

S-1 1 sfmi08152012s1.htm REGISTRATION STATEMENT

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

**FORM S-1
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

SILVER FALCON MINING, INC.

(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	1040 (Primary Standard Industrial Classification Code Number)	26-1266967 (I.R.S. Employer Identification Number)
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2520 Manatee Avenue West, #200
Bradenton, Florida 34205
(Address of principal executive offices)

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

Pierre Quilliam
2520 Manatee Avenue West, #200
Bradenton, Florida 34205
(Name and address of agent for service of process)

Telephone number of agent for service of process: (941) 761-7819

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Approximate date of commencement of proposed sale to the public: **As soon as practicable after the effective date of this Registration Statement.**

If any of the securities being registered on the Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer

Accelerated filer

Non-accelerated filer Smaller reporting company **CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to be Registered	Amount to be Registered (1)	Proposed Maximum Offering Price Per Share (2)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Class A Common Stock	136,666,667	\$0.03	\$2,733,333	\$313.24

- (1) Includes: (i) 120,000,000 shares of Class A Common Stock that are potentially issuable upon conversion of convertible promissory notes in the original principal amount of \$315,000 and \$525,000, and warrants to purchase 10,000,000 and 16,666,667 shares, held by JMJ Financial, and (ii) 16,666,667 shares issuable upon exercise of a warrant held by Iliad Research and Trading, LP.
- (2) The offering price has been estimated solely for the purpose of computing the amount of the registration fee in accordance with Rule 457(c) of the Securities Act on the basis of the closing bid price of common stock of the registrant as reported by OTC Bulletin Board on August 13, 2012.
- (3) This Registration statement also relates to an indeterminate number of shares that may be issued upon stock splits, stock dividends or similar transactions in accordance with Rule 416 under the Securities Act.

This Registration statement also relates to an indeterminate number of shares that may be issued upon stock splits, stock dividends or similar transactions in accordance with Rule 416 under the Securities Act.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SECTION 8(a), MAY DETERMINE.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. The prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**PROSPECTUS
SILVER FALCON MINING, INC.
136,666,667 SHARES OF COMMON STOCK
PUBLIC OFFERING**

SUBJECT TO COMPLETION, Dated August 15, 2012

This prospectus covers the offer and sale of up to 136,666,667 shares of our common stock from time to time by the selling stockholders named in this prospectus. The shares of common stock being offered are (i) issuable upon the exercise of warrants, or (ii) issuable upon conversion of convertible notes.

We are not offering any shares of common stock.

The selling stockholders will receive all of the net proceeds from sales of the common stock covered by this prospectus and will pay all underwriting discounts and selling commissions, if any, applicable to those sales. We will not receive any proceeds from sales of any of these shares. We will receive the exercise price of the warrants to the extent they are not exercised on a net or cashless exercise basis.

The selling stockholders may periodically sell the shares directly or through agents, underwriters or dealers. The shares may be sold:

- in the over-the-counter market, in privately negotiated transactions or otherwise;
- directly to purchasers or through agents, brokers, dealers or underwriters; and
- at market prices prevailing at the time of sale, at prices related to the prevailing market prices, or at negotiated prices.

If required, each time a selling stockholder sells shares of common stock, we will provide a prospectus supplement that will contain specific information about the terms of that transaction. We urge you to carefully read this prospectus and any accompanying prospectus supplement before you make an investment decision.

Our shares of common stock are traded on the OTC Bulletin Board and the OTCQB under the symbol "SFMI." On August 13, 2012, the closing sale price of our common stock was \$0.03 per share.

Investing in our securities involves a high degree of risk. You should purchase these securities only if you can afford a complete loss of your investment. See "Risk Factors" beginning on page 4 of this prospectus.

Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The Date of This Prospectus Is: _____, 2012

Table of Contents

<u>About this Prospectus</u>	3
<u>Prospectus Summary</u>	3
<u>The Offering</u>	4
<u>Summary Financial Information</u>	4
<u>Special Note Regarding Forward-Looking Statements</u>	4
<u>Risk Factors</u>	4
<u>Use of Proceeds</u>	11
<u>Description of The Transactions</u>	11
<u>Selling Shareholders</u>	12
<u>Plan of Distribution</u>	14
<u>Description of Securities</u>	15
<u>Interests of Named Experts and Counsel</u>	17
<u>Description of Business</u>	18
<u>Description of Property</u>	28
<u>Legal Proceedings</u>	29
<u>Market of Common Equity and Related Stockholder Matters</u>	29
<u>Financial Statements</u>	31
<u>Management Discussion and Analysis of Financial Conditions and Results of Operations</u>	63
<u>Changes and Disagreements with Accountants</u>	71
<u>Directors and Executive Officers</u>	71
<u>Executive Compensation</u>	74
<u>Security Ownership of Certain Beneficial Owners and Management</u>	78
<u>Disclosure of Commission Position of Indemnification for Securities Act Liabilities</u>	81
<u>Certain Relationships and Related Transactions</u>	81
<u>Available Information</u>	84

About this Prospectus

Unless the context otherwise requires, all references to “Silver Falcon Mining,” “we,” “us,” “our,” “company,” or “Company” in this prospectus refer to Silver Falcon Mining, Inc., a Delaware corporation, and its subsidiaries, and their respective predecessor entities for the applicable periods, considered as a single enterprise.

You should rely only on the information contained in this prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. For further information, please see the section of this prospectus entitled “Where You Can Find More Information.” The selling stockholders are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

You should not assume that the information appearing in this prospectus is accurate as of any date other than the date on the front cover of this prospectus, regardless of the time of delivery of this prospectus or any sale of a security. Our business, financial condition, results of operations and prospects may have changed since those dates.

Prospectus Summary

This summary highlights important features of this offering and the information included in this prospectus. This summary does not contain all of the information that you should consider before investing in our securities. You should read this prospectus carefully as it contains important information you should consider when making your investment decision. See “Risk Factors”.

About Silver Falcon Mining, Inc.

We are a gold and silver mining company started in October 2007. On October 11, 2007, we leased from GoldLand Holdings, Co., a related party, its 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. 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, 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 land. Pierre Quilliam, our chairman and chief executive officer, was also the chairman and chief executive officer of GoldLand at the time the lease was entered into.

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, and filed lode claims for 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 smelter operation at our mill site, which we expect will be completed in mid-2011. 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 will consist of processing tailings left on the mine site from prior mining operations, which estimate are about 500,000 tons. Later, after we complete a confirmation 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 auditors have issued a going concern opinion and have raised substantial doubt about our ability to continue as a going concern. When an auditor issues a going concern opinion, the auditor has substantial doubt that the company will continue to operate indefinitely and not go out of business and liquidate its assets. This is a significant risk to investors who purchase shares of our common stock because there is an increased risk that we may not be able to generate and/or raise enough resources to remain operational for an indefinite period of time.

Principle Executive Offices

Our corporate offices are located at 2520 Manatee Avenue West, Suite#200, Bradenton, Florida 34205. Our phone number is (941) 761-7819.

The Offering

Securities Offered 136,666,667 shares of our Class A Common Stock offered by selling stockholders

Use of Proceeds We will not receive any proceeds from the sale of shares by the selling stockholders. To the extent that the warrants are exercised by the selling stockholder for cash, rather than by cashless exercise, we will receive proceeds constituting the exercise price of such warrants. Any such proceeds received by us through warrant exercises will be used for working capital.

Summary Financial Information

	Fiscal Year Ended December 31, 2009	Fiscal Year Ended December 31, 2010	Fiscal Year Ended December 31, 2011	Six Months Ended June 30, 2012
Balance Sheet Data				
Cash	\$ 602	\$ 61,530	\$ -	\$ 11,282
Total Assets	\$ 1,896,754	\$ 4,153,240	\$ 6,242,304	\$ 8,632,168
Liabilities	\$ 3,228,090	\$ 3,510,632	\$ 5,694,277	\$ 3,162,280
Total Stockholder's Equity (Deficit)	\$ (1,331,336)	\$ 642,608	\$ 548,027	\$ 5,469,888
Statement of Operations				
Revenue	\$ -	\$ 2,960	\$ 174,002	\$ 75,254
Net Income (Loss) for Reporting Period	\$ (3,294,256)	\$ (9,574,016)	\$ (12,270,871)	\$ (6,247,402)

Special Note Regarding Forward-Looking Statements

This prospectus and the documents incorporated by reference contain, in addition to historical information, forward-looking statements. These statements relate to future events or our future financial performance and can be identified by the use of forward-looking terminology such as "may," "could," "expect," "anticipate," "estimate," "continue" or other similar words. These forward-looking statements are based on management's current expectations and are subject to a number of factors and uncertainties which could cause actual results to differ materially from those described in these statements. We caution investors that actual results or business conditions may differ materially from those projected or suggested in forward-looking statements as a result of various factors including, but not limited to, those described in, or incorporated by reference into, the Risk Factors section of this prospectus. We cannot assure you that we have identified all the factors that create uncertainties. Readers should not place undue reliance on forward-looking statements. We undertake no obligation to publicly release the result of any revision of these forward-looking statements to reflect events or circumstances after the date they are made or to reflect the occurrence of unanticipated events.

Risk Factors

An investment in our common stock involves a high degree of risk. You should carefully consider the risks described below and the other information before deciding to invest in our common stock. The risks described below are not the only ones facing us. Additional risks not presently known to us or that we currently consider immaterial may also adversely affect our business. We have attempted to identify below the major factors that could cause differences between actual and planned or expected results, but we cannot assure you that we have identified all of those factors. If any of such risks actually occur, our business, financial condition and operating results could be materially adversely affected. In such case you may lose part or all of your investment.

Risks Related to Our Financial Condition and Business Model

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 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 smelting it ourselves. In late 2011, we began processing our concentrate into dore bars in a temporary smelter on our premises while our permanent lab is being constructed, and began making regular shipments of dore bars to our refiner in the fourth quarter of 2011. 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 for working capital in order to finance the processing of tailings while we construct our metallurgical lab. 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 limited 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 concentrate. 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 is 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 six months ended June 30, 2012, we issued an additional 250,726,125 shares, largely for cash, services, rent and the conversion of notes. At June 30, 2012, we had \$2,409,667 in convertible notes outstanding which were convertible into an additional 71,488,653 shares of common stock.

In 2011, we entered into an equity line of credit with Centurion Private Equity, LLC, under which we are entitled to raise up to \$7.2 million from the sale of our shares to Centurion over a 24 month period. Centurion is obligated to purchase our shares pursuant to put notices that we send from time to time at a purchase price equal to 97% of the market price of our common stock, as defined in the agreement. We filed and obtained approval of a registration statement covering all shares issuable under the equity line of credit. The issuance of shares under the equity line of credit could result in substantial dilution to existing shareholders. Since the approval of the registration statement, we have issued one put for 2 million shares for total proceeds of \$65,667. We have suspended puts under the line of credit temporarily.

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. We need approximately \$10,000,000 to complete our exploration phase, which primarily involves the preparation of a 43-101 report. Costs of completing the exploration work will largely consist of core drilling in the sinker tunnel and on the mountain to build a 3-D picture of War Eagle Mountain, along with engineering work to prepare a Section 43-101 report to locate and validate our proven reserves. Once the exploration phase is complete, 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 43-101 report. 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 four 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.

Pierre, Denise and Christian Quilliam 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 July 29, 2012, Pierre, Denise and Christian Quilliam combined control 4,985,419 shares of Class B Common Stock, which is 93.0% of the outstanding Class B Common Stock, whereas they only control 112,768,454 shares of Class A Common Stock which is 16.7% of the outstanding Class A Common Stock. Because of the voting power of the Class B Common Stock, the Quilliams control 35% of the possible votes on any matter that must be approved by shareholders, which is likely 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. Four of our six directors, Pierre Quilliam, Denise Quilliam, Christian Quilliam and Allan Breikreuz, are the sole directors of GoldLand. In addition, Denise Quilliam, is the spouse of Pierre Quilliam and Christian Quilliam is the son of Pierre Quilliam, and therefore are not disinterested in matters pertaining to GoldLand either.

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 Commitments That Require That We Raise Capital.

As of June 30, 2012, we had current assets of \$3,720,709 current liabilities of \$1,537,524, and working capital of \$2,183,185. We have \$742,650 of accounts payable to third parties, and \$668,181 of note payments due in the next year. In addition, we have an additional \$1,624,756 of notes payable due in more than one year. Despite our positive working capital, most of it is in the form of inventory that we do not plan to liquidate until we complete our metallurgical laboratory and leaching unit, which we need to maximize recoveries from the inventory. We expect that we will need additional capital to complete our metallurgical laboratory and leaching unit, and pay for operating costs until their completion. We expect any capital we raise to be dilutive to shareholders.

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.

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.

We 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.

Risks Related To This Offering

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 our common stock is currently deemed a low-priced “Penny” stock, it may be cumbersome for brokers and dealers to trade in our common stock, making the market for our common stock less liquid and negatively affecting the price of our stock.

We are subject to certain provisions of the Securities Exchange act of 1934, commonly referred to as the “penny stock” as defined in Rule 3a51-1. A penny stock is generally defined to be any equity security that has a market price less than \$5.00 per share, subject to certain exceptions. Currently, trading in our stock is subject to additional sales practice requirements of broker-dealers. These require a broker-dealer to:

..# Deliver to the customer, and obtain a written receipt for, a disclosure document;

- ..# Disclose certain price information about the stock;
- ..# Disclose the amount of compensation received by the broker-dealer or any associated person of the broker-dealer;
- ..# Send monthly statements to customers with market and price information about the penny stock; and
- ..# In some circumstances, approve the purchaser's account under certain standards and deliver written statements to the customer with information specified in the rules.

Consequently, penny stock rules may restrict the ability or willingness of broker-dealers to trade and/or maintain a market in our common stock. Also, prospective investors may not want to get involved with the additional administrative requirements, which may have a material adverse effect on the trading of our shares.

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.

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 4,985,419 shares of Class B Common Stock, which is 93% of the outstanding Class B Common Stock and represents 199,416,760 votes. As a result, at a given annual meeting of shareholders Class B shareholders have 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 given shareholder meeting, it 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.

We are also subject to anti-takeover provisions under Delaware law, which could delay or prevent a change of control. Together 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.

If the selling stockholders sells a large number of shares all at once or in blocks, the market price of our shares would most likely decline.

