behalf for expenses relating to various mill operating costs. In addition, we owe Bisell \$207,325. Mr. Quilliam is President of Bisell.

Thomas C. Ridenour has made loans to us from time to time. The loans are non-interest bearing, unsecured demand loans. The amount outstanding to Mr. Ridenour at December 31, 2012 and December 31, 2011 was \$45,378 and \$0, respectively.

In November 2011, Denise Quilliam loaned us an aggregate amount of \$58,755. The loans were convertible into shares of Class B Common Stock at the market price of our Class A Common Stock on the date the loans were made. In December 2011, Ms. Quilliam converted the loans into 1,481,098 shares of our Class B Common Stock.

#### *Investments in Notes*

From 2007 to 2012, we have issued various notes to investors to raise capital. The notes have a term of two years, bear interest at 7% per annum payable monthly, and are convertible into Class A Common Stock at the market price on the date of issuance of the note. Erna Breikreuz, the mother of Allan Breikreuz, has purchased \$154,000 of convertible notes in the offering. Sherrie Breikreuz, the sister of Allan Breikreuz, has purchased \$13,000 of convertible notes in the offering. Helmut Breikreuz, the father of Allan Breikreuz has purchased \$100,000 of convertible notes in the offering.

Paul Parliament holds \$500,000 of convertible notes, of which \$250,000 were purchased before he became a director and \$250,000 were purchased in December 2012 while he was a director.

## **Review, Approval and Ratification of Related Party Transactions**

The board of directors has responsibility for establishing and maintaining guidelines relating to any related party transactions between us and any of our officers or directors. Under our Code of Ethics, any conflict of interest between a director or officer and us must be referred to the non-interested directors for approval. We intend to adopt written guidelines for the board of directors which will set forth the requirements for review and approval of any related party transactions.

## **Director Independence**

Our common stock is currently quoted on the OTC Bulletin Board, or the OTCBB, and OTCQB. Since neither the OTCBB nor the OTCQB has its own rules for director independence, we use the definition of independence established by the NYSE Amex (formerly the American Stock Exchange). Under applicable NYSE Amex rules, a director will only qualify as an "independent director" if, in the opinion of our Board, that person does not have a relationship which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

We periodically review the independence of each director. Pursuant to this review, our directors and officers, on an annual basis, are required to complete and forward to the Corporate Secretary a detailed questionnaire to determine if there are any transactions or relationships between any of the directors or officers (including immediate family and affiliates) and us. If any transactions or relationships exist, we then consider whether such transactions or relationships are inconsistent with a determination that the director is independent. As this time, we have two independent director, Lewis Georges and Paul Parliament. Our other directors are not independent.

## **Conflicts Relating to Officers and Directors**

To date, we do not believe that there are any conflicts of interest involving our officers or directors, other than as disclosed above. With respect to transactions involving real or apparent conflicts of interest, we have adopted policies and procedures which require that: (i) the fact of the relationship or interest giving rise to the potential conflict be disclosed or known to the directors who authorize or approve the transaction prior to such authorization or approval, (ii) the transaction be approved by a majority of our disinterested outside directors, and (iii) the transaction be fair and reasonable to us at the time it is authorized or approved by our directors.

## **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.**

In the last two fiscal years ended December 31, 2012 and 2011, we have retained W.T. Uniack & Co. CPA's P.C. ("Uniack") as our principal accountants. We understand the need for our principal accountants to maintain objectivity and independence in their audit of our financial statements. To minimize relationships that could appear to impair the objectivity of our principal accountants, our board has restricted the non-audit services that our principal accountants may provide to us primarily to tax services and audit related services. We are only to obtain non-audit services from our principal accountants when the services offered by our principal accountants are more effective or economical than services available from other service providers, and, to the extent possible, only after competitive bidding. The board has adopted policies and procedures for pre-approving work performed by our principal accountants. After careful consideration, the board has determined that payment of the audit fees is in conformance with the independent status of our principal independent accountants.

The following is a summary of the fees billed to the Company by Uniack for professional services rendered for the fiscal years ended December 31, 2012 and 2011:

| <b>Fee Category</b> | <b>Fiscal 2012<br/>Fees</b> | <b>Fiscal 2011<br/>Fees</b> |
|---------------------|-----------------------------|-----------------------------|
| Audit Fees          | \$ 25,000                   | \$ 25,000                   |
| Audit-Related Fees  | --                          | --                          |
| Tax Fees            | --                          | --                          |
| All Other Fees      | --                          | --                          |
| Total Fees          | \$ 25,000                   | \$ 25,000                   |

**Audit Fees** consist of fees billed for professional services rendered for the audit of Silver Falcon Mining, Inc.'s consolidated financial statements and review of the interim consolidated financial statements included in quarterly reports and services that are normally provided by Uniack in connection with statutory and regulatory filings or engagements.

**Audit Related Fees** consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of Silver Falcon Mining, Inc.'s consolidated financial statements and are not reported under "Audit Fees".

**Tax Fees** consist of fees billed for professional services for tax compliance, tax advice and tax planning.

**All Other Fees** consist of fees for products and services other than the services reported above. There were no management consulting services provided in fiscal 2012 or 2011.

#### PART IV

##### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) List the following documents filed as a part of the report:

(1) All financial statements: Audited financial statements of Silver Falcon Mining, Inc. as of December 31, 2011 and 2012, and for the years ended December 31, 2011 and 2012, including a balance sheet, statement of operations, statement of cash flows, and statement of changes in stockholders' deficit

(2) Those financial statement schedules required to be filed by Item 8 of this form, and by paragraph (b) below: none.

(3) Those exhibits required by Item 601 of Regulation S-K (Section 229.601 of this chapter) and by paragraph (b) below. Identify in the list each management contract or compensatory plan or arrangement required to be filed as an exhibit to this form pursuant to Item 15(b) of this report.

| Exhibit<br>Number | Description of Exhibits  |
|-------------------|--|
| 2.1               | Agreement and Plan of Merger by and among Dicut Holdings, Inc., Silver Falcon Mining, Inc. and Dicut KLM, Inc. dated October 12, 2007 (incorporated by reference to the Form 10 Registration Statement filed August 17, 2009)        |
| 3.1               | Certificate of Incorporation of Silver Falcon Mining, Inc., a Delaware corporation, dated October 11, 2007 (incorporated by reference to the Form 10 Registration Statement filed August 17, 2009)                                   |
| 3.2               | Certificate of Amendment of Certificate of Incorporation dated October 15, 2007 (incorporated by reference to the Form 10 Registration Statement filed August 17, 2009)  |
| 3.3               | By-Laws (incorporated by reference to the Form 10 Registration Statement filed August 17, 2009)  |
| 4.1               | Form of Class A Common Stock certificate (incorporated by reference to the Form 10 Registration Statement filed August 17, 2009)   |
| 4.2               | Form of Convertible Promissory Note (incorporated by reference to the Form 10 Registration Statement filed August 17, 2009)  |
| 10.1              | Lease Agreement between GoldLand Holdings Co. and Silver Falcon Mining, Inc., dated October 11, 2007 (incorporated by reference to the Form 10 Registration Statement filed August 17, 2009)   |
| 10.2              | Asset Purchase Agreement dated September 20, 2008 by and between Silver Falcon Mining, Inc. and Mineral Extraction Company (incorporated by reference to the Form 10/A Registration Statement filed November 3, 2009)                |
| 10.3              | Share Purchase Agreement dated January 22, 2009 by and between Deep Rock, Inc., William Martens and Silver Falcon Mining, Inc. (incorporated by reference to the Form 10/A Registration Statement filed November 3, 2009)            |
| 10.4              | Form of Consulting Contract (incorporated by reference to the Form 10/A Registration Statement filed November 3, 2009)   |
| 10.5              | Real Estate Purchase and Sale Agreement dated November 30, 2010 (incorporated by reference to the Form 8-K filed January 27, 2010)   |
| 10.6              | Promissory Note payable to Joyce Livestock Company Limited (incorporated by reference to the Form 8-K filed January 27, 2010)  |
| 10.7              | Deed of Trust by and among Silver Falcon Mining, Inc., as Borrower, Pioneer Title Company, as Trustee, and Joyce Livestock Company Limited Partnership, as Lender (incorporated by reference to the Form 8-K filed January 27, 2010) |
| 10.8              | Amendment to Lease between GoldLand Holdings Co. and Silver Falcon Mining, Inc., dated January 21, 2011 (incorporated by reference to the Form 8-K filed January 26, 2011)   |
| 10.9              | 2010 Employee, Consultant and Advisor Stock Compensation Plan (incorporated by reference to Registration Statement on Form S-8 filed November 16, 2010)  |

- 10.10 Form on Stock Payment Agreement (incorporated by reference to Registration Statement on Form S-8 filed November 16, 2010)
- 10.11 2010 Stock Option Plan (incorporated by reference to Registration Statement on Form S-8 filed November 16, 2010)
- 10.12 Form of Stock Option Agreement (incorporated by reference to Registration Statement on Form S-8 filed November 16, 2010)
- 10.13 Amendment to Amendment to Lease dated March 24, 2011 ((Incorporated by reference to the Form 10-K/A filed November 30, 2011)
- 10.14 Investment Agreement with Centurion Private Equity, LLC dated April 5, 2011 (Incorporated by reference to the Form 8-K filed April 11, 2011)
- 10.15 Registration Rights Agreement with Centurion Private Equity, LLC dated April 5, 2011 (Incorporated by reference to the Form 8-K filed April 11, 2011)
- 10.16 2011 Employee, Consultant and Advisor Stock Compensation Plan (incorporated by reference to Registration Statement on Form S-8 filed August 24, 2011)
- 10.17 Form on Stock Payment Agreement (incorporated by reference to Registration Statement on Form S-8 filed August 24, 2011)
- 10.18 2012 Stock Option Plan (incorporated by reference to Registration Statement on Form S-8 filed July 9, 2012)
- 10.19 2012 Employee, Consultant and Advisor Stock Compensation Plan (incorporated by reference to Registration Statement on Form S-8 filed July 9, 2012)
- 10.20\*\*\* Amendment to Lease between GoldLand Holdings Co. and Silver Falcon Mining, Inc., dated April 12, 2013
- 14 Code of Business Conduct and Ethics (incorporated by reference to the Form 10 Registration Statement filed August 17, 2009)
- 11\*\* Computation of Ratio of Earnings to Combined Fixed Charges and Preference Dividends
- 21\*\*\* Subsidiaries of Registrant
- 23\* Consent of W.T. Uniack & Co. CPA's P.C.
- 31.1\* Amended Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934
- 31.2\* Amended Certification Pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934

- 32.1\* Amended Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2\* Amended 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 information listed in Section 1503 of the Dodd-Frank Act.
- EX-101.INS\* XBRL Instance Document
- EX-101.SCH\* XBRL Taxonomy Extension Schemat.
- EX-101.CAL\* XBRL Taxonomy Extension Calculation Linkbase
- EX101.DEF\* XBRL Taxonomy Extension Definition Linkbase
- EX101.LAB\* XBRL Taxonomy Extension Label Linkbase
- EX.101.PRE\* XBRL Taxonomy Extension Presentation Linkbase
- \* Filed herewith.
- \*\* Included within financial statements.
- \*\*\* Previously Filed on Form 10-K

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this amended report to be signed on its behalf by the undersigned, hereunto duly authorized.

Dated: May 6, 2013

SILVER FALCON MINING, INC.