The selling stockholders are offering up to 136,666,667 shares of our common stock through this prospectus. Shares sold at a price below the current market price at which the common stock is trading will cause that market price to decline. Moreover, the offer or sale of a large number of shares at any price may cause the market price to fall.

If and when we undertake future offerings of our common stock, purchasers in this offering will experience dilution of their ownership percentage.

Generally, existing shareholders will experience dilution of their ownership percentage in the company if and when additional shares of common stock are offered and sold. In the future, we will be required to seek additional equity funding in the form of private or public offerings of our common stock. In the event that we undertake subsequent offerings of common stock, your ownership percentage, voting power as a common shareholder, and earnings per share, if any, will be proportionately diluted. This may, in turn, result in a substantial decrease in the per-share value of your common stock.

Use of Proceeds

We will not receive any proceeds from the sale of the shares by the selling stockholders. To the extent that the warrants are exercised by the selling stockholders for cash, rather than by cashless exercise, we will receive proceeds constituting the exercise price of such warrants. Any such proceeds received by us through warrant exercises will be used for working capital.

Description of the Transactions

This prospectus relates to the resale of shares of our common stock that are issuable to the selling stockholders named in this prospectus upon conversion or exercise of securities described below that we sold to them in two transactions. We issued and sold all of these securities to the selling stockholders without registration under the Securities Act of 1933, as amended, or the Securities Act, in reliance upon the exemption provided by Section 4(2) of the Securities Act for transactions not involving a public offering. Prior to issuance, each selling stockholder represented to us that such selling stockholder was an accredited investor, as defined in Rule 501 of Regulation D under the Securities Act, and that the selling stockholder was acquiring the securities for investment purposes only and not with a view to, or sale in connection with, any distribution thereof.

June 4, 2012 Transactions

On June 4, 2012, we entered into a Securities Purchase Agreement (the “June Purchase Agreement”) with JMJ Financial (“JMJ”). Under the June Purchase Agreement, we issued JMJ a Secured Convertible Promissory Note (the “June Note”) in the original principal amount of \$315,000. The June Note bears a one-time interest charge of 5%. All principle and accrued interest is due and payable under the Note on December 4, 2013. The June Note is convertible into shares of our Class A Common Stock at any time at the option of the holder. The conversion price is equal to 80% of the average of the three lowest daily average trading prices of the 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 may not prepay any part of the June Note without the prior consent of JMJ. The June Note is subject to standard default provisions.

We also issued JMJ 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 “June Warrant”). The June Warrant must be exercised for cash, unless after the earlier of (i) the six (6) month anniversary of the date of the Purchase Agreement and (ii) the completion of the then-applicable holding period required by Rule 144, there is no effective registration statement registering shares issuable upon exercise of the June Warrant, in which event JMJ may exercise the June Warrant on a “cashless basis.”

We also issued to Iliad Research and Trading, LP (“Iliad”) a warrant to purchase 16,666,667 shares of Class a Common Stock at an exercise price of \$0.3 per share until June 4, 2016. The form of warrant issued to Iliad is the same as the form of warrant issued to JMJ.

July 12, 2012 Transactions

On July 12, 2012, we entered into a Securities Purchase Agreement (the “July Purchase Agreement”) with JMJ. Under the July Purchase Agreement, we issued JMJ a Secured Convertible Promissory Note (the “July Note”) in the original principal amount of \$525,000. The July Note bears a one-time interest charge of 5%. All principle and accrued interest is due and payable under the July Note on January 12, 2014. The July 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 average 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 may not prepay any part of the July Note without the prior consent of JMJ. The July Note is subject to standard default provisions.

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

Other Agreements with JMJ

JMJ 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 the July Purchase Agreement. We granted JMJ the right to participate in any future financings in a matching amount of 100% of the proposed future financing for a period of twelve months after the date of the July Purchase Agreement. Furthermore, we agreed that we issue a security with more favorable terms, then the June Note, July Note, June Warrant and July Warrant will automatically be modified to include such more favorable terms. The types of terms contained in another security that may be more favorable to the holder of such security include, but are not limited to, terms addressing conversion discounts, conversion look-back periods, actual conversion price, stock issuance price, private placement stock sale price, interest rates, original issue discounts, and warrant coverage.

In connection with the June Purchase Agreement, we granted JMJ piggyback registration rights, under which we are required to include all shares issuable upon conversion of the June Note in any future registration statement filed by 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 June Purchase Agreement.

In connection with the July Purchase Agreement, we entered into a Registration Rights Agreement with JMJ that provides that we are obligated to file a registration statement on Form S-1 to register for resale by JMJ 120,000,000 shares of Class A Common Stock, which is intended to cover all shares issuable upon conversion of the July Note and upon exercise of the June Warrant, as well as the shares issuable under the June Note and the June Warrant. We are obligated to file the registration statement by August 15, 2012, and if we do not we would be subject to a penalty of \$50,000. We are obligated to obtain approval of the registration statement within 120 days of the date of the Registration Rights Agreement, and if we do not we will be subject to a penalty of \$75,000. We are barred from filing any other registration statement until the registration statement filed under Registration Rights Agreement is declared effective by the SEC, other than a registration statement on Form S-8; however, we are permitted to include 16,666,667 shares of Class A Common Stock issuable to Iliad under the warrant issued to it on June 4, 2012.

Selling Shareholders

This prospectus covers the sale by the selling stockholders from time to time of:

- Up to 120,000,000 shares of Class A Common Stock issuable upon conversion of the June Note or the July Note, or upon exercise of the June Warrant or the July Warrant;
- 16,666,667 shares of Class A Common Stock issuable upon exercise of the Iliad Warrant;

The term “selling stockholder” includes (i) each person and entity that is identified in the table below (as such table may be amended from time to time by means of an amendment to the registration statement of which this prospectus forms a part) and (ii) any transferee, donee, pledgee or other successor of any person or entity named in the table that acquires any of the shares of common stock covered by this prospectus in a transaction exempt from the registration requirements of the Securities Act and that is identified in a supplement or amendment to this prospectus.

We have listed below:

- the name of each selling stockholder;
- the number of shares of common stock beneficially owned by the selling stockholder as of the date of this prospectus;
- the maximum number of shares of common stock being offered by each of them in this offering; and
- the number of shares of common stock to be owned by the selling stockholder after this offering (assuming sale of such maximum number of shares) and the percentage of the class which such number constitutes (if one percent or more).

The footnotes to the table identify each selling stockholder that is a registered broker-dealer or an affiliate of a registered broker-dealer.

Except as otherwise noted below, during the last three years, no selling stockholder has been an officer, director or affiliate of our company, nor has any selling stockholder had any material relationship with our company or affiliates during that period. Each selling stockholder represented at the closing of the private placement that it did not have any contract, undertaking, agreement or arrangement with any person to sell, transfer, pledge, hypothecate, grant any option to purchase or otherwise dispose of any of the securities. Based on information provided to us by the selling stockholders, the selling stockholders purchased the securities in the ordinary course of business.

The shares of common stock being offered hereby are being registered to permit public secondary trading, and the selling stockholders are under no obligation to sell all or any portion of their shares included in this prospectus. The information contained in the following table is derived from information provided to us by selling stockholders, our books and records, as well as from our transfer agent. Where we were unable to obtain information from a selling stockholder with respect to the total number of shares beneficially owned by such holder, we have included only the shares underlying warrants held by such holder.

Unless otherwise indicated, each person has sole investment and voting power with respect to the shares indicated. For purposes of this table, a person or group of persons is deemed to have “beneficial ownership” of any shares as of a given date which such person has the right to acquire within 60 days after such date.

We do not know when or in what amounts a selling stockholder may offer shares for sale. The selling stockholders may not sell any or all of the shares offered by this prospectus. Because the selling stockholders may offer some or all of the shares pursuant to this prospectus, and because there are currently no agreements, arrangements or understandings with respect to any of the shares, we cannot estimate the number of the shares that will be held by the selling stockholders after completion of the offering. However, for purposes of this table, we have assumed that, after completion of the offering, none of the shares covered by this prospectus will be held by the selling stockholders. The numbers in this table assume that none of the selling shareholders sells shares of common stock not being offered in this prospectus or purchases additional shares of common stock, and assumes that all shares offered are sold.

Name of Selling Shareholder	Shares Owned Prior to this Offering (1)	Total Number of Shares to be Offered for Selling Shareholder Account	Total Shares to be Owned Upon Completion of this Offering	Percent Owned Upon Completion of this Offering
JMJ Financial (2) (3)	--	120,000,000	--(5)	--
Iliad Research and Trading, LP (4)	--	16,666,667	--(5)	--

- (1) The percentages are based on 675,844,924 shares of Class A common stock outstanding on July 29, 2012.
- (2) Represents 120,000,000 shares issuable upon conversion of the June Note and the July Note, or upon exercise of the June Warrant or the July Warrant.

- (3) Justin Keener is the sole proprietor of JMJ Financial, in that capacity, has the authority to direct voting and investment decisions regarding the securities owned by JMJ Financial.
- (4) John M. Fife is the president of Fife Trading, Inc., which is the manager of Iliad Management, LLC, which is the general partner of Iliad Research and Trading, LP, and, in that capacity, has the authority to direct voting and investment decisions regarding the securities owned by Iliad Research and Trading, LP.
- (5) Assumes that all offered shares are sold.

Plan of Distribution

Each selling stockholder and any of his, her or its pledgees, assignees and successors-in-interest may, from time to time, sell any or all of his, her or its shares on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. A selling stockholder may use any one or more of the following methods when selling shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- settlement of short sales entered into after the effective date of the registration statement of which this prospectus is a part;
- broker-dealers may agree with the selling stockholders to sell a specified number of shares at a stipulated price per share;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
- a combination of any of these methods of sale; or
- any other method permitted pursuant to applicable law.

The selling stockholders may also sell shares under Rule 144 under the Securities Act of 1933, as amended, or the Securities Act, if available, rather than under this prospectus.

Broker-dealers engaged by the selling stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling stockholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated, but, except as set forth in a supplement to this prospectus, in the case of an agency transaction not in excess of a customary brokerage commission in compliance with FINRA/NASD Rule 2440; and in the case of a principal transaction a markup or markdown in compliance with

FINRA/NASD IM-2440.

In connection with the sale of shares, the selling stockholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the shares in the course of hedging the positions they assume. The selling stockholders may also sell shares short and deliver these shares to close out their short positions, or loan or pledge shares to broker-dealers that in turn may sell these shares. The selling stockholders may also enter into option or other transactions with broker-dealers or other financial institutions or the creation of one or more derivative securities which require the delivery to that broker-dealer or other financial institution of shares offered by this prospectus, which shares that broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect that transaction).

The selling stockholders and any broker-dealers or agents that are involved in selling the shares may be deemed to be “underwriters” within the meaning of the Securities Act in connection with those sales. In that event, any commissions received by those broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. Each selling stockholder has informed us that it does not have any written or oral agreement or understanding, directly or indirectly, with any person to distribute the shares.

We are required to pay certain fees and expenses incurred by us incident to the registration of the shares. We have agreed to indemnify the selling stockholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

Because selling stockholders may be deemed to be “underwriters” within the meaning of the Securities Act, they will be subject to the prospectus delivery requirements of the Securities Act including Rule 172 thereunder. In addition, any securities covered by this prospectus which qualify for sale pursuant to Rule 144 under the Securities Act may be sold under Rule 144 rather than under this prospectus. There is no underwriter or coordinating broker acting in connection with the proposed sale of the resale shares by the selling stockholders.

We agreed to keep this prospectus effective until the earlier of (i) the date on which the shares may be resold by the selling stockholders without registration and without regard to any volume limitations by reason of Rule 144 under the Securities Act or any other rule of similar effect or (ii) all of the shares have been sold pursuant to this prospectus or Rule 144 under the Securities Act or any other rule of similar effect. The shares will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the shares may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Under applicable rules and regulations under the Securities Exchange Act of 1934, as amended, or the Exchange Act, any person engaged in the distribution of the shares may not simultaneously engage in market making activities with respect to the common stock for the applicable restricted period, as defined in Regulation M, prior to the commencement of the distribution. In addition, the selling stockholders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales of the shares by the selling stockholders or any other person. We will make copies of this prospectus available to the selling stockholders and have informed them of the need to deliver a copy of this prospectus to each purchaser at or prior to the time of the sale (including by compliance with Rule 172 under the Securities Act).

Description of Securities

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 12,500,000 shares of Class B Common Stock with a par value of \$0.0001 per share. As of July 29, 2012, there were 675,844,924 and 5,365,419 shares of Class A Common Stock and Class B Common Stock issued and outstanding, respectively.

Common Stock

Each outstanding share of Class A Common Stock is entitled to one vote, either in person or by proxy, 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, either in person or by proxy, on all matters that may be voted upon by the owners thereof at meetings of the stockholders. Holders of our Common Stock:

- ... have equal ratable rights to dividends from funds legally available therefore, if declared by our Board of Directors,
- ... are entitled to share ratably in all our assets available for distribution to holders of common stock upon our liquidation, dissolution or winding up;

- ... do not have preemptive, subscription or conversion rights or redemption or sinking fund provisions;
- ... are entitled to one non-cumulative vote per share on all matters on which stockholders may vote at all meetings of our stockholders other than for directors; and
- ... are entitled to one cumulative vote per share in the election of directors.

All of our outstanding shares of Common Stock are validly issued, fully paid and non-assessable.

Indemnification of Directors and Officers

Under Article Ten of our Certificate of Incorporation, we are required to indemnify and hold harmless, to the fullest extent permitted by Section 145 of the Delaware General Corporation Law, any and all persons whom it has the power to indemnify under Section 145, which generally includes any person who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director or officer of ours or, while a director or officer of ours, is or was serving at our request as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such person. The indemnification provided by our Certificate of Incorporation shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any Bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of such a person.

Article Nine of our Certificate of Incorporation limits the personal liability of our directors to the fullest extent permitted by the provisions of Section 102(b)(7) of the General Corporation Law of the State of Delaware.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to our directors, officers and controlling persons pursuant to the foregoing, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable.

Dividend Policy

We have never declared or paid any cash dividends on our common stock. We currently intend to retain future earnings, if any, to finance the expansion of our business. As a result, we do not anticipate paying any cash dividends in the foreseeable future.

Share Purchase Warrants

We have not issued and do not have outstanding any warrants to purchase shares of our common stock.