*/s/ Pierre Quilliam*

Pierre Quilliam, Chief Executive Officer  
(principal executive officer)

Date: May 6, 2013

*/s/ Thomas C. Ridenour*

By: Thomas Ridenour, Chief Financial Officer  
(principal financial and accounting officer)

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this amended report has been signed below by the following persons on behalf of the registrant and on the dates indicated.

Dated: May 6, 2013

*/s/ Pierre Quilliam*

Pierre Quilliam, Chairman and Chief Executive Officer

Dated: May 6, 2013

*/s/ Lewis Georges*

Lewis Georges, Director

Dated: May 6, 2013

*/s/ Denise Quilliam*  
Denise Quilliam, Director

Dated: May 6, 2013

*/s/ Christian Quilliam*  
Christian Quilliam, Chief Operating Officer and  
Director

Dated: May 6, 2013

*/s/ Thomas C. Ridenour*  
Thomas C. Ridenour, Chief Financial Officer and  
Director

Dated: May 6, 2013

*/s/ Allan Breikreuz*  
Allan Breikreuz, Vice President and Director

Dated: May 6, 2013

*/s/ Paul Parliament*  
Paul Parliament, Director

EXHIBIT A

SILVER FALCON MINING, INC.  
(AN EXPLORATION STAGE COMPANY)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 AND THE PERIOD  
FROM OCTOBER 15, 2007 (INCEPTION) TO DECEMBER 31, 2012

WITH AUDIT REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors

Silver Falcon Mining, Inc.  
(An Exploration Stage Company)

We have audited the accompanying balance sheet of Silver Falcon Mining, Inc. (the “Company”) (An Exploration Stage Company) as of December 31, 2012 and 2011 and the related statements of operations, stockholders’ deficit, and cash flows for the years ended December 31, 2012 and 2011, and the period from October 15, 2007 (inception) to December 31, 2012. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2012 and 2011, and the results of its operations and changes in stockholders’ deficit and its cash flows for the years ended December 31, 2012 and 2011, and the period from October 15, 2007 (inception) to December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

As discussed in Note 14 of the notes to the accompanying financial statements, the financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in the footnotes, the Company does not currently have any revenue is dependent on the deferral of salaries and loans from management and a shareholder to pay operating expenses. Those conditions raise substantial doubt about the Company’s ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might result from the outcome of this uncertainty.

*/s/ W.T. Uniack & Co. CPA's P.C.*

W.T. Uniack & Co. CPA's P.C.

Alpharetta, Georgia

April 8, 2013

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SILVER FALCON MINING, INC.  
 (AN EXPLORATION STAGE COMPANY)  
 BALANCE SHEET  
 DECEMBER 31, 2012 and 2011

| <b><u>ASSETS</u></b>  | <b>2012</b>         | <b>2011</b>         |
|---|---------------------|---------------------|
| Cash and cash equivalents   | \$ 3,141            | \$ -                |
| Inventories   | 2,618,655           | 1,772,252           |
| Due from related party (see Note 9)   | 823,244             | 404,779             |
| Total current assets  | <u>3,445,040</u>    | <u>2,177,031</u>    |
| Prepaid expenses (see Note 6)   | 312,183             | 327,183             |
| Mill and mining Properties (see Note 4)   | 2,842,253           | 2,504,422           |
| Mill Equipment, net of accumulated depreciation of<br>\$1,131,849 and \$737,741 (see Note 5)  | 990,233             | 1,202,668           |
| Other assets  | <u>9,900</u>        | <u>31,000</u>       |
| Total Assets  | <u>\$ 7,599,609</u> | <u>\$ 6,242,304</u> |
| <br><b><u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u></b>   |                     |                     |
| Liabilities:  |                     |                     |
| Accounts payable  | \$ 936,456          | \$ 949,504          |
| Accrued interest  | 74,199              | 129,568             |
| Accrued compensation  | -                   | -                   |
| Payroll liabilities   | 187,142             | 66,334              |
| Due to related party  | -                   | -                   |
| Notes payable – current   | 2,906,605           | 1,691,867           |
| Director's loan   | <u>-</u>            | <u>-</u>            |
| Total current liabilities   | 4,104,402           | 2,837,273           |
| Notes payable (see Note 7)  | 407,228             | 2,857,004           |
| Total liabilities   | <u>4,511,630</u>    | <u>5,694,277</u>    |
| Stockholders' equity:   |                     |                     |
| Class A Common Stock, par value \$0.0001<br>10,000,000,000 shares authorized, 815,008,857 and<br>419,863,368 shares issued and outstanding at December<br>31, 2012 and 2011, respectively | 81,501              | 41,986              |
| Class B Common stock, par value \$0.0001, 250,000,000<br>shares authorized, 15,865,419 and 5,365,419 shares<br>issued and outstanding at December 31, 2012 and 2011                       | 1,587               | 537                 |
| Additional paid in capital  | 45,781,931          | 30,327,054          |
| Accumulated deficit   | <u>(42,777,040)</u> | <u>(29,821,550)</u> |
| Total stockholders' deficit   | <u>3,087,979</u>    | <u>548,027</u>      |
| Total Liabilities and Stockholders' Deficit   | <u>\$ 7,599,609</u> | <u>\$ 6,242,304</u> |

See accompanying notes to financial statements

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SILVER FALCON MINING, INC.  
 (AN EXPLORATION STAGE COMPANY)  
 STATEMENTS OF OPERATIONS  
 FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011, AND THE  
 PERIOD FROM OCTOBER 15, 2007 (INCEPTION) TO DECEMBER 31, 2012

|   | 2012                   | 2011                   | Cumulative from<br>Inception |
|---|------------------------|------------------------|------------------------------|
| Revenue   | \$ 162,141             | \$ 174,002             | \$ 339,103                   |
| Expenses  |                        |                        |                              |
| Consulting fees   | \$ 3,042,689           | \$ 4,163,376           | \$ 16,476,568                |
| Exploration and development   | 28,248                 | 1,362,022              | 2,487,742                    |
| Mill operating expenses   | 665,572                | 512,453                | 2,014,534                    |
| Property lease fees   | 1,000,000              | -                      | 1,250,000                    |
| Compensation expense  | 414,005                | 729,288                | 2,777,182                    |
| Stock compensation expense  | 4,122,143              | 4,107,200              | 9,392,885                    |
| Depreciation expense  | 394,108                | 345,441                | 1,131,849                    |
| General and administrative  | 929,054                | 977,008                | 4,413,233                    |
|   | <u>10,595,819</u>      | <u>12,196,788</u>      | <u>39,943,993</u>            |
| Loss from operations  | <u>(10,433,678)</u>    | <u>(12,022,786)</u>    | <u>(39,604,890)</u>          |
| Debt conversion expense   | (2,088,999)            | -                      | (2,088,999)                  |
| Interest expense  | (432,813)              | (248,085)              | (1,083,151)                  |
| Net Loss  | <u>\$ (12,955,490)</u> | <u>\$ (12,270,871)</u> | <u>\$ (42,777,040)</u>       |
| Net loss per common share - basic and diluted                               | <u>\$ (0.02)</u>       | <u>\$ (0.04)</u>       | <u>(0.16)</u>                |
| Weighted average number of common shares<br>outstanding – basic and diluted | <u>662,554,744</u>     | <u>332,290,119</u>     | <u>274,984,486</u>           |

See accompanying notes to financial statements.

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SILVER FALCON MINING, INC.  
 (AN EXPLORATION STAGE COMPANY)  
 STATEMENTS OF STOCKHOLDERS' DEFICIT  
 FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

| COMMON STOCK<br>SERIES A<br>SHARES | COMMON STOCK<br>SERIES B<br>AMOUNT | COMMON STOCK<br>SERIES B<br>SHARES | COMMON STOCK<br>SERIES B<br>AMOUNT | ADDITIONAL<br>PAID IN<br>CAPITAL | ACCUMULATED<br>DEFICIT | TOTAL |
|------------------------------------|------------------------------------|------------------------------------|------------------------------------|----------------------------------|------------------------|-------|
|------------------------------------|------------------------------------|------------------------------------|------------------------------------|----------------------------------|------------------------|-------|

|  |             |           |           |        |               |                 |              |
|--|-------------|-----------|-----------|--------|---------------|-----------------|--------------|
| Balance as of<br>December<br>31, 2010                                      | 286,587,004 | \$ 28,658 | 3,884,321 | \$ 389 | \$ 18,164,240 | \$ (17,550,679) | \$ 642,608   |
| Issuance of<br>class A<br>common<br>stock for<br>services                  | 54,245,586  | 5,424     |           |        | 5,637,635     |                 | 5,643,059    |
| Issuance of<br>common<br>stock for<br>equipment                            | 245,045     | 25        |           |        | 24,801        |                 | 24,826       |
| Issuance of<br>common<br>stock for rent                                    | 6,000,000   | 600       |           |        | 339,400       |                 | 340,000      |
| Issuance of<br>common<br>stock for<br>interest                             | 135,000     | 14        |           |        | 12,946        |                 | 12,960       |
| Issuance of class<br>A common<br>stock for notes<br>payable<br>conversions | 5,898,483   | 590       |           |        | 492,010       |                 | 492,600      |
| Issuance of class<br>B common<br>stock for notes<br>payable<br>conversions |             |           | 1,481,098 | 148    | 60,577        |                 | 60,725       |
| Options granted  |             |           |           |        | 1,832,462     |                 | 1,832,462    |
| Issuance of<br>common<br>stock for<br>accrued<br>compensation              | 16,327,005  | 1,633     |           |        | 1,493,288     |                 | 1,494,921    |
| Issuance of<br>common<br>stock for<br>compensation                         | 50,425,245  | 5,042     |           |        | 2,269,695     |                 | 2,274,737    |
| Net loss   |             |           |           |        |               | (12,270,871)    | (12,270,871) |
| Balance as of<br>December<br>31, 2011                                      | 419,863,368 | \$ 41,986 | 5,365,419 | \$ 537 | \$ 30,327,054 | \$ (29,821,550) | \$ 548,027   |
| Issuance of<br>class A<br>common<br>stock for<br>services                  | 103,883,313 | 10,388    |           |        | 2,862,543     |                 | 2,872,931    |
| Issuance of<br>class A<br>common<br>stock for<br>equipment                 | -           | -         |           |        | -             |                 | -            |
| Issuance of<br>class A   |             |           |           |        |               |                 |              |

|  |             |            |            |           |               |                           |
|--|-------------|------------|------------|-----------|---------------|---------------------------|
| common stock for rent  | 3,480,000   | 348        |            | 113,252   |               | 113,600                   |
| Issuance of class A common stock for interest                  | 2,778,567   | 278        |            | 133,057   |               | 133,335                   |
| Issuance of class A common stock for notes payable conversions | 112,805,433 | 11,281     |            | 4,044,549 |               | 4,055,830                 |
| Issuance of class A common stock for related party             | 51,095,553  | 5,110      |            | 1,652,869 |               | 1,657,979                 |
| Issuance of class A common stock for cash                      | 2,000,000   | 200        |            | 65,467    |               | 65,667                    |
| Beneficial conversion  |             |            |            | 2,473,957 |               | 2,473,957                 |
| Options granted  |             |            |            | 849,371   |               | 849,371                   |
| Issuance of class A common stock for compensation              | 119,102,623 | 11,910     |            | 3,004,662 |               | 3,016,572                 |
| Issuance of class B common stock for compensation              |             | 10,500,000 | 1,050      | 255,150   |               | 256,200                   |
| Net loss   |             |            |            |           | (12,955,490)  | (12,955,490)              |
| Balance as of December 31, 2012                                | 815,008,857 | \$ 81,501  | 15,865,419 | \$ 1,587  | \$ 45,781,931 | \$ (42,777,040) 3,087,979 |

See accompanying notes to financial statements.