Options

We have outstanding 91,000,000 options to purchase shares of our Class A Common Stock. The options have a weighted average exercise price of \$0.074 per share, a ten year term, and are subject to a one year vesting periods.

Convertible Securities

Other than as set forth below, we have not issued and do not have outstanding any securities convertible into shares of our common stock or any rights convertible or exchangeable into shares of our common stock:

In 2010, 2011 and 2012, we issued two-year promissory notes 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. The principal balance of the outstanding two-year notes at June 30, 2012 was \$1,528,167.

We issued convertible notes on June 4, 2012 and July 12, 2012 for \$315,000 and \$525,000, respectively, to an investor. Both notes are convertible into Class A Common Stock at the option of the holder at a conversion price 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 issued a convertible note on March 30, 2012 for \$565,500 which is convertible into Class A Common Stock at an initial price of \$0.04 per share.

As of June 30, 2012, our total outstanding convertible notes payable was \$2,409,667, which were convertible into an aggregate 71,488,653 shares as of that date.

Delaware Anti-Takeover Laws

We will be subject to the provisions of Section 203 of the Delaware General Corporation Law regulating corporate takeovers upon consummation of this offering. This statute prevents certain Delaware corporations, under certain circumstances, from engaging in a “business transaction” with:

- ... a stockholder who owns 15% or more of our outstanding voting stock (otherwise known as an “interested stockholder”);
- ... an affiliate of an interested stockholder; or
- ... an associate of an interested stockholder, for three years following the date that the stockholder became an interested stockholder.

A “business transaction” includes a merger or sale of more than 10% of our assets. However, the above provisions of Section 203 do not apply if:

- ... our board of directors approves the transaction that made the stockholder an “interested stockholder,” prior to the date of the transaction;
- ... after the completion of the transaction that resulted in the stockholder becoming an interested stockholder, that stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, other than statutorily excluded shares of common stock; or
- ... on or subsequent to the date of the transaction, the business transaction is approved by our board of directors and authorized at a meeting of our stockholders, and not by written consent, by an affirmative vote of at least 66 and 2/3% of the outstanding voting stock not owned by the interested stockholder.

Transfer Agent

The transfer agent for our common stock is Signature Stock Transfer, Inc.

Interests of Named Experts and Counsel

No expert or counsel named in this prospectus as having prepared or certified any part of this prospectus or having given an opinion upon the validity of the securities being registered or upon other legal matters in connection with the registration or offering of the common stock was employed on a contingency basis, or had, or is to receive, in connection with the offering, a substantial interest, direct or indirect, in the registrant or any of its parents or subsidiaries. Nor was any such person connected with the registrant or any of its parents or subsidiaries as a promoter, managing or principal underwriter, voting trustee, director, officer, or employee.

Investment Law Group of Gillett, Mottern & Walker, LLP, our independent legal counsel, has provided an opinion on the validity of our common stock.

W.T. Uniack & Co. CPA's P.C. have audited our financial statements included in this prospectus and registration statement to the extent and for the periods set forth in their audit report. W.T. Uniack & Co. CPA's P.C. has presented their report with respect to our audited financial statements. The report of W.T. Uniack & Co. CPA's P.C. is included in reliance upon their authority as experts in accounting and auditing.

Description of Business

Principal Place of Business

Our principal offices are located at 2520 Manatee Avenue West, Suite 200, Bradenton, Florida 34205.

Description of Business

We are a gold and silver mining company started in October 2007. On October 11, 2007, we leased from GoldLand Holdings, Co., a related party, its 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. 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, 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 land. Pierre Quilliam, our chairman and chief executive officer, was also the chairman and chief executive officer of GoldLand at the time the lease was entered into.

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, and filed lode claims for 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 smelter operation at our mill site, which we expect will be completed in mid-2011.

We began actual operations in May 2010. Initially, our operations will consist of processing tailings left on the mine site from prior mining operations, which estimate are about 500,000 tons. Later, after we complete a confirmation 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.

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.

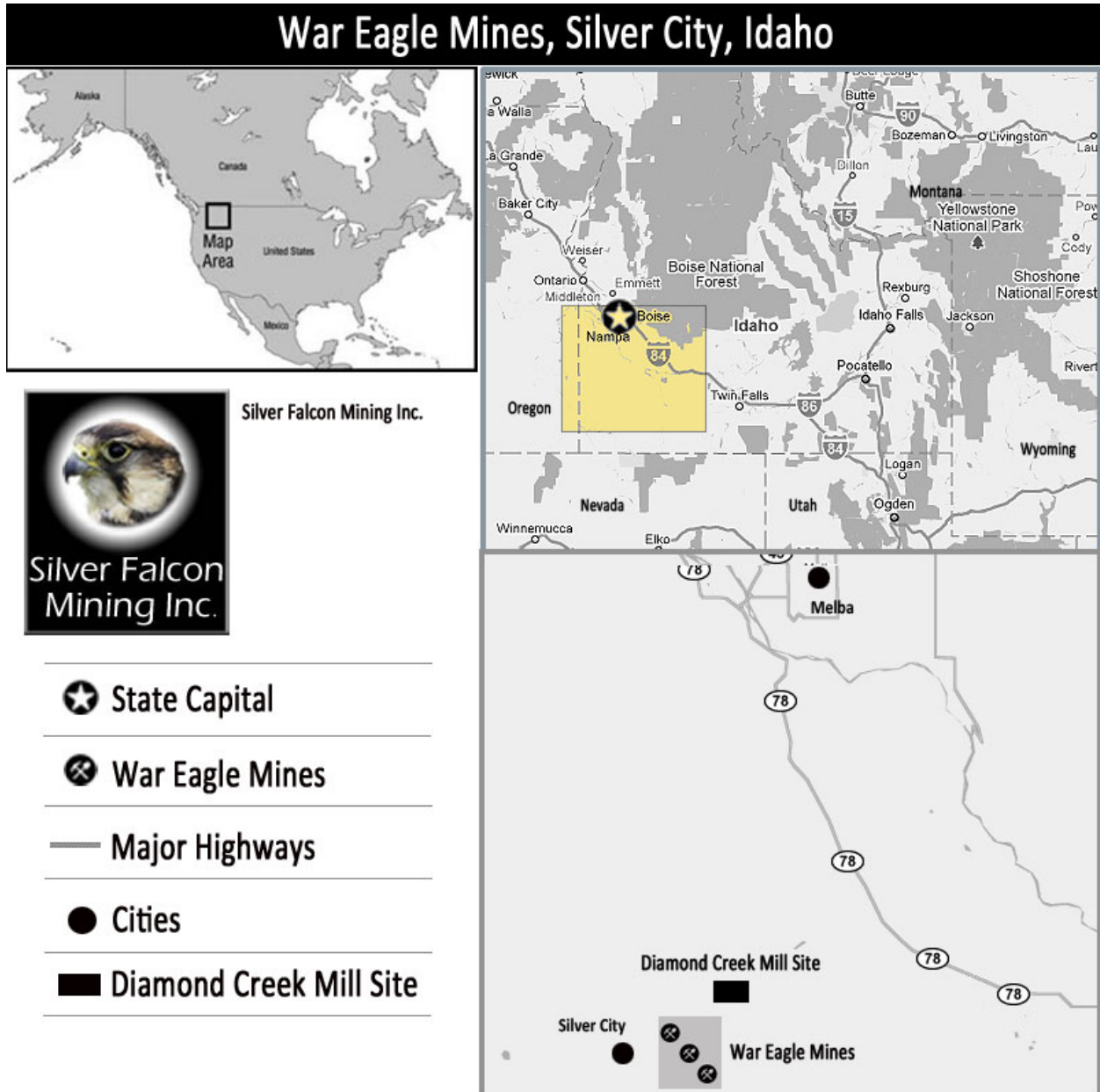
In 1993, Mineral Extraction, Inc., the current owner at the time, rediscovered the location of the tunnel and over several years attempted to refurbish the Sinker Tunnel complex, with the exception of the raise, nearest the bottom of the Golden Chariot shaft. The entrance was excavated, and a semi-permanent 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 50 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 lease payments of \$83,333 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 land. The properties which we lease from GoldLand are listed below:

Name	Ownership Interest	Type of Claim	Acres
Poorman Lode Claim	29.167%	Patented claim	3.44
London Lode Claim	29.167%	Patented claim	17.52
North Empire Lode Claim	29.167%	Patented claim	0.98
Illinois Central Lode Claim	29.167%	Patented claim	2.08
South Poorman Lode Claim	29.167%	Patented claim	17.06
Jackson Lode Claim	29.167%	Patented claim	10.33
Oso Lode Claim	29.167%	Patented claim	20.41
Western Horn #3	100%	Unpatented Lode Claim	19.5
Western Horn #4	100%	Unpatented Lode Claim	20
Western Horn #5	100%	Unpatented Lode Claim	20
Western Horn #6	100%	Unpatented Lode Claim	20
Western Horn #7	100%	Unpatented Lode Claim	20
Western Horn #8	100%	Unpatented Lode Claim	13.5
Western Horn #9	100%	Unpatented Lode Claim	20
Western Horn #10	100%	Unpatented Lode Claim	20
Western Horn #11	100%	Unpatented Lode Claim	20
Western Horn #12	100%	Unpatented Lode Claim	20
Western Horn #13	100%	Unpatented Lode Claim	20
Western Horn #14	100%	Unpatented Lode Claim	20
Diamond Creek #5	100%	Unpatented Lode Claim	20
Diamond Creek #6	100%	Unpatented Lode Claim	20
Diamond Creek #8	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. The new Unpatented Lode Claims were originally titled in our name erroneously, but will be transferred formally to Goldland.

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:

Name	Ownership Interest	Type of Claim	Acres
Burka #1	100%	Unpatented Lode Claim	18.85
Burka #2	100%	Unpatented Lode Claim	14.75
Burka #3	100%	Unpatented Lode Claim	12.75
Burka #4	100%	Unpatented Lode Claim	20.00
Burka #5	100%	Unpatented Lode Claim	4.00
Burka #6	100%	Unpatented Lode Claim	14.00
Burka #7	100%	Unpatented Lode Claim	9.95
Burka #8	100%	Unpatented Lode Claim	19.05
Burka#9	100%	Unpatented Lode Claim	18.25
Western Horn #1	100%	Unpatented Lode Claim	18.50
Western Horn #2	100%	Unpatented Lode Claim	20.00
Diamond Creek #1	100%	Unpatented Lode Claim	20.00
Diamond Creek #2	100%	Unpatented Lode Claim	20.00
Diamond Creek #3	100%	Unpatented Lode Claim	20.00
Diamond Creek #4	100%	Unpatented Lode Claim	20.00
Diamond Creek #9	100%	Unpatented Lode Claim	7.25
Diamond Creek #10	100%	Unpatented Lode Claim	19.75
Diamond Creek #11	100%	Unpatented Lode Claim	17.00
Diamond Creek #12	100%	Unpatented Lode Claim	13.00
Diamond Creek #13	100%	Unpatented Lode Claim	14.75
Diamond Creek #14	100%	Unpatented Lode Claim	2.50
Diamond Creek #15	100%	Unpatented Lode Claim	6.50
Diamond Creek #16	100%	Unpatented Lode Claim	5.25
Diamond Creek #17	100%	Unpatented Lode Claim	2.00
Diamond Creek #18	100%	Unpatented Lode Claim	2.85
Diamond Creek #19	100%	Unpatented Lode Claim	6.85
Diamond Creek #22	100%	Unpatented Lode Claim	8.00
Diamond Creek #24	100%	Unpatented Lode Claim	17.25
Diamond Creek #25	100%	Unpatented Lode Claim	18.65
Diamond Creek #26	100%	Unpatented Lode Claim	17.50

Diamond Creek #27	100%	Unpatented Lode Claim	5.50
Diamond Creek #28	100%	Unpatented Lode Claim	4.75
Diamond Creek #29	100%	Unpatented Lode Claim	7.25
Diamond Creek #30	100%	Unpatented Lode Claim	20.00
Diamond Creek #31	100%	Unpatented Lode Claim	16.85
Diamond Creek #32	100%	Unpatented Lode Claim	20.00
Diamond Creek #33	100%	Unpatented Lode Claim	20.00
Diamond Creek #34	100%	Unpatented Lode Claim	20.00
Diamond Creek #35	100%	Unpatented Lode Claim	16.00
Diamond Creek #36	100%	Unpatented Lode Claim	17.00
Diamond Creek #37	100%	Unpatented Lode Claim	20.00
Sinker #1	100%	Mill Site Claim	5.00
Sinker #2	100%	Mill Site Claim	5.00
Sinker #3	100%	Mill Site Claim	5.00
Sinker #4	100%	Mill Site Claim	5.00
Sinker Tunnel	100%	Tunnel Site Claim	207.00
Cumberland	100%	Patented Lode Claim	5.93
Louisiana	100%	Patented Lode Claim	12.95

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 only about 600 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 recollared 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 relandscaped the property around the extension, both on the request of the Bureau of Land Management and of our engineers.

Through December 31, 2011, we spent approximately \$2,143,041 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 will start core drilling from inside the Sinker tunnel and on the surface of War Eagle Mountain during 2011 and will have a resident geologist analyze the cores and draw a 3D picture of the inside of the mountain and its mineral contents.

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. A total of 3 circuits at the mill will produce a gold and silver concentrate 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. A sample is then taken to be assayed for quality control. The ore bearing rock is then loaded into a crushing and sorting circuit consisting of 3 crushers, conveyors and sorters which reduces the ore to 5/16" nuggets or smaller.

- ... The crushed ore is brought into the mill via conveyor and mixed with water in a steel ball mill to produce a liquid slurry which is strained through a <20 mm mesh strainer. The ore bearing slurry water is strained, and 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 fall as a paste.

The paste is sent to the riffles table where a divider allows the washed ores to go to the concentrate tank for settling. The cloudy water is sent to the belt press which squeezes 97% of the water out of the feed and sends it to the tanks to be reused, while the sediment is sent to a tailings pile. The dry tailings are stored in an outside tailings pile which will then be further processed through our soon to be permitted leaching line. The water is provided by 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 paste that collects in the concentrate tank is then remixed with clear water and put through a vibrating 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 Fall of 2012 after we have obtained the proper permits.

We decided to construct a chemical leaching facility based on assays of our tailings piles 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 milled ore to the leaching facility and then to our metallurgical lab in one continuous loop.