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SILVER FALCON MINING, INC.  
(AN EXPLORATION STAGE COMPANY)  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011, AND THE  
PERIOD FROM OCTOBER 15, 2007 (INCEPTION) TO DECEMBER 31, 2012

|                                      | 2012            | 2011            | Cumulative from<br>Inception |
|--------------------------------------|-----------------|-----------------|------------------------------|
| Cash flows from operating activities |                 |                 |                              |
| Net Loss                             | \$ (12,955,490) | \$ (12,270,871) | \$ (42,777,040)              |

## Adjustments to reconcile net loss to net cash used in operating activities:

|  |                    |                    |                    |
|--|--------------------|--------------------|--------------------|
| Issuance of common stock for services                    | 2,872,931          | 5,643,059          | 20,631,818         |
| Issuance of common stock for compensation                | 3,272,772          | 2,274,737          | 5,547,509          |
| Issuance of common stock for road access                 | -                  | -                  | 13,050             |
| Issuance of common stock for interest                    | 133,335            | 12,960             | 196,295            |
| Issuance of common stock for rent                        | 113,600            | 340,000            | 1,315,730          |
| Issuance of common stock for related party               | 1,657,979          | -                  | 1,657,979          |
| Debt conversion expense                                  | 2,088,999          | -                  | 2,088,999          |
| Options granted  | 849,371            | 1,832,462          | 3,845,375          |
| Depreciation   | 394,108            | 345,442            | 1,131,849          |
| Amortization   | 208,923            | -                  | 208,923            |
| Increase (decrease) in operating assets and liabilities: |                    |                    |                    |
| Inventories  | (846,403)          | (1,419,341)        | (2,618,655)        |
| Prepaid expenses   | 15,000             | 387,842            | (312,183)          |
| Due from related party                                   | (418,465)          | (410,779)          | (823,244)          |
| Other assets   | 21,100             | (25,000)           | (4,900)            |
| Accounts payable and accrued expenses                    | (13,048)           | 639,207            | 1,246,761          |
| Accrued interest   | (14,172)           | 112,518            | 130,577            |
| Accrued payroll and payroll liabilities                  | 120,808            | 803,445            | 1,682,063          |
| Net cash used in operating activities                    | <u>(2,498,652)</u> | <u>(1,734,319)</u> | <u>(6,839,094)</u> |

## Cash flows from investing activities

|   |                  |                    |                    |
|---|------------------|--------------------|--------------------|
| Purchase of equipment   | (181,673)        | (277,900)          | (2,097,256)        |
| Purchase of or capitalized improvements to mill and mining properties | (337,831)        | (732,032)          | (2,088,165)        |
| Cash acquired in acquisition  | -                | -                  | 39,780             |
| Net cash used in investing activities                                 | <u>(519,504)</u> | <u>(1,009,932)</u> | <u>(4,145,641)</u> |

## Cash flows from financing activities

|   |                  |                  |                   |
|---|------------------|------------------|-------------------|
| Proceeds from notes payable               | 3,129,888        | 2,683,044        | 11,133,967        |
| 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 | <u>3,021,297</u> | <u>2,682,721</u> | <u>10,987,876</u> |
| Net increase in cash                      | 3,141            | (61,530)         | 3,141             |
| Cash - beginning of year                  | -                | 61,530           | -                 |
| Cash - end of year                        | <u>\$ 3,141</u>  | <u>\$ -</u>      | <u>\$ 3,141</u>   |

See accompanying notes to financial statements

SILVER FALCON MINING, INC.  
 (AN EXPLORATION STAGE COMPANY)  
 STATEMENT OF CASH FLOWS  
 FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011, AND THE  
 PERIOD FROM OCTOBER 15, 2007 (INCEPTION) TO DECEMBER 31, 2012  
 (continued)

SUPPLEMENTARY DISCLOSURE OF NONCASH  
 TRANSACTIONS

|  |           |           |           |
|--|-----------|-----------|-----------|
| Shares issued for notes payable conversion   | 4,055,830 | 553,325   | 7,476,720 |
| Shares issued for interest                   | 133,335   | 12,960    | 196,295   |
| Shares issued for accrued compensation       | -         | 1,494,921 | 1,494,921 |
| Shares issued for rent                       | 113,600   | 340,000   | 453,600   |
| Shares issued for compensation               | 3,272,772 | 2,274,737 | 5,547,509 |
| Shares issued for acquisition                | -         | -         | 355,085   |
| Shares issued for purchase mining properties | -         | -         | 754,089   |

See accompanying notes to financial statements

SILVER FALCON MINING, INC.  
(AN EXPLORATION STAGE COMPANY)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 and 2011

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 tailing piles on the premises or through shafts or adits located on the premises. 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. On 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. We remain obligated to pay any royalties or the nonaccountable fee that accrues during the deferral period.

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.

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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 milling site for further processing. Until we begin receiving regular revenues from our milling and smelting operations, all milling and smelting costs 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 December 31, 2011.

### ***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.

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### ***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 – LEASE OF MINING PROPERTIES

On October 11, 2007, GoldLand leased its mineral rights on War Eagle Mountain to us. The mineral rights consist of 174.82 acres of land on War Eagle Mountain in Idaho, consisting of a 100% interest in 103 acres, and a 29.166% interest in 71.82 acres, plus an additional 44 lease claims obtained from the U.S. Bureau of Land Management. 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 we and GoldLand agreed to extend the commencement date to July 1, 2010, and agreed to extend the lease term for an equal amount of time. 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. We remain obligated to pay any royalties or the nonaccountable fee that accrues during the deferral period.