Metallurgical Lab Operation

We are in the process of building a metallurgical lab operation to further process the concentrate that is produced in our milling operation. We estimate it will cost approximately \$616,000 to construct and equip the smelter, and should be completed in 2012. The lab will enable us to process the gold and silver in our concentrate into dore bars, which will then be assayed and shipped to a refiner for final processing to the level of purity needed to market the ore. Until our lab is complete, we have begun smelting our concentrate into dore bars in a temporary smelter. The concentrate that we do not have the capacity to process in our temporary smelter will be stockpiled until our permanent lab is complete.

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 dore bars, and then ship the 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.

Seasonality of Business

Weather conditions will 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. We will be transporting ore from the dumps on the mountain during the coming summer and fall. We are keeping the road to the Sinker Tunnel open year round and plan to mine and deliver more ore to the mill when we start underground mining, 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 will 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, 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 mine safety regulations, MSHA has the power to issue orders requiring that we remedy the violation, closing our mine 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 mines 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 smelter operations to the extent 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 June 30, 2012, we had 18 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.

Description of Property

A description of our mining properties is included in "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 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 6,000,000 shares of our common stock valued at \$340,000 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 Holdings, Co., 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 Holdings, Co. 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.

Legal Proceedings

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

Market for Common Equity and Related Stockholder Matters

Market Information

Our common stock is currently quoted on the OTC Bulletin Board ("OTCBB") and the OTCQB. The OTCBB and the 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 the OTCQB under the symbol "SFMI."

The following table sets forth the range of high and low bid quotations for our common stock for each of the periods indicated as reported by the OTCBB. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

	<u>2010</u>		<u>2011</u>	
	<u>High</u>	<u>Low</u>		<u>High</u>
First Quarter	0.07	0.07	0.23	0.13
Second Quarter	0.23	0.21	0.18	0.07
Third Quarter	0.19	0.16	0.15	0.07
Fourth Quarter	0.19	0.17	0.08	0.04

On August 13, 2012 the last sales price of our common stock was \$0.03.

Penny Stock

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a market price of less than \$5.00, other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock, to deliver a standardized risk disclosure document prepared by the SEC, that: (a) contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading; (b) contains a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to a violation of such duties or other requirements of the securities laws; (c) contains a brief, clear, narrative description of a dealer market,

including bid and ask prices for penny stocks and the significance of the spread between the bid and ask price; (d) contains a toll-free telephone number for inquiries on disciplinary actions; (e) defines significant terms in the disclosure document or in the conduct of trading in penny stocks; and (f) contains such other information and is in such form, including language, type, size and format, as the SEC shall require by rule or regulation.

The broker-dealer also must provide, prior to effecting any transaction in a penny stock, the customer with (a) bid and offer quotations for the penny stock; (b) the compensation of the broker-dealer and its salesperson in the transaction; (c) the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and (d) a monthly account statement showing the market value of each penny stock held in the customer's account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules; the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement as to transactions involving penny stocks, and a signed and dated copy of a written suitability statement.

These disclosure requirements may have the effect of reducing the trading activity for our common stock. Therefore, stockholders may have difficulty selling our securities.

Holders of Our Common Stock

As of December 31, 2011, we had 111 holders of record of our common stock. This number does not include an indeterminate number of shareholders whose shares are held by brokers in "street name."

Registration Rights

Pursuant to our Registration Rights Agreement with Centurion, we have agreed to file a registration statement with the SEC registering the resale of the shares of common stock to be purchased from us by Centurion. We will use our best efforts to maintain the effectiveness of the resale registration statement from the effective date through and until all securities registered under the registration statement have been sold or are otherwise able to be sold pursuant to Rule 144.

Pursuant to our Registration Rights Agreement with JMJ, we have agreed to file a registration statement with the SEC registering the resale of the shares of common stock to be issued to JMJ upon conversion of the June Note and the July Note, and upon exercise of the June Warrant and the July Warrant. We will use our best efforts to maintain the effectiveness of the resale registration statement from the effective date through and until all securities registered under the registration statement have been sold or are otherwise able to be sold pursuant to Rule 144.

Financial Statements

Index to Financial Statements:

	Page
Audit Report of Independent Certified Public Accountants	32
Balance Sheets as of December 31, 2011 and 2010	33
Statements of Operations for the years ended December 31, 2011 and 2010, and the cumulative period from October 15, 2007 (inception) to December 31, 2011	34
Statements of Stockholders' Equity (Deficit) for the years ended December 31, 2011 and 2010	35
Statements of Cash Flows for the years ended December 31, 2011 and 2010, and the cumulative period from October 15, 2007 (inception) to December 31, 2011	36
Notes to Financial Statements for the years ended December 31, 2011 and 2010	37
Balance Sheets as of June 30, 2012 (unaudited) and December 31, 2011	49
Unaudited Statements of Operations for the six months ended June 30, 2012 and 2011, and the cumulative period from October 15, 2007 (inception) to June 30, 2012	50
Unaudited Statements of Operations for the three months ended June 30, 2012 and 2011	51
Unaudited Statements of Cash Flows for the six months ended June 30, 2012 and 2011, and the cumulative period from October 15, 2007 (inception) to June 30, 2012	52
Unaudited Statements of Stockholders' Equity (Deficit) for the six months ended June 30, 2012	54
Notes to Financial Statements for the six months ended June 30, 2012 (unaudited)	55

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, 2011 and 2010 and the related statements of operations, stockholders' deficit, and cash flows for the years ended December 31, 2011 and 2010, and the period from October 15, 2007 (inception) to December 31, 2011. 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, 2011 and 2010, and the results of its operations and changes in stockholders' deficit and its cash flows for the years ended December 31, 2011 and 2010, and the period from October 15, 2007 (inception) to December 31, 2011, 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 2, 2012

SILVER FALCON MINING, INC.
(AN EXPLORATION STAGE COMPANY)
BALANCE SHEET
DECEMBER 31, 2011 and 2010

ASSETS	2011	2010
Cash and cash equivalents	\$ -	\$ 61,530
Inventories	1,772,252	352,911
Due from related party (see Note 9)	404,779	-
Total current assets	<u>2,177,031</u>	<u>414,441</u>
Prepaid expenses (see Note 6)	327,183	715,025
Mill and mining Properties (see Note 4)	2,504,422	1,772,390
Mill Equipment, net of accumulated depreciation of \$737,741 and \$392,300 (see Note 5)	1,202,668	1,245,384
Other assets	31,000	6,000
Total Assets	<u>\$ 6,242,304</u>	<u>\$ 4,153,240</u>
 LIABILITIES AND STOCKHOLDERS' DEFICIT		
Liabilities:		
Accounts payable	\$ 949,504	\$ 310,297
Accrued interest	129,568	19,221
Accrued compensation	-	727,633
Payroll liabilities	66,334	30,177
Due to related party	-	6,000
Notes payable – current	1,691,867	237,500
Director's loan	-	323
Total current liabilities	<u>2,837,273</u>	<u>1,331,151</u>
Notes payable (see Note 7)	2,857,004	2,179,481
Total liabilities	<u>5,694,277</u>	<u>3,510,632</u>
Stockholders' equity:		
Class A Common Stock, par value \$0.0001 10,000,000,000 shares authorized, 419,863,368 and 286,587,004 shares issued and outstanding at December 31, 2011 and 2010, respectively	41,986	28,658
Class B Common stock, par value \$0.0001, 12,500,000 shares authorized, 5,365,419 and 3,884,321 shares issued and outstanding at December 31, 2011 and 2010	537	389
Additional paid in capital	30,327,054	18,164,240
Accumulated deficit	(29,821,550)	(17,550,679)
Total stockholders' deficit	<u>548,027</u>	<u>642,608</u>
Total Liabilities and Stockholders' Deficit	<u>\$ 6,242,304</u>	<u>\$ 4,153,240</u>

See accompanying notes to financial statements

SILVER FALCON MINING, INC.
(AN EXPLORATION STAGE COMPANY)
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010, AND THE
PERIOD FROM OCTOBER 15, 2007 (INCEPTION) TO DECEMBER 31, 2011

	2011	2010	Cumulative from Inception
Revenue	\$ 174,002	\$ 2,960	\$ 176,962
Expenses			
Consulting fees	\$ 4,163,376	\$ 4,629,985	\$ 13,433,879
Exploration and development	1,362,022	327,058	2,459,494
Mill operating expenses	512,453	836,509	1,348,962
Property lease fees	-	250,000	250,000
Compensation expense	729,288	1,167,222	2,363,177
Stock compensation expense	4,107,200	1,163,542	5,270,742
Depreciation expense	345,441	235,647	737,741
General and administrative	977,008	723,616	3,484,179
	<u>12,196,788</u>	<u>9,333,579</u>	<u>29,348,174</u>
Loss from operations	<u>(12,022,786)</u>	<u>(9,330,619)</u>	<u>(29,171,212)</u>
Interest expense	<u>(248,085)</u>	<u>(243,397)</u>	<u>(650,338)</u>
Net Loss	<u>\$ (12,270,871)</u>	<u>\$ (9,574,016)</u>	<u>\$ (29,821,550)</u>
Net loss per common share - basic and diluted	<u>\$ (0.04)</u>	<u>\$ (0.04)</u>	<u>(0.16)</u>
Weighted average number of common shares outstanding – basic and diluted	<u>332,290,119</u>	<u>229,402,629</u>	<u>183,743,491</u>

See accompanying notes to financial statements.

34

SILVER FALCON MINING, INC.
(AN EXPLORATION STAGE COMPANY)
STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	COMMON STOCK		COMMON STOCK		ADDITIONAL	ACCUMULATED	TOTAL
	SERIES A		SERIES B		PAID IN	DEFICIT	
	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL		
Balance as of December 31, 2009	169,830,575	\$ 16,983	2,137,446	\$ 214	\$ 6,628,130	\$ (7,976,663)	(1,331,336)

Issuance of

class A common stock for services	61,898,727	6,190		6,950,903	6,957,093
Issuance of class B common stock for services		1,746,875	175	69,700	69,875
Issuance of common stock for rent	3,580,000	358		468,862	469,220
Issuance of common stock for mining property	3,687,469	368		376,797	377,165
Issuance of common stock for interest	1,250,000	125		49,875	50,000
Issuance of common stock for notes payable conversions	43,641,549	4,364		2,444,701	2,449,065
Options granted				1,163,542	1,163,542
Purchase of common stock	(301,316)	(30)		(62,970)	(63,000)
Issuance of common stock	3,000,000	300		74,700	75,000
Net loss					(9,574,016) (9,574,016)

Balance as of December 31, 2010	286,587,004	\$ 28,658	3,884,321	\$ 389	\$ 18,164,240	\$ (17,550,679)	\$ 642,608
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Issuance of class A common stock for services	54,245,586	5,424		5,637,635	5,643,059
Issuance of common stock for equipment	245,045	25		24,801	24,826
Issuance of common stock for rent	6,000,000	600		339,400	340,000
Issuance of common stock for interest	135,000	14		12,946	12,960
Issuance of class A common stock for notes payable conversions	5,898,483	590		492,010	492,600
Issuance of class B common stock for notes payable conversions		1,481,098	148	60,577	60,725
Options granted				1,832,462	1,832,462
Issuance of common stock for accrued compensation	16,327,005	1,633		1,493,288	1,494,921
Issuance of common stock for compensation	50,425,245	5,042		2,269,695	2,274,737
Net loss					(12,270,871) (12,270,871)

Balance as of December 31, 2011	419,863,368	\$ 41,986	5,365,419	\$ 537	\$ 30,327,054	\$ (29,821,550)	\$ 548,027
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See accompanying notes to financial statements.

SILVER FALCON MINING, INC.
(AN EXPLORATION STAGE COMPANY)
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010, AND THE
PERIOD FROM OCTOBER 15, 2007 (INCEPTION) TO DECEMBER 31, 2011

	2011	2010	Cumulative from Inception
Cash flows from operating activities			
Net Loss	\$ (12,270,871)	\$ (9,574,016)	\$ (29,821,550)
Adjustments to reconcile net loss to net cash used in operating activities:			
Issuance of common stock for services	5,643,059	7,026,968	17,758,887
Issuance of common stock for compensation	2,274,737	-	2,274,737
Issuance of common stock for road access	-	-	13,050
Issuance of common stock for interest	12,960	50,000	62,960
Issuance of common stock for rent	340,000	469,220	1,202,130
Options granted	1,832,462	1,163,542	2,996,004
Depreciation	345,442	235,647	737,741
Increase (decrease) in operating assets and liabilities:			
Inventories	(1,419,341)	(352,911)	(1,772,252)
Prepaid expenses	387,842	(383,942)	(327,183)
Due from related party	(410,779)	75,499	(404,779)
Other assets	(25,000)	(6,000)	(26,000)
Accounts payable and accrued expenses	639,207	(56,012)	1,259,809
Accrued interest	112,518	(17,042)	144,749
Accrued payroll and payroll liabilities	803,445	340,810	1,561,255
Net cash used in operating activities	(1,734,319)	(1,028,237)	(4,340,442)
Cash flows from investing activities			
Purchase of equipment	(277,900)	(851,216)	(1,915,583)
Purchase of or capitalized improvements to mill and mining properties	(732,032)	(529,468)	(1,750,334)
Cash acquired in acquisition	-	-	39,780
Net cash used in investing activities	(1,009,932)	(1,380,684)	(3,626,137)
Cash flows from financing activities			
Proceeds from notes payable	2,683,044	2,602,686	8,004,079
Proceeds from sale of common stock	-	75,000	75,000
Purchase of common stock	-	(63,000)	(63,000)
Repayments of notes payable	-	(42,500)	(49,500)
Proceeds from Directors loans	-	-	338,113
Repayments of Directors loans	(323)	(102,337)	(338,113)
Net cash provided by financing activities	2,682,721	2,469,849	7,966,579
Net increase in cash	(61,530)	60,928	-
Cash - beginning of year	61,530	602	-
Cash - end of year	\$ -	\$ 61,530	\$ -

SUPPLEMENTARY DISCLOSURE OF NONCASH
TRANSACTIONS

Shares issued for notes payable conversion	553,325	2,449,065	3,420,890
Shares issued for interest	12,960	50,000	62,960
Shares issued for accrued compensation	1,494,921	-	1,494,921
Shares issued for rent	340,000	-	340,000
Shares issued for compensation	2,274,737	-	2,274,737
Shares issued for acquisition	-	-	355,085
Shares issued for purchase mining properties	-	377,166	754,089

See accompanying notes to financial statements

SILVER FALCON MINING, INC.
(AN EXPLORATION STAGE COMPANY)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011 and 2010

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

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

On October 11, 2007, GoldLand leased its mineral rights on War Eagle Mountain to us. Under the lease, we are responsible for all mining activities on War Eagle Mountain, and we are obligated to pay GoldLand annual lease payments of \$1,000,000, payable on a monthly basis, a monthly non-accountable expense reimbursement of \$10,000 during any month in which ore is mined from the leased premises, and a royalty of 15% of all amounts we receive from the processing of ore mined from the properties. The lease provides that lease payments must commence April 1, 2008, but by agreement with GoldLand we extended the commencement date to July 1, 2010. 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.