#### NOTE 4 – PURCHASE OF MINING PROPERTY

On December 3, 2009, we acquired twenty acres of land in Owhyee County, Idaho. The purchase price for the land was \$250,000, of which \$25,000 was paid at closing and the remaining \$225,000 was paid by the execution of a promissory note payable to the seller in the amount of \$225,000. The promissory note is payable without interest in ten annual installments of \$22,500 each. The first installment was due and paid on January 1, 2010.

The second installment was due and paid on January 1, 2011. A late charge of five percent is due on any annual installment which is not paid by its due date. The note is secured by a deed of trust lien on the property that was purchased. In addition to the property, the purchase included a fifty foot wide access easement over the seller's property, over which we are responsible for constructing and maintaining a roadway to access the property. We have constructed a mill on the site to process ore derived from our mining properties nearby, and are in the process of constructing a metallurgical lab on the property.

#### NOTE 5 – ACQUISITION OF DEEP ROCK, INC.

On January 23, 2009 we issued 7,719,235 shares of Class A Common Stock valued at \$355,085 to purchase 100% of the outstanding common stock of Deep Rock, Inc., an Idaho Corporation.

#### NOTE 6 – MILL EQUIPMENT

During 2012 and 2011 we purchased and installed equipment to be used on our mining properties totaling \$181,673 and \$277,900, respectively. The following table summarizes our equipment as of December 31, 2012.

|                          |                   |
|--------------------------|-------------------|
| Mill equipment           | \$ 2,122,082      |
| Accumulated depreciation | (1,131,849)       |
|                          | <u>\$ 990,233</u> |

#### NOTE 7 – PREPAID EXPENSES

On October 1, 2011, we entered into a Commercial Lease Agreement, under which we leased office space in New York, New York through September 30, 2015. 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 representing advance lease payments totaling \$444,000. The total rent for the life of the lease is \$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. We assumed the lease in March 2010. Under the lease, we issued the lessor 480,000 shares of our common stock valued at \$9,600 at the time we assumed the lease as payment of rent for the entire lease term.

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

#### NOTE 8 – NOTES PAYABLE

In 2011 and 2012, we issued two-year promissory notes with an aggregate principal amount of \$2,658,044 and \$1,772,978, respectively, to various investors. 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 \$0.19 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 January 4, 2013 to December 31, 2014.

In 2011, we issued a \$25,000 convertible note to an investor. The note has a term of two years, and accrues interest at 7% per annum payable monthly. Principal and interest due on the notes is convertible, at the election of the holder, either into 17 oz. of gold bars that are 99.999% pure. The note matures on December 12, 2013. The note was converted into 17oz. of gold in February 2012.

In 2012, we issued multiple convertible notes with an aggregate principal amount of \$106,910. The notes have a term of two years, and accrues interest at 7% per annum payable monthly. Principal and interest due on the notes is convertible, at the election of the holder, either into an aggregate of 68 oz. of gold bars that are 99.999% pure. The notes have converted.

#### *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 December 31, 2012 was \$157,485.

#### *Iliad Research & Trading, LP Convertible Note*

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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 MJM 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 note 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.” In October 2012, we obtained approval of a registration statement covering the shares issuable upon exercise of the warrant, and therefore the warrant may not be exercised 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 MJM 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 MJM.

On July 12, 2012, we issued a convertible promissory note in the original principal amount of \$525,000 to MJM 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 form of the warrant is the same as the warrant that was issued in connection with the June 4, 2012 loan from JMJ Financial.

The maturities of notes payable are as follows:

|                         |                          |
|-------------------------|--------------------------|
| 2013                    | \$ 1,247,688             |
| 2014                    | 2,066,145                |
| Total                   | <u>\$ 3,313,833</u>      |
| Less current maturities | <u>(2,906,605)</u>       |
| Long term debt          | <u><u>\$ 407,228</u></u> |

During 2011, we issued 5,898,483 shares of our Class A common stock upon conversion of notes payable with an aggregate principal amount of \$492,600.

During 2011, we issued 1,481,098 shares of our Class B common stock upon conversion of notes payable with an aggregate principal amount of \$60,725.

During 2012, we issued 112,805,433 shares of our Class A common stock upon conversion of notes payable with an aggregate principal amount of \$4,014,633.

On December 31, 2011 and 2012, the outstanding principal balance on the two-year promissory notes was \$4,368,856 and \$2,299,160, respectively.

At December 31, 2012, an aggregate of 80,742,806 shares of Class A Common Stock were issuable upon conversion of the notes.

#### NOTE 9 - INCOME TAXES

The effective tax rate varies from the maximum federal statutory rate as a result of the following items for the twelve months ended December 31, 2011 and 2012:

|  | <u>December 31,<br/>2011</u> | <u>December 31,<br/>2012</u> |
|--|------------------------------|------------------------------|
| Tax benefit computed at the maximum federal statutory rate | (35.0)%                      | (35.0)%                      |
| State tax rate, net of federal tax benefit                 | (3.9)                        | (3.9)                        |
| Increase in valuation allowance                            | <u>38.9</u>                  | <u>38.9</u>                  |
| Effective income tax rate                                  | <u>0.0%</u>                  | <u>0.0%</u>                  |

Deferred income tax assets and the related valuation allowances result principally from the potential tax benefits of net operating loss carryforwards.

We have recorded a valuation allowance to reflect the uncertainty of the ultimate utilization of the deferred tax assets as follows:

|                          | <u>December 31,<br/>2011</u> | <u>December 31,<br/>2012</u> |
|--------------------------|------------------------------|------------------------------|
| Deferred tax assets      | \$ 11,600,582                | \$ 16,640,269                |
| Less valuation allowance | <u>(11,600,582)</u>          | <u>(16,640,269)</u>          |
| Net deferred tax assets  | <u>\$ —</u>                  | <u>\$ —</u>                  |

For financial statement purposes, no tax benefit has been reported as we have had significant losses in recent years and realization of the tax benefits is uncertain. Accordingly, a valuation allowance has been established in the full amount of the deferred tax asset.

At December 31, 2012, we had net operating loss carryforwards of approximately \$42,777,040 which will be available to offset future taxable income. These net operating loss carryforwards expire at various times through 2032. The utilization of the net operating loss carryforwards is dependent upon our ability to generate sufficient taxable income during the carryforward period.

#### NOTE 10 - RELATED PARTY TRANSACTIONS

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 tailing piles on the premises or through shafts or adits located on the premises. We agreed with GoldLand to extend the date lease payments must commence to July 1, 2010, and extended the lease term by an equal amount of time.

On 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. We remain obligated to pay any royalties or the nonaccountable fee that accrues during the deferral period. All of the officers and directors of GoldLand are also officers and directors of us.

As of December 31, 2011, GoldLand owed us \$469,799 and as of December 31, 2012, GoldLand owed us \$1,187,282. The amounts are non-interest bearing, unsecured demand loans.

Pierre Quilliam, Christian Quilliam and Allan Breitreuz are all officers and directors of GoldLand and us. Thomas C. Ridenour, who is an officer of us, is also an officer of GoldLand.

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 December 31, 2012 and December 31, 2011 was \$156,713 and \$65,020, respectively. The loans represent amounts paid by Mr. Quilliam on our behalf for expenses relating to various mill operating costs. In addition, we owe Bisell Investments of Florida, Inc. \$207,325. Mr. Quilliam is President of Bisell Investments of Florida, Inc.

Thomas C. Ridenour has made loans to us from time to time. The loans are non-interest bearing, unsecured demand loans. The amount outstanding to Mr. Ridenour at December 31, 2012 and December 31, 2011 was \$45,378 and \$0, respectively.

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During 2011 we issued 288,401 of Class A Common Stock to Pascale Tutt for mineral claims administration and property due diligence valued at \$26,500. During 2010 we issued 301,174 of Class A Common Stock to Pascale Tutt for Shareholder relations and property due diligence valued at \$34,862. Ms. Tutt is the daughter of Mr. and Ms. Quilliam.

In November 2011, Denise Quilliam loaned us an aggregate amount of \$58,755. The loans were convertible into shares of Class B Common Stock at the market price of our Class A Common Stock on the date the loans were made. In December 2011, Ms. Quilliam converted the loans into 1,481,098 shares of our Class B Common Stock.

In October and November 2011, we issued 8,969,107 shares valued at \$502,312 to various officers of Goldland (who are also our officers) to pay accrued compensation owed to them by Goldland. The value of the shares will be applied to amounts that we owe Goldland under the above-described lease.

From 2007 to 2012, we have issued various notes to investors to raise capital. The notes have a term of two years, bear interest at 7% per annum payable monthly, and are convertible into Class A Common Stock at the market price on the date of issuance of the note. Erna Breikreuz, the mother of Allan Breikreuz, has purchased \$154,000 of convertible notes in the offering. Sherrie Breikreuz, the sister of Allan Breikreuz, has purchased \$13,000 of convertible notes in the offering. Helmut Breikreuz, the father of Allan Breikreuz, has purchased \$100,000 of convertible notes in the offering.

#### NOTE 11 - COMMITMENTS AND CONTINGENCIES

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 tailing piles on the premises or through shafts or adits located on the premises. The lease provides that lease payments must commence April 1, 2008. By agreement with GoldLand, we extended the commencement date to July 1, 2010, in which event the lease term was extended by an equal amount of time. 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. We remained obligated to pay any royalties or the nonaccountable fee that accrues during the deferral period.

On June 4, 2012, we issued a convertible promissory note to JMJ Financial in the original principal amount of \$315,000 (the "June Note"). On July 12, 2012, we issued a convertible promissory note to JMJ Financial in the original principal amount of \$525,000 (the "July Note" and with the June Note, the "Notes"). The Notes are convertible into Class A Common Stock at a conversion price equal to 80% of the three lowest daily average trading prices of the Common Stock during the 15 trading days preceding the conversion. On November 30, 2012, JMJ submitted a conversion request for \$54,079.20 of indebtedness under the June Note, which by JMJ's calculations would have required us to issue JMJ 3,000,000 shares of Class A Common Stock. On December 12, 2012, JMJ submitted another conversion request for \$52,360 of indebtedness under the June Note, which by JMJ's calculations would have required us to issue JMJ 3,500,000 shares of Class A Common Stock. We did not honor either conversion request because of our belief that JMJ was impermissibly shorting our Class A Common Stock, and was improperly manipulating the market price of our Class A Common Stock. On December 17, 2012, JMJ issued us a notice of default. On December 18, 2012, JMJ sent us a Notice of Acceleration for immediate payment of all amounts due under both Notes. On December 21, 2012, JMJ filed a lawsuit against us and Pierre Quilliam, our chief executive officer. The lawsuit seeks a judgment against us for all amounts due under both Notes. The lawsuit also seeks a judgment against Mr. Quilliam for amounts due under both Notes on the theory of fraudulent inducement and/or fraudulent misrepresentation. We are defending the lawsuit vigorously.

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## NOTE 12 - 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 December 31, 2012, there were 815,008,857 and 15,865,419 shares of Class A Common Stock and Class B Common Stock issued and outstanding, respectively. As of December 31, 2011, there were 419,863,368 and 5,365,419 shares of Class A Common Stock and Class B Common Stock issued and outstanding, respectively.