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.

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 2010 and 2011 we purchased and installed equipment to be used on our mining properties totaling \$851,216 and \$277,900, respectively. The following table summarizes our equipment as of December 31, 2011.

Mill equipment	\$ 1,940,409
Accumulated depreciation	(737,741)
	<u>\$ 1,202,668</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 6,000,000 shares of our Class A Common Stock at the inception of the lease representing advance lease payments totaling \$340,000. 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 2010, we issued two-year promissory notes with an aggregate principal amount of \$2,658,044 and \$2,602,686, 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 \$0.041 to \$0.2755 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 5, 2012 to December 28, 2013.

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.

On December 3, 2009, we executed a promissory note for \$225,000 as partial consideration for the purchase of land in Idaho. (See Note 4 – Purchase of Mining Property). 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 maturities of notes payable are as follows:

2011	\$ 1,669,367
2012	2,699,489
Total	<u>\$ 4,368,856</u>
Less current maturities	<u>(1,669,367)</u>
Long term debt	<u><u>\$ 2,699,489</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 2010, we issued 43,641,549 shares of our Class A common stock upon conversion of notes payable with an aggregate principal amount of \$2,449,065.

On December 31, 2011 and 2010, the outstanding principal balance on the two-year promissory notes was \$4,368,856 and \$2,236,967, respectively.

At December 31, 2011, an aggregate of 55,637,028 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 2010:

	<u>December 31,</u> <u>2011</u>	<u>December 31,</u> <u>2010</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,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
Deferred tax assets	\$ 11,600,582	\$ 6,827,214
Less valuation allowance	<u>(11,600,582)</u>	<u>(6,827,214)</u>

	<hr/>	<hr/>
Net deferred tax assets	\$ —	\$ —
	<hr/>	<hr/>

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, 2011, we had net operating loss carryforwards of approximately \$29,821,550 which will be available to offset future taxable income. These net operating loss carryforwards expire at various times through 2031. 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 the properties. 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, 2010, we owed GoldLand \$6,000. The amounts are non-interest bearing, unsecured demand loans.

Pierre Quilliam, Denise 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, 2011 and December 31, 2010 was \$0 and \$323, respectively.

During 2010 we issued 698,073 of Class A Common Stock to Q-Prompt, Inc. for computer services valued at \$71,770 in various transactions. Q-Prompt, Inc. is owned by Christian Quilliam, who is the son of Mr. and Ms. Quilliam. In 2010, we issued 1,746,875 shares of Class B Common Stock to Christian Quilliam as a signing bonus when he was hired as our chief operating officer. At the time of the issuances to Q-Prompt, Inc., Christian Quilliam's parents were directors.

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 2011, 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

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

On October 11, 2007, we entered into a lease agreement with GoldLand, under which we leased its mineral rights on War Eagle Mountain. Under the lease, we are responsible for all mining activities on War Eagle Mountain, and we are obligated to pay GoldLand annual lease payments of \$1,000,000, payable on a monthly basis, a monthly non-accountable expense reimbursement of \$10,000 during any month in which ore is mined from the leased premises, and a royalty of 15% of all amounts we receive from the processing of ore mined from the properties. The lease 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. 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 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 12,500,000 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, 2011, there were 417,863,368 and 5,365,419 shares of Class A Common Stock and Class B Common Stock issued and outstanding, respectively. As of December 31, 2010, there were 286,587,004 and 3,884,321 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.

2010 Transactions: During the year ended December 31, 2008, we issued shares of Common Stock in the following transactions:

- ... 61,898,727 shares of Class A Common Stock were issued to various vendors for consulting services valued at \$6,957,093.
- ... 1,250,000 shares of Class A Common Stock were issued for interest valued at \$50,000.
- ... 43,641,549 shares of Class A Common Stock were issued upon conversion of notes payable with an aggregate principal amount of \$2,346,593.
- ... 3,580,000 shares of Class A Common Stock were issued for rent valued at \$469,220.
- ... 3,687,469 shares of Class A Common Stock were issued to purchase and make improvements to properties valued at \$205,723.
- ... 3,000,000 shares of Class A Common Stock were issued for cash totaling \$75,000.
- ... 301,316 shares of Class A Common Stock was purchased for \$63,000.

NOTE 13 - STOCK OPTIONS AND WARRANTS

Transactions involving stock options or warrants issued to employees, consultants, officers and directors of the Company in 2010 and 2011 are summarized as follows:

	<u>Number of Shares</u>	<u>Weighted Average Price Per Share</u>
Outstanding at December 31, 2009	-	-
Granted	20,000,000	\$0.20
Exercised	-	-
Cancelled or expired	-	-
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	\$0.074

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

All options and warrants under the 2010 stock option plan were issued on October 20, 2010, expire on October 20, 2020, have an exercise price of \$0.20, 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, 2010, 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):	\$0.20
Risk-free interest rate at grant date	1.25%
Expected stock price volatility	64%
Expected dividend payout	0%
Expected option life (in years)	2 years

Total stock-based compensation expense recognized by us for the year ended December 31, 2011 and 2010 was \$1,832,462 and \$1,163,542, 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 (\$9,574,016) for the years ended December 31, 2011 and 2010, 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, 2012, we issued two-year promissory notes with an aggregate principal amount of \$400,000 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 \$0.025 to \$0.056 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 9, 2014 to March 2, 2014.

Since January 1, 2012, we issued shares of Common Stock in the following transactions:

- ... 55,488,052 shares of Class A Common Stock were issued upon conversion of notes payable with an aggregate principal amount of \$2,698,039.

- ... 5,000,000 shares of Class A Common Stock valued at \$320,000 were issued in payment of accounts payable.
- ... 312,778 shares of Class A Common Stock valued at \$12,511 were issued in payment of interest.
- ... 5,000,000 shares of Class A Common Stock valued at \$210,000 were issued in payment of prepaid rent.
- ... 2,000,000 shares of Class A Common Stock valued at \$65,667 were issued upon exercise of a Put under our Equity line.
- ... 12,539,836 shares of Class A Common Stock to various vendors for consulting services valued at \$635,320.
- ... 93,312,521 shares of Class A Common Stock valued at \$3,265,938 were issued in payment of compensation for 2012.
- ... 40,903,885 shares of Class A Common Stock valued at \$1,431,636 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.

On March 30, 2012 we issued a convertible promissory note to an institutional investor 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.

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

	JUNE 30, 2012 (UNAUDITED)	DECEMBER 31, 2011 (AUDITED)
ASSETS		
	\$ 11,282	
Cash		\$ -
Inventories	2,260,839	1,772,252
Due from related parties, net of amounts due to related parties	1,448,588	404,779
Total current assets	3,720,709	2,177,031
Mill equipment, net of accumulated depreciation of \$930,426 and \$737,741, respectively (see Note 4)	1,010,742	1,202,668
Properties	2,576,083	2,504,422
Prepaid expenses (see Notes 5 and 8)	1,293,634	327,183
Other assets	31,000	31,000
Total Assets	\$ 8,632,168	\$ 6,242,304
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Accounts payable	\$ 742,650	\$ 949,504
Payroll liabilities	126,693	66,334
Accrued interest	29,431	129,568
Notes payable - current portion (see Note 3)	638,750	1,691,867
Total current liabilities	1,537,524	2,837,273
Notes payable (see Note 3)	1,624,756	2,857,004
Total liabilities	3,162,280	5,694,277
STOCKHOLDERS' DEFICIT		
Common stock, Class A, par value \$0.0001, 10,000,000,000 shares authorized, 670,589,493 and 419,863,368, issued and outstanding, respectively	67,059	41,986
Common stock, Class B, par value \$0.0001, 250,000,000 shares authorized, 5,365,419 and 5,365,419 issued and outstanding, respectively	537	537
Additional paid in capital	41,471,244	30,327,054
Accumulated deficit	(36,068,952)	(29,821,550)
Total liabilities and stockholders' deficit	\$ 8,632,168	\$ 6,242,304

See accompanying notes to financial statements.

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

	2012	2011	Cumulative from Inception
Revenue	\$ 75,254	\$ -	\$ 252,216
Expenses			
Consulting fees	\$ 1,555,870	\$ 3,096,614	\$ 14,989,749
Exploration and development	1,664	671,913	2,461,158
Mill operating expenses	144,298	854,706	1,493,260
Property lease fees	500,000	-	750,000
Compensation expense	220,691	772,466	2,583,868
Stock compensation expense	917,151	-	6,187,893
Depreciation expense	192,684	177,926	930,425
General and administrative	579,312	520,702	4,063,491
	<u>4,111,670</u>	<u>6,094,327</u>	<u>33,459,844</u>
Loss from operations	<u>(4,036,416)</u>	<u>(6,094,327)</u>	<u>(33,207,628)</u>
Interest expense	(154,359)	(104,649)	(804,697)
Debt conversion expense	<u>(2,056,627)</u>	-	<u>(2,056,627)</u>
Net Loss	<u>\$ (6,247,402)</u>	<u>\$ (6,198,976)</u>	<u>\$ (36,068,952)</u>
Net loss per common share - basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>	<u>(0.16)</u>
Weighted average number of common shares outstanding – basic and diluted	<u>616,820,040</u>	<u>309,240,231</u>	<u>229,034,308</u>

See accompanying notes to financial statements.

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

	2012	2011
Revenue	\$ 16,255	\$ -
Expenses		
Consulting fees	\$ 391,090	\$ 1,181,081
Exploration and development	286	375,669
Mill operating expenses	71,437	470,793
Property lease fees	250,000	-
Compensation expense	116,047	457,014
Stock compensation expense	458,576	-
Depreciation expense	96,341	95,829
General and administrative	307,737	204,660
	<u>1,691,514</u>	<u>2,785,046</u>
Loss from operations	<u>(1,675,259)</u>	<u>(2,785,046)</u>
Interest expense	(89,928)	(58,919)
Debt conversion expense	<u>(588,701)</u>	<u>-</u>
Net Loss	<u>\$ (2,353,888)</u>	<u>\$ (2,843,965)</u>
Net loss per common share - basic and diluted	<u>\$ -</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding – basic and diluted	<u>647,990,623</u>	<u>315,835,606</u>

See accompanying notes to financial statements.

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

	2012	2011	Cumulative from Inception
Cash flows from operating activities			
Net Loss	\$ (6,247,402)	\$ (6,198,976)	\$ (36,068,952)
Adjustments to reconcile net loss to net cash used in operating activities:			
Issuance of common stock for consulting services	1,547,236	3,589,745	19,306,123
Issuance of common stock for compensation	1,834,302	-	4,109,039
Issuance of common stock for related party	1,534,854	-	1,534,854
Issuance of common stock for road access	-	-	13,050
Issuance of common stock for interest	133,335	-	196,295
Issuance of common stock for rent	113,600	-	1,315,730
Depreciation and amortization	240,915	177,927	978,656
Debt conversion expense	2,056,627	-	2,056,627
Options granted	-	-	2,996,004
Increase (decrease) in operating assets and liabilities:			
Inventories	(488,587)	-	(2,260,839)
Prepaid expenses	(966,451)	680,359	(1,293,634)
Due from related party	(1,043,809)	45,198	(1,448,588)
Other assets	-	-	(26,000)
Accounts payable and accrued expenses	(206,854)	(76,946)	1,052,955
Accrued interest	(89,947)	38,561	54,802
Accrued payroll and payroll liabilities	60,359	697,152	1,621,614
Net cash used in operating activities	<u>(1,521,822)</u>	<u>(1,046,980)</u>	<u>(5,862,264)</u>
Cash flows from investing activities			
Purchase of equipment	(759)	(266,578)	(1,916,342)
Purchase of mill and mining properties	(71,661)	(248,838)	(1,821,995)
Cash acquired in acquisition	-	-	39,780
Net cash used in investing activities	<u>(72,420)</u>	<u>(515,416)</u>	<u>(3,698,557)</u>
Cash flows from financing activities			
Proceeds from notes payable	1,629,342	1,520,710	9,633,421
Proceeds from sale of common stock	65,667	-	140,667
Purchase of common stock	-	-	(63,000)
Repayments of notes payable	(89,485)	-	(138,985)
Proceeds from Directors loans	-	-	338,113
Repayments of Directors loans	-	(323)	(338,113)
Net cash provided by financing activities	<u>1,605,524</u>	<u>1,520,387</u>	<u>9,572,103</u>
Net increase in cash	11,282	(42,009)	11,282
Cash - beginning of year	-	61,530	-
Cash - end of year	<u>\$ 11,282</u>	<u>\$ 19,521</u>	<u>\$ 11,282</u>

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

SUPPLEMENTARY DISCLOSURE OF NONCASH
 TRANSACTIONS

Shares issued for notes payable conversions	3,663,267	192,600	7,084,157
Shares issued for accrued compensation	-	853,802	1,494,921
Shares issued for rent	113,600	-	453,600
Shares issued for interest	133,335	-	196,295
Shares issued for related party	1,534,854	-	1,534,854
Shares issued for acquisition	-	-	355,085
Shares issued for purchase mining properties	-	-	754,089
Shares issued for compensation	1,834,302	-	4,109,039

See accompanying notes to financial statements

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

	COMMON STOCK		COMMON STOCK		ADDITIONAL PAID IN CAPITAL	ACCUMULATED DEFICIT	TOTAL
	SERIES A SHARES	AMOUNT	SERIES B SHARES	AMOUNT			
Balance as of December 31, 2011	419,863,368	\$ 41,986	5,365,419	\$ 537	\$ 30,327,054	\$ (29,821,550)	\$ 548,027
Issuance of common stock for services	50,943,146	5,095	-	-	1,542,141	-	1,547,236
Issuance of common stock for rent	3,480,000	348	-	-	113,252	-	113,600
Issuance of common stock for related party	43,852,978	4,385	-	-	1,530,469	-	1,534,854
Issuance of common stock for interest	2,778,567	278	-	-	133,057	-	133,335
Issuance of common stock for notes payable conversions	95,262,798	9,526	-	-	3,653,741	-	3,663,267
Issuance of common stock for compensation	52,408,636	5,241	-	-	1,829,061	-	1,834,302
Beneficial conversion and debt issue costs			-	-	2,277,002	-	2,277,002
Issuance of common stock for cash	2,000,000	200	-	-	65,467	-	65,667
Net loss	-	-	-	-	-	(6,247,402)	(6,247,402)
Balance as of June 30, 2012	670,589,493	\$ 67,059	5,365,419	\$ 537	\$ 41,471,244	\$ (36,068,952)	\$ 5,469,888

See accompanying notes to financial statements.

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

NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

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

Cash and Cash Equivalents

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

Inventories

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

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

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

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

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

Property, Plant and Equipment

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

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

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

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

Proven and Probable Ore Reserves

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

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

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

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

Depreciation, Depletion and Amortization

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

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

Impairment of Long-Lived Assets

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

Reclamation and Remediation Costs (Asset Retirement Obligations)

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

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

Goodwill

We evaluate, on at least an annual basis during the fourth quarter, the carrying amount of goodwill to determine whether current events and circumstances indicate that such carrying amount may no longer be recoverable. To accomplish this, we compare the estimated fair value of our reporting units to their carrying amounts. If the carrying value of a reporting unit exceeds its estimated fair value, we compare the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying value over the fair value is charged to earnings. Our fair value estimates are based on numerous assumptions and it is possible that actual fair value will be significantly different than the estimates, as actual future quantities of recoverable minerals, gold and other commodity prices, production levels and operating costs of production and capital are each subject to significant risks and uncertainties.

Stock Based Compensation

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

Use of Estimates

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

Basic and Diluted Per Common Share

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

Significant Recent Accounting Pronouncements

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

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

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

NOTE 3 – NOTES PAYABLE

7% Two Year Notes

As of June 30, 2012, we had outstanding \$1,528,167 of two-year promissory notes that we have issued to various investors starting in 2010. Interest accrues on the notes at the rate of 7% per year, and is payable monthly, except for notes issued to New Vision Financial, Ltd., which provide that interest is payable annually. Principal and interest due on the notes is convertible into shares of Class A Common Stock at the election of the holder at conversion prices ranging from \$0.015 to \$0.275 per share. The conversion price of the notes is set at the market price of the Class A Common Stock on the date of issuance. The notes mature at various dates ranging from July 8, 2012 to June 22, 2014. During the six months ended June 30, 2011, we issued \$879,342 of new notes.

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

During the six months ended June 30, 2012, we issued 84,337,610 shares of our common stock upon conversion of notes payable with an aggregate principal amount of \$3,153,076. These conversions were at prices lower than the conversion price at the date of issuance. The conversion of the notes at discounts to their stated conversion prices resulted in the recognition of an additional expense of \$2,056,627 and a corresponding increase to paid in capital.

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

2012	\$ 292,000
2013	334,780
2014	901,387
Total	<u>1,528,167</u>
Less current maturities	(333,000)
Long term debt	<u>\$ 1,195,167</u>

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 June 30, 2012 was \$157,485.

Iliad Research and Trading, LP Convertible Note

On March 30, 2012 we issued a convertible promissory note to Iliad Research and 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 principle and accrued interest is due and payable under the note on December 4, 2013. The note is convertible into shares of Class A Common Stock at any time at the option of the holder. The conversion price is equal to 80% of the three lowest daily average trading prices of our Class A Common Stock during the 15 trading days preceding any conversion. We received gross proceeds of \$300,000, which was net of original issue discount of \$15,000. We cannot prepay any part of the note without the prior consent of the holder. The note is subject to standard default provisions.

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

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

In connection with the loan from 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.

NOTE 4 – MILL EQUIPMENT

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

Mill equipment	\$ 1,903,723
Vehicles	37,445
Accumulated depreciation	<u>(930,426)</u>
Net	<u>\$ 1,010,742</u>

NOTE 5 – PREPAID EXPENSES

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

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

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

During the six months ended June 30, we issued 52,408,636 shares of our common stock to our officers for compensation totaling \$1,834,302 for the year 2012. We capitalized these payments as a prepaid expense, and amortize the amounts over the life of the employment contracts of the officers, which is for the twelve months ended December 31, 2012.

NOTE 6 - RELATED PARTY TRANSACTIONS

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

During the six months ended June 30, 2012, we issued 43,852,978 shares valued at \$1,534,854 to various officers of Goldland (who are also our officers) to pay compensation that will be owed to them by Goldland for the 2012 fiscal year. The value of the shares issued by us was recorded as an amount due to us by Goldland.

As of June 30, 2012 and December 31, 2011, GoldLand owed us \$\$1,505,226 and \$\$452,799 respectively. The amounts are non-interest bearing, unsecured demand loans.

Pierre Quilliam has made loans to us from time to time. The loans are non-interest bearing, unsecured demand loans. The amount outstanding to Mr. Quilliam at June 30, 2012 and December 31, 2011 was \$50,938 and \$0, respectively.

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 June 30, 2012 and December 31, 2011 was \$25,000 and \$0, respectively.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

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

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

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

NOTE 8 - CAPITAL STOCK

We are authorized to issue 10,000,000,000 shares of Class A Common Stock with a par value of \$0.0001 per share, and 12,500,000 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 June 30, 2012, there were 670,589,493 and 5,365,419 shares of Class A Common Stock and Class B Common Stock issued and outstanding, respectively.

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

- ... 95,262,798 shares of Class A Common Stock upon conversion of promissory notes with a principal balance of \$3,653,076.
- ... 50,943,146 shares of Class A Common Stock were issued to various vendors for consulting services valued at \$1,547,236.
- ... 52,408,636 shares of Class A Common Stock valued at \$1,834,302 were issued in payment of compensation.
- ... 3,480,000 shares of Class A Common Stock valued at \$113,600 were issued in payment of rent.
- ... 43,852,978 shares of Class A Common Stock valued at \$1,534,854 were issued in payment of compensation for GoldLand Officers.
- ... 2,000,000 shares of Class A Common Stock valued at \$65,667 were issued for cash.
- ... 2,778,567 shares of Class A Common Stock valued at \$133,335 were issued in payment of interest.

As of June 30, 2012, the Company had outstanding notes payable to various investors in the original principal amount of \$2,409,667. All of the notes are convertible into shares of Class A Common Stock at election of the holder at conversion prices ranging from \$0.015 to \$0.275 per share. Maturity dates range from July 8, 2012 to June 22, 2014. At June 30, 2012, an aggregate of 71,488,653 shares of Class A Common Stock were issuable upon conversion of the notes.

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

NOTE 9 – GOING CONCERN

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. However, we incurred a net loss of (\$6,247,402) for the six months ended June 30, 2012. We have remained in business primarily through the deferral of salaries by management, the issuance of stock to compensate employees and consultants, and raising funds from the sale of two year convertible notes. We intend on financing our future development activities from the same sources, until such time that funds provided by operations are sufficient to fund working capital requirements.

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

NOTE 10 – SUBSEQUENT EVENTS

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

... 5,255,431 shares of Class A Common Stock to various vendors for consulting services valued at \$140,320.

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

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

Management Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Management's statements contained in this portion of the prospectus are not historical facts and are forward-looking statements. Factors which could have a material adverse affect on the operations and future prospects of the Company on a consolidated basis include, but are not limited to, those matters discussed under the section entitled "Risk Factors," above. Such risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements.

Business Development Plan

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 fifteen unpatented lode claims on War Eagle Mountain from the U.S. Bureau of Land Management, each of which covers approximately 283 acres in total.

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

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

We began actual operations in May 2010. Initially, as described below, actual operations 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 so that it can be used in the winter months. In the Fall of 2012, after we obtain the necessary permits, we plan to install a chemical leaching facility at our mill site in order to improve the yields from our ore.

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

- ... The purchase and the preparation of property for mill use cost about \$549,375;
- ... The installation and certification of the mill cost about \$517,283;
- ... Completing the purchase mill equipment cost about \$1,617,368;
- ... Moving ore to stockpile at the mill in 2010 cost about \$352,911;
- ... The purchase and installation of smelter equipment;
- ... Start-up mill salaries to the end of 2010 cost \$425,238.

We have also made a number of improvements that we initially expected would not occur until the Development Phase. In particular, in 2010, the roads to the Sinker Tunnel Complex were upgraded to allow 25-ton trucks access to the site, and an area 300x400 feet was prepared to act as a staging area at the 5,200 foot level. The Sinker Tunnel was aerated in its entire length and the entrance to the Sinker Tunnel was permanently extended to avoid land or snow slides to block access to the Sinker Tunnel. Permanent drainage pipes are being laid in the tunnel as it was determined that the Sinker Tunnel is the main drain for the War Eagle complex. Exploring and shoring or rock bolting of some weak points in the top wall is underway. Permitting for exploration of the Sinker Tunnel is 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-2012, and will cost approximately \$10,000,000. We began preliminary work on the exploration phase in mid-2010.

Development Phase

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

- ... We plan to connect the mine shafts on the top of the mountain to the Sinker Tunnel in order to provide drainage to those shafts;
- ... We plan to install a transportation system in the Sinker Tunnel (either tire mounted trams, narrow gauge railway, or conveyor system) to move ore out of the Sinker Tunnel for transport to our mill site; and
- ... Additional improvements include housing, storage, food preparation facilities, generators for power, etc.

In addition to the improvements identified above, we expect that we will need to make other improvements necessary to access the highest quality mineral veins, which improvements are not known at this time but which will be identified in our National Instrument 43-101 report. During the year ended December 31, 2010, we started (and have since completed) some improvements to the mine site that were previously part of our development phase, including improving about four miles of the county road 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, 2011 and 2010

We are in the exploration stage and generated revenues of \$174,002 in the year ended December 31, 2011 and \$2,960 in the year ended December 31, 2010. Our revenues in the year ended December 31, 2011 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 expect to complete our metallurgical lab in 2012.

We reported losses from operations during the years ended December 31, 2011 and 2010 of (\$12,022,786) and (\$9,330,619), respectively. The increase in loss in 2011 as compared to 2010 was largely attributable to the following factors:

- ... Consulting fees decreased (\$466,609) from \$4,629,985 in 2010 to \$4,163,376 in 2011 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>2010</u>	<u>2011</u>
Accounting services	\$ 382,352	\$ -
Shareholder relations services	1,071,588	786,500
Investment banking	-	496,000
Equity line fees	-	164,000
Computer and IT services	21,770	-
Locating and due diligence services on future acquisition opportunities	641,125	515,300
Administrative, office, clerical	401,640	31,112
Technical consulting	48,135	187,792
Legal services	10,422	59,325
Advice on debt and equity capital raising	1,907,233	1,977,000

- ... Exploration and development expenses were \$1,362,022 in 2011 as compared to \$327,058 in 2010 as a result of increased activity developing and refurbishing the Sinkers Tunnel;
- ... Mill operating expenses were \$512,453 in 2011 as compared to \$836,509 in 2010. Mill operations ramped up in 2011 and we incurred more operating costs, however, we capitalized operating costs of \$1,062,436 in inventory.
- ... Property lease fees were \$250,000 in 2010 as compared to zero in 2011 due to the extension of the lease agreement with GoldLand;
- ... Compensation expense decreased to \$729,288 in 2011 as compared to \$1,167,222 in 2010 as a result of lower compensation accruals to employees.
- ... Stock compensation expense increased to \$4,107,200 in 2011 as compared to \$1,163,542 in 2010 as a result of the issuance of stock options and common stock for compensation.
- ... General and administrative expenses increased to \$977,008 in 2011 as compared to \$723,616 in 2010 primarily due to a full year of expenses versus a half year in 2010 at the mill site and increased legal due to the filing of a registration statement.

We reported net losses during the years ended December 31, 2011 and 2010 of (\$12,270,871) and (\$9,574,016), respectively. The increased loss in 2011 as compared to 2010 was largely attributable to increased loss from operations and increased interest expense resulting from higher interest-bearing debt in 2011 as compared to 2010. In particular, interest expense increased from \$243,397 in 2010 to \$248,085 in 2011.

Six months ended June 30, 2012 and 2011

We are in the exploration stage and generated revenues of \$75,524 and \$0 in the six months ended June 30, 2012 and 2011, respectively. Our revenues in the six months ended June 30, 2012 are not representative of our revenues in the future. In May 2010, we began processing tailings from our mine site at our mill. We initially planned to process the tailings into concentrate, which would then be shipped for final processing to a smelter, which would either then either return the material to us in the form of dore bars (which would have to be shipped to a refiner for final processing) or pay us a market price for the minerals ultimately extracted from the concentrate. In October 2010, we shipped our first load of concentrate to a smelter. We subsequently decided to construct our own metallurgical lab at our milling site, and stockpiled concentrate until we had the capacity to extract the precious metals from our concentrate. In 2011, we completed a pilot plant on our mill site and began shipping dore bars to a refiner on a regular basis. We expect to complete our metallurgical lab in 2012.

We reported losses from operations during the six months ended June 30, 2012 and 2011 of (\$4,036,416) and (\$6,094,327), respectively. The decreased loss in 2012 as compared to 2011 was attributable to the following factors:

- ... Consulting fees decreased from \$3,096,614 in 2011 to \$1,555,870 as a result of decreased use of consultants in 2012. The material components of expenses charged to consulting services in both years were as follows:

<u>Type of Services</u>	<u>2011</u>	<u>2012</u>
Shareholder relations services	744,500	42,000
Mineral claims administration	14,000	-
Investment banking	338,000	-
Equity line fees	164,000	-
Technical consulting	180,292	-
Locating and due diligence services on future acquisition opportunities	6,400	563,000
Administrative, office and clerical	23,334	-
Legal services	-	36,320
Advice on debt and equity capital raising	1,648,000	945,000
...		
Compensation expense increased from \$772,466 in 2011 to \$1,137,842 as a result of higher salaries payable to our officers, although \$917,151 of the compensation payable in the six months ended June 30, 2012 was paid in shares of Class A Common Stock instead of cash;		
...		
Depreciation expense increased from \$177,926 in 2011 to \$192,684 in 2012 as a result of the acquisition of substantial equipment to be used in our milling operations.		
...		
Exploration and development costs decreased from \$671,913 in 2011 to \$1,664 in 2012 as a result of decreased work on the Sinker Tunnel.		
...		
Mill operating expenses decreased from \$854,706 in 2011 to \$144,298 in 2011. We began capitalizing certain operating costs in the fourth quarter of 2011.		
...		
General and administrative expenses increased to \$579,312 in 2012 as compared to \$520,702 in 2011 as a result increased expenses related to the new mill operations.		

We reported net losses during the six months ended June 30, 2012 and 2011 of (\$6,247,402) and (\$6,198,976), respectively. The increased loss in 2012 as compared to 2011 was largely attributable to debt conversion expenses in 2012 of \$2,056,627 offset by a decrease in the loss from operations and by an increase in interest expense resulting from higher levels of interest bearing debt in 2012. In particular, interest expense increased from \$104,649 in 2011 to \$154,359 in 2012.

Liquidity and Sources of Capital

Fiscal Years ended December 31, 2011 and 2010

The following table sets forth the major sources and uses of cash for fiscal years ended December 31, 2011 and 2010:

	Fiscal Year ended December 31,	
	2011	2010
Net cash provided by (used) in operating activities	\$ (1,734,319)	\$ (1,028,237)
Net cash provided by (used) in investing activities	(1,009,932)	(1,380,684)
Net cash provided by (used) in financing activities	2,682,721	2,469,849
Net (decrease) increase in unrestricted cash and cash equivalents	<u>\$ (61,530)</u>	<u>\$ 60,928</u>

Comparison of 2011 and 2010

In the years ended December 31, 2011 and 2010, 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 (\$1,028,237) of cash in 2010. 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 \$1,232,328 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 2010 were non-cash charges of \$235,646 for depreciation and amortization, \$7,026,968 for the value of common stock issued for compensation to consultants, \$469,220 for the value of common stock issued for rent, and \$1,163,542 for the value of stock options and warrants issued for compensatory purposes. Our operating assets and liabilities used (\$399,598) of cash, most of which resulted from an increase in inventories of (\$352,911), an increase in prepaid expenses of (\$383,942), and a reduction of accounts payable and accrued expenses of (\$56,012), offset by an increase in accrued payroll of \$340,810.

Investing activities used (\$1,380,684) of cash in 2010, 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 used to construct our mill.

Financing activities supplied \$2,469,849 of cash in 2010 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 2010 when we issued \$2,602,686 of notes.

Six months ended June 30, 2012 and 2011

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

	Six months ended June 30,	
	2011	2012
Net cash provided by (used) in operating activities	\$ (1,046,980)	\$ (1,521,822)
Net cash provided by (used) in investing activities	(515,416)	(72,420)
Net cash provided by (used) in financing activities	1,520,387	1,605,524
Net (decrease) increase in unrestricted cash and cash equivalents	<u>\$ (42,009)</u>	<u>\$ 11,282</u>

Comparison of 2012 and 2011

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

Operating activities used (\$1,521,822) of cash in 2012, as compared to (\$1,046,980) of cash in 2011. Major non-cash items that affected our cash flow from operations in 2012 were non-cash charges of \$240,915 for depreciation and amortization, non-cash debt conversion costs of \$2,056,627, \$1,547,236 for the value of common stock issued for services, and \$1,834,302 for the value of common stock issued for compensation. Other non-cash items include changes in operating assets and liabilities of (\$2,735,289), most of which resulted from a decrease in prepaid expenses of (\$966,451), a decrease in accounts payable of (\$206,854), and an increase in due from related parties of \$1,043,809.

Major non-cash items that affected our cash flow from operations in 2011 were non-cash charges of \$177,927 for depreciation and amortization, and \$3,589,745 for the value of common stock issued for services. Other non-cash items include changes in operating assets and liabilities of \$1,562,251, most of which resulted from a decrease in prepaid expenses of \$680,359 and an increase in accrued payroll of \$697,152, offset by a reduction of (\$76,946) of accounts payable and accrued expenses.

Investing activities used (\$515,416) of cash in 2011, as compared to (\$72,420) of cash in 2012. The decrease in cash used in investing activities was attributable to lower expenditures for equipment and improvements to our mining property.

Financing activities supplied \$1,520,387 of cash in 2011 as compared to \$1,605,524 of cash in 2012. Substantially all of the cash supplied in both years derived from the issuance of notes, net of sums spent to repay notes. In 2011, we issued \$1,520,709 in notes, as compared to 2012 when we issued \$1,760,842 of notes less commissions and original issue discounts of \$131,500.

Liquidity

Our balance sheet as of June 30, 2012 reflects current assets of \$3,720,709, current liabilities of \$1,537,524, and working capital of \$2,183,185.

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 June 30, 2012, we had outstanding \$2,263,506 in notes payable, of which \$638,750 was due within one year of that date. Also, beginning January 1, 2012, we are obligated to make monthly payments of \$83,333 to GoldLand under our lease of its mining interests on War Eagle Mountain. We plan to pay the monthly liability to Goldland by offsetting a receivable that we have from Goldland that was created when we issued shares of our Class A Common Stock to GoldLand employees for compensation on behalf of GoldLand.

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

We are also exploring other options to raise capital that will result in less immediate dilution to shareholders. The amount of capital that we currently have the capacity to raise is not sufficient to pay all of the capital expenses that we need to pay to commence operations, and pay our other liabilities as they come due. However, we have a number of options that we believe will enable us to continue with our business plan despite insufficient capital. For example, we plan to continue payment most of the salaries of our management by issuing shares of Class A Common Stock. We also plan to continue paying certain accounts payable with 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, 2010 and 2009, and have minimal revenues for 2010 and no revenues for 2009. 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.

Changes In and Disagreements with Accountants

During the two fiscal years ended December 31, 2011, 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. In January 2009, we retained W.T. Uniack & Co. CPA's P.C. as our independent auditor. Prior to the retention of W.T. Uniack & Co. CPA's P.C., we had not had an independent auditor since our formation on October 15, 2007.

Directors and Executive Officers

The following table sets forth information regarding the members of our board of directors and our executive officers and other significant employees. All of our officers and directors were appointed on the effective date of the Merger. All of our directors hold office until the next annual meeting of stockholders and their successors are duly elected and qualify. Executive officers serve at the request of the board of directors.

<u>Name</u>	<u>Age</u>	<u>Primary Occupation</u>
Pierre Quilliam	74	Chief Executive Officer of Goldcorp Holdings Co. and Silver Falcon Mining, Inc.
Allan Breikreuz	45	Executive Vice President of Finance of Goldcorp Holdings Co. and Silver Falcon Mining, Inc.
Christian Quilliam	49	Chief Operating Officer of Silver Falcon Mining, Inc.
Denise Quilliam	74	Secretary/Director of Silver Falcon Mining, Inc.
Lewis Georges	59	Vice President of Investments of Davenport & Company, LLC
Thomas Ridenour	51	Chief Financial Officer and Director

Set forth below is a brief description of the background and business experience of each of our current executive officers and directors.

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. In addition to her services as an officer and director, Ms. Quilliam has been an office 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.

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).

Thomas Ridenour has been our Chief Financial Officer since June 2010 and a director since October 16, 2011. 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.

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).

Directors

Our board currently consists of six directors.

All directors hold office for one-year terms until the election and qualification of their successors. Officers are elected by the board of directors and serve at the discretion of the board.

Committees of the Board

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 that is primarily responsible for reviewing and approving our salary and benefits policies (including stock options) and other compensation of our executive officers. We also have an advisory committee which reviews our activities and advises the board on operational matters.

Audit Committee

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.

Nomination Committee

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.

Executive Compensation

The table below summarizes all compensation awarded to, earned by, or paid to each named executive officer for our last two completed fiscal years for all services rendered to us.

Summary Compensation Table

Name and Principal Position	Year	Salary \$ (1)	Bonus \$ (2)	Stock Awards \$ (3)	Option Awards \$ (4)	All Other Compensation \$ (1) (5)	Total \$
Pierre Quilliam, Chairman and CEO	2011	\$ 250,000	\$ 121,013	\$ 316,000	\$ 155,139	\$ 133,667	\$ 975,819
	2010	\$ 125,000	\$ --	\$ 81,900	\$ 116,354	\$ --	\$ 323,254
Denise Quilliam, Secretary and director	2011	\$ 95,000	\$ 45,985	\$ 41,000	\$ 77,569	\$ 69,640	\$ 329,194
	2010	\$ 84,000	\$ --	\$ 11,900	\$ 29,089	\$ --	\$ 124,989
Christian Quilliam, COO and Director	2011	\$ 195,000	\$ 94,390	\$ 216,000	\$ 155,139	\$ 76,535	\$ 737,063
	2010	\$ 145,000	\$ --	\$ 90,175	\$ 174,531	\$ --	\$ 339,831
Thomas C. Ridenour, CFO and Director	2011	\$ 195,000	\$ 98,485	\$ 216,000	\$ 155,139	\$ 130,092	\$ 794,716
	2010	\$ 98,000	\$ --	\$ 390,936	\$ 174,531	\$ --	\$ 663,467

- (1) 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, which was the amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with ASC Topic 718. 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, which was the amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with ASC Topic 718. 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 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. The amount reported for each executive is the amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with ASC Topic 718.
- (3) 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. The amount reported for each executive is the amount recognized for financial statement reporting purposes with respect to the fiscal year in accordance with ASC Topic 718. All shares were granted as deferred compensation subject to a one year vesting requirement.

- (4) 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. The amount reported is the amount recognized for financial statement reporting purposes for each year in accordance with ASC Topic 718.
- (5) In addition to the amounts included in “All Other Compensation” described in paragraph 1 above, “All Other Compensation” 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. The amount reported for each 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 Table

The table below summarizes all unexercised options, stock that has not vested, and equity incentive plan awards for each named executive officer outstanding as of the end of our last completed fiscal year.

75

Name (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	.3,000,000 -- --	-- 10,000,000* --	-- -- --	0.20 0.041 --	10/19/2020 12/30/2021 --	-- -- 7,707,317**	-- -- 385,366	-- -- --	-- -- --	
Denise Quilliam	500,000 -- --	-- 5,000,000* --	-- -- --	0.20 0.041 --	10/19/2020 12/30/2021 --	-- -- 1,000,000**	-- -- 50,000	-- -- --	-- -- --	

Christian Quilliam	3,000,000	--	--	0.20	10/19/2020	--	--	--	--
	--	10,000,000*	--	0.041	12/30/2021	--	--	--	--
	--	--	--	--	--	5,268,293**	263,415	--	--
Thomas C. Ridenour	3,000,000	--	--	0.20	10/19/2020	--	--	--	--
	--	10,000,000*	--	0.041	12/30/2021	--	--	--	--
	--	--	--	--	--	5,268,293**	263,415	--	--

*The options vest one year from the date of issuance, or on December 30, 2012.

**The stock grants vest one year from the date of issuance of the shares, or on December 13, 2012. The market value of the shares is based on a closing price of \$0.05 per share on December 31, 2011.

Compensation of Directors Table

The table below summarizes all compensation paid to our directors for our last completed fiscal year.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Allan Breitreuz (1)	-	30,400	244,327	-	-	136,000	410,727
Lewis Georges (2)	-	35,400	122,163	-	-	-	157,563
David Bommarito (3)	-	15,800	-	-	-	-	15,800
Roger Scammell (4)	-	30,400	122,163	-	-	-	152,563

- (1) Mr. Breitreuz's stock award consists of 741,463 shares of Class A Common Stock valued at \$0.041 per share that were issued as compensation for serving on the board of directors. Mr. Breitreuz's option award consists of options to purchase 10,000,000 shares of Class A Common Stock at \$0.041 per share. The options have a term of 10 years, and are subject to a one year vesting requirement. Mr. Breitreuz's "All other compensation" consists of \$95,000 to which he was entitled under an employment agreement with the Company, of which only \$8,006 was paid in 2011 by the issuance of 61,586 shares of Class A Common Stock. In addition, "All other compensation" includes \$41,000 attributable to 1,000,000 shares of Class A Common Stock issued to Mr. Brietkreuz as deferred compensation and are subject to a one year vesting requirement. The deferred compensation shares were valued at \$0.041 per share, which was the market price on the date of issuance.
- (2) Mr. Georges' stock award consists of 863,414 shares of Class A Common Stock valued at \$0.041 per share that were issued as compensation for serving on the board of directors. Mr. Georges' option award consists of options to purchase 5,000,000 shares of Class A Common Stock at \$0.041 per share. The options have a term of 10 years, and are subject to a one year vesting requirement.
- (3) Mr. Bommarito's stock award consists of 385,366 shares of Class A Common Stock valued at \$0.041 per share that were issued as compensation for serving on the board of directors.
- (4) Mr. Scammell's stock award consists of 741,463 shares of Class A Common Stock valued at \$0.041 per share that were issued as compensation for serving on the board of directors. Mr. Scammell's option award consists of options to purchase 5,000,000 shares of Class A Common Stock at \$0.041 per share. The options have a term of 10 years, and are subject to a one year vesting requirement.
- (5) 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.

We do not have any policy regarding the compensation of directors and have paid no compensation for director services in the last two years.

Employment Agreements with Current Management

Pierre Quilliam. We entered into an employment agreement with Mr. Quilliam on January 1, 2012, which provides as follows:

- ... Mr. Quilliam serves as our chief executive officer.
- ... That Mr. Quilliam is entitled to a base salary of \$325,000 per year;
- ... Mr. Quilliam is entitled to a monthly automobile allowance of \$2,700;

- ... The term of the agreement is one year (or until December 31, 2012), but automatically renews for successive terms equal to the initial term unless it is terminated at least thirty days before any expiration date;
- ... Mr. Quilliam is entitled to health, dental, long term disability and life insurance, to the extent provided to all of our employees pursuant to such plans and programs that we may adopt from time to time; and
- ... Mr. Quilliam's employment is subject to standard provisions requiring that he maintain the confidentiality of our information, and prohibiting his competition with us or soliciting our employees during and after the termination of their employment with us.

Christian Quilliam. We have entered into a one year employment agreement with Christian Quilliam dated January 1, 2012. The terms are identical to our employment agreement with Pierre Quilliam, except that his base salary is \$225,000, he is entitled to an automobile allowance of up to \$2,025 per month, his title is Chief Operating Officer, and he is allowed to perform his services primarily from Ontario, Canada, subject to a requirement to make at least 12 trips per year to the Company's operations in Idaho.

Thomas C. Ridenour. We have entered into a one year employment agreement with Tom Ridenour dated January 1, 2012. The terms are identical to our employment agreement with Pierre Quilliam, except that his base salary is \$225,000, he is entitled to an automobile allowance of up to \$2,025 per month, his title is Chief Financial Officer, and he is allowed to perform his services primarily from Atlanta, Georgia.

Allan Breitkeuz. We entered into a one year employment agreement with Allan Breitkreuz dated January 1, 2012. The terms are identical to our employment agreement with Mr. Quilliam, except that his base salary is \$115,000, his title is Vice President and he does not have an automobile allowance.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information, as of July 29, 2012, 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) Akara Bldg 24 De Castro Street Wickhams Cay British Virgin Islands	75,671,063	11.0%	-	0.0%
Pierre Quilliam (3)(4) 5709 Manatee Avenue West Bradenton, Florida 34209	67,415,739	9.9%	19,500	0.4%
Thomas C. Ridenour (5) 100 North Point Center East Suite 530 Alpharetta, GA 30022	50,789,732	7.5%	-	0.0%
Christian Quilliam (6) 5356 Vail Ct. Mississauga, Ontario Canada L5M 6G9	41,629,832	6.1%	1,746,875	32.6%
Denise Quilliam (3)(7) 5709 Manatee Avenue West Bradenton, Florida 34209	10,222,883	1.5%	3,219,044	60.0%
Allan Breitkreuz (8) 1613 2 nd Ave., RR#3 St-Catharines, Ontario Canada L2R 6P9	5,054,973	0.7%	-	0.0%
Lewis Georges (9) 101 West Main Street Suite 4000 Norfolk, VA 23510	1,885,314	0.3%	-	0.0%
All Officers and Directors as a Group	176,998,473	25.7%	4,985,419	93.0%

- (1) Based upon 675,844,924 shares of Class A Common Stock issued and outstanding as of July 29, 2012, and 5,365,419 shares of Class B Common Stock issued and outstanding as of July 29, 2012.
- (2) New Vision Financial, Ltd.'s shares include 65,960,282 shares of Class A Common Stock owned outright, as well as 5,625,794 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 \$235,000, 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 consists of 64,415,739 shares owned outright, and 3,000,000 shares issuable pursuant to options that are immediately exercisable, have an exercise price of \$0.20 per share and expire October 19, 2020. 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.
- (5) Thomas C. Ridenour's ownership consists of 47,789,732 shares owned outright, and 3,000,000 shares issuable pursuant to options that are immediately exercisable, have an exercise price of \$0.20 per share and expire October 19, 2020. 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.
- (6) Christian Quilliam's ownership consists of 37,323,878 shares owned outright, 1,305,954 shares owned by Q-Prompt, Inc., a corporation owned by Mr. Quilliam, and 3,000,000 shares issuable pursuant to options that are immediately exercisable, have an exercise price of \$0.20 per share and expire October 19, 2020. 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.
- (7) Denise Quilliam's ownership consists of 9,722,883 shares owned outright, and 500,000 shares issuable pursuant to options that are immediately exercisable, have an exercise price of \$0.20 per share and expire October 19, 2020. 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.
- (8) Mr. Breitzkreuz's ownership consists of 2,054,973 shares owned outright, and 3,000,000 shares issuable pursuant to options that are immediately exercisable, have an exercise price of \$0.20 per share and expire October 19, 2020. 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 consists of 880,914 shares owned outright, 4,400 shares owned by a minor child, and 1,000,000 shares issuable pursuant to options that are immediately exercisable, have an exercise price of \$0.20 per share and expire October 19, 2020. 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) All shares of Class B Common Stock are owned outright, and there are no options or warrants to issue Class B Common Stock.

Equity Compensation Plan Information

The following table provides information as of December 31, 2010 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
Equity compensation plans not approved by security holders			
2010 Employee, Consultant and Advisor Stock Compensation Plan	18,459,312	0.118	1,540,688
2011 Stock Option Plan	75,000,000	0.041	--
2011 Employee, Consultant and Advisor Stock Compensation Plan	35,784,902	0.059	4,215,098
Total	145,244,214	--	9,755,786

Disclosure of Commission Position of Indemnification for Securities Act Liabilities

In accordance with the provisions in our certificate of incorporation, we will indemnify an officer, director, or former officer or director, to the full extent permitted by law.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Act") may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by us of expenses incurred or paid by a director, officer or controlling person of us in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of our counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Certain Relationships and Related Transactions

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 the properties. The lease, as amended, provides that lease payments must commence 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. 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 the six months ended June 30, 2012, issued 43,852,978 shares valued at \$1,534,854 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 issued by us was recorded as an amount due to us by Goldland, and will ultimately be applied to amounts that we owe Goldland under the above-described lease. As of June 30, 2012 and December 31, 2011, GoldLand owed us \$1,505,226 and \$452,799 respectively. The amounts are non-interest bearing, unsecured demand loans.

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.

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. As of December 31, 2010, we owed GoldLand \$6,000. The amounts are non-interest bearing, unsecured demand loans.

Pierre Quilliam has made loans to us from time to time. The loans are non-interest bearing, unsecured demand loans. The amount outstanding to Mr. Quilliam at June 30, 2012 and December 31, 2011 was \$50,938 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.

From 2007 to 2011, 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.

During 2010 we issued 698,073 of Class A Common Stock to Q-Prompt, Inc. for computer services valued at \$71,770 in various transactions. During 2009 we issued 773,448 of Class A Common Stock to Q-Prompt, Inc. for computer services valued at \$25,232. Q-Prompt, Inc. is owned by Christian Quilliam, who is the son of Mr. and Ms. Quilliam. In 2010, we issued 1,746,875 shares of Class B Common Stock to Christian Quilliam as a signing bonus when he was hired as our chief operating officer.

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. In 2011, we issued an additional 288,401 shares of Class A Common Stock to Ms. Tutt for mineral claims administration valued at \$26,500. Ms. Tutt is the daughter of Mr. and Ms. Quilliam.

Pierre Quilliam is considered a promoter of our entry into the mining business in Idaho. Mr. Quilliam has not personally received anything of value from us in connection with acting as a promoter except an employment agreement. In addition to his employment agreement with us, Mr. Quilliam will benefit indirectly from our entry into the mining business because it will give us the ability to repay amounts that we owe Mr. Quilliam for expenses he has advanced on our behalf.

Mr. Quilliam will also benefit indirectly by virtue of his employment with, and ownership interest in, GoldLand. In connection with our entry into the mining business, we entered into a lease agreement with GoldLand, under which we are obligated to pay GoldLand lease payments of \$1,000,000 per year payable on a monthly basis, 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 land. Mr. Quilliam and Denise Quilliam, his wife, own approximately 35.5% of the outstanding common stock of GoldLand. Mr. Quilliam has an employment agreement with GoldLand that entitles him to a base salary of \$243,750 per year. We paid Mr. Quilliam's GoldLand salary for 2011 with the issuance of 2,232,143 shares of our Class A Common Stock. Presently, GoldLand's only source of revenue is payments under the lease with us, and therefore Mr. Quilliam's ability to receive payment from GoldLand is dependent on our ability to

make lease payments to GoldLand.

Mr. Quilliam will also benefit to the extent we use the Sinker Tunnel to mine ore, because Bisell is entitled to a royalty on all ore mined using the Sinker Tunnel. Specifically, Bisell owns 50% of a royalty under which we are obligated to pay 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. Bisell acquired its royalty rights in the Sinker Tunnel from Laoshan Group, LLC under an agreement dated July 27, 2007 in consideration for 400,000 shares each of our common stock owned by Bisell.

GoldLand acquired its mining rights on War Eagle Mountain shortly before it leased those rights to us in October 2007.

GoldLand acquired those rights by issuing 45,000,000 of its common shares each to Bisell and New Vision. Mr. Quilliam controls Bisell. Shortly before GoldLand acquired the mining rights from Bisell and New Vision, Bisell and New Vision acquired the mining rights from an unrelated third party by conveying the unrelated party 7,500,000 shares of GoldLand common stock that each owned GoldLand at the time.

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 the 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 one independent director, Lew Georges. 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.

Available Information

We have filed a registration statement on Form S-1 under the Securities Act of 1933 with the Securities and Exchange Commission with respect to the shares of our common stock offered through this prospectus. This prospectus is filed as a part of that registration statement, but does not contain all of the information contained in the registration statement and exhibits. Statements made in the registration statement are summaries of the material terms of the referenced contracts, agreements or documents of the company. We refer you to our registration statement and each exhibit attached to it for a more detailed description of matters involving the company. You may inspect the registration statement, exhibits and schedules filed with the Securities and Exchange Commission at the Commission's principal office in Washington, D.C. Copies of all or any part of the registration statement may be obtained from the Public Reference Section of the Securities and Exchange Commission, 100 F Street, N.E. Washington, D.C. 20549. Please Call the Commission at 1-800-SEC-0330 for further information on the operation of the public reference rooms. The Securities and Exchange Commission also maintains a web site at <http://www.sec.gov> that contains reports, proxy Statements and information regarding registrants that files electronically with the Commission. Our registration statement and the referenced exhibits can also be found on this site.

If we are not required to provide an annual report to our security holders, we intend to still voluntarily do so when otherwise due, and will attach audited financial statements with such report.

Dealer Prospectus Delivery Obligation

Until _____, all dealers that effect transactions in these securities whether or not participating in this offering may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Part II

Information Not Required In the Prospectus

Item 13. Other Expenses Of Issuance And Distribution

The estimated costs of this offering are as follows:

Securities and Exchange Commission registration fee	\$	313
Federal Taxes	\$	-
State Taxes and Fees	\$	-
Listing Fees	\$	-
Printing and Engraving Fees	\$	-
Transfer Agent Fees	\$	-
Accounting fees and expenses	\$	2,000
Legal fees and expenses	\$	5,000
Total	\$	<u>7,313</u>

All amounts are estimates, other than the Commission's registration fee.

We are paying all expenses of the offering listed above. No portion of these expenses will be borne by the selling shareholders. The selling shareholders, however, will pay any other expenses incurred in selling their common stock, including any brokerage commissions or costs of sale.

Item 14. Indemnification of Directors and Officers

Under Article Ten of our Certificate of Incorporation, we are required to indemnify and hold harmless, to the fullest extent permitted by Section 145 of the Delaware General Corporation Law, any and all persons whom it has the power to indemnify under Section 145, which generally includes any person who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she, or a person for whom he or she is the legal representative, is or was a director or officer of ours or, while a director or officer of ours, is or was serving at our request as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys' fees) reasonably incurred by such person. The indemnification provided by our Certificate of Incorporation shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any Bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of such a person.

Article Nine of our Certificate of Incorporation limits the personal liability of our directors to the fullest extent permitted by the provisions of Section 102(b)(7) of the General Corporation Law of the State of Delaware.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to our directors, officers and controlling persons pursuant to the foregoing, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable.

Item 15. Recent Sales of Unregistered Securities

We have issued securities in the following unregistered transactions in the three years prior to the date of this Registration Statement:

Shares Issued in Minex Acquisition: On September 21, 2008, we issued 3,846,154 shares of Class A Common Stock to acquire 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. The shares were valued at \$376,923, which was the market price on the date of the acquisition. The shares were issued pursuant to the "private placement" exemption under Section 4(2) of the Securities Act. The issuances did not involve a public offering of securities, as the shares were not offered or sold by means of any form of general solicitation or general advertising. In our judgment, the recipient had knowledge of our assets, liabilities and business plan, and such information about us as was necessary to make an informed investment decision. A legend was placed on the stock certificates stating that the securities have not been registered under the Securities Act and could not be sold or otherwise transferred without an effective registration or an exemption therefrom.

Shares Issued in Deep Rock, Inc. Acquisition: On January 23, 2009 we issued 7,719,235 shares of Class A Common Stock to purchase 100% of the outstanding common stock of Deep Rock, Inc., an Idaho corporation. The shares were valued at \$355,085, which was the market price on the date of the acquisition. The shares were issued pursuant to the "private placement" exemption under Section 4(2) of the Securities Act. The issuances did not involve a public offering of securities, as the shares were not offered or sold by means of any form of general solicitation or general advertising. In our judgment, the recipient had knowledge of our assets, liabilities and business plan, and such information about us as was necessary to make an informed investment decision. A legend was placed on the stock certificates stating that the securities have not been registered under the Securities Act and could not be sold or otherwise transferred without an effective registration or an exemption therefrom.

Shares Issued for Office Rent: We have issued the following shares of Class A Common Stock to pay rent for our offices:

- ... In 2009, we issued 5,000,000 shares of Class A Common Stock valued at \$282,750 to pay rent due under an office lease in New York.
- ... In 2010, we issued 3,580,000 shares of Class A Common Stock valued at \$469,220 to pay rent due under an office leases in New York and Toronto.
- ... In 2011, we issued 6,000,000 shares of Class A Common Stock valued at \$339,400 to pay rent due under an office leases in New York and Toronto.
- ... From January 1, 2012 to June 30, 2012, we issued 3,480,000 shares of Class A Common Stock valued at \$113,252 to pay rent due under an office leases in New York and Toronto.

The shares were issued pursuant to the "private placement" exemption under Section 4(2) of the Securities Act. The issuances did not involve a public offering of securities, as the shares were not offered or sold by means of any form of general solicitation or general advertising. In our judgment, the recipient had knowledge of our assets, liabilities and business plan, and such information about us as was necessary to make an informed investment decision.

Convertible Note Issuances: In 2007, we commenced an offering of convertible notes (the "7% Convertible Notes") to raise capital. The 7% Convertible 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 7% Convertible Notes. From January 1, 2009 to the present, we have issued 7% Convertible Notes in the following transactions:

- ... In 2009, we issued \$635,000 of 7% Convertible Notes to twelve investors, and issued \$28,000 of 7% Convertible Notes to two investors in renewal of 7% Convertible Notes issued in 2007 that matured in 2009.
- ... In 2010, we issued \$2,522,700 of 7% Convertible Notes to thirty-six investors, and issued \$738,110 of 7% Convertible Notes to ten investors in renewal of 7% Convertible Notes issued in 2008 that matured in 2010.

- ... In 2011, we issued \$2,658,044 of 7% Convertible Notes to 23 investors, and issued \$165,000 of 7% Convertible Notes to six investors in renewal of 7% Convertible