*2011 Transactions:* During the year ended December 31, 2011, we issued shares of Common Stock in the following transactions:

- ... 5,898,483 shares of Class A Common Stock were issued upon conversion of notes payable with an aggregate principal amount of \$492,600.
- ... 1,481,098 shares of Class B Common Stock were issued upon conversion of notes payable with an aggregate principal amount of \$60,725.
- ... 54,245,586 shares of Class A Common Stock to various vendors for consulting services valued at \$5,643,059.
- ... 245,045 shares of Class A Common Stock valued at \$24,826 were issued to a vendor for the purchase of equipment.
- ... 6,000,000 shares of Class A Common Stock valued at \$340,000 were issued in payment of general and administrative expenses, of which \$340,000 was recorded as prepaid expense.
- ... 50,425,245 shares of Class A Common Stock valued at \$2,274,737 were issued in payment of compensation.
- ... 8,969,857 shares of Class A Common Stock valued at \$502,312 were issued in payment of various accrued compensation on behalf of GoldLand.
- ... 7,357,148 shares of Class A Common Stock valued at \$992,609 were issued in payment of various accrued compensation.
- ... 135,000 shares of Class A Common Stock valued at \$12,960 were issued in payment of interest.

*2012 Transactions:* During the year ended December 31, 2012, we issued shares of Common Stock in the following transactions:

- ... 103,883,313 shares of Class A Common Stock were issued to various vendors for consulting services valued at \$2,872,931.
- ... 2,778,567 shares of Class A Common Stock were issued for interest valued at \$133,335.
- ... 112,805,433 shares of Class A Common Stock were issued upon conversion of notes payable with an aggregate principal amount of \$4,014,633.
- ... 3,480,000 shares of Class A Common Stock were issued for rent valued at \$113,600.
- ... 2,000,000 shares of Class A Common Stock were issued for cash totaling \$65,667.
- ... 119,102,623 shares of Class A Common Stock valued at \$3,016,572 were issued in payment of compensation.
- ... 10,500,000 shares of Class B Common Stock valued at \$256,200 were issued in payment of compensation.
- ... 51,095,553 shares of Class A Common Stock valued at \$1,657,979 were issued in payment of compensation for GoldLand Officers.

#### NOTE 13 - STOCK OPTIONS AND WARRANTS

Transactions involving stock options or warrants issued to employees, consultants, officers and directors of the Company in 2011 and 2012 are summarized as follows:

|                                     | <u>Number of Shares</u> | <u>Weighted Average<br/>Price Per Share</u> |
|-------------------------------------|-------------------------|---|
| Outstanding as of December 31, 2010 | 20,000,000              | \$0.20                                      |
| Granted                             | 75,000,000              | \$0.041                                     |
| Exercised                           | -                       | -   |
| Cancelled or expired                | (4,000,000)             | -   |
| Outstanding as of December 31, 2011 | 91,000,000              | \$0.034                                     |
| Granted                             | 59,000,000              | \$0.017                                     |
| Exercised                           | -                       | -   |
| Cancelled or expired                | -                       | -   |
| Outstanding as of December 31, 2011 | 150,000,000             | \$0.027                                     |

All options and warrants under the 2011 stock option plan were issued on December 30, 2011, expire on December 30, 2021, have an exercise price of \$0.041, and vest one year after the date of issuance. The weighted-average fair value of stock options or warrants granted to employees and consultants during the year ended December 31, 2011, and the weighted-average significant assumptions used to determine those fair values, using a Black-Scholes option pricing model are as follows:

|   |         |
|---|---------|
| Significant assumptions (weighted-average): | \$0.041 |
| Risk-free interest rate at grant date       | 0.60%   |
| Expected stock price volatility             | 65%     |
| Expected dividend payout                    | 0%      |
| Expected option life (in years)             | 3 years |

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All options and warrants under the 2012 stock option plan were issued on December 10, 2012, expire on December 10, 2022, have an exercise price of \$0.017, and vest one year after the date of issuance. The weighted-average fair value of stock options or warrants granted to employees and consultants during the year ended December 31, 2012, and the weighted-average significant assumptions used to determine those fair values, using a Black-Scholes option pricing model are as follows:

|   |         |
|---|---------|
| Significant assumptions (weighted-average): | \$0.017 |
| Risk-free interest rate at grant date       | 0.15%   |
| Expected stock price volatility             | 91.6%   |
| Expected dividend payout                    | 0%      |
| Expected option life (in years)             | 5 years |

Total stock-based compensation expense recognized by us for the year ended December 31, 2011 and 2012 was \$1,832,462 and \$849,371, respectively.

## NOTE 14 – 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 have incurred net losses of (\$12,270,871) and (\$12,955,490) for the years ended December 31, 2011 and 2012, respectively. We have remained in business primarily through the deferral of salaries by management, loans from our chief executive officer, and loans from a significant shareholder. 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 15 – SUBSEQUENT EVENTS (UNAUDITED)

Since January 1, 2013, we issued two-year promissory notes with an aggregate principal amount of \$230,045 to various investors. 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 \$0.01 to \$0.025 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 January 3, 2015 to February 22, 2015.

Since January 1, 2013, we issued shares of Common Stock in the following transactions:

- ... 7,964,258 shares of Class A Common Stock were issued upon conversion of notes payable with an aggregate principal amount of \$140,692.
- ... 320,731 shares of Class A Common Stock valued at \$7,698 were issued in payment of interest.
- ... 7,060,950 shares of Class A Common Stock to various vendors for consulting services valued at \$176,592.

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- ... 43,309,499 shares of Class A Common Stock valued at \$1,100,061 were issued in payment of compensation for 2013.
- ... 12,000,000 shares of Class A Common Stock valued at \$294,000 to various officers of Goldland (who are also our officers) to pay compensation due to them by Goldland for the 2013 fiscal year. The value of the shares will be applied to amounts that we owe Goldland under the above-described lease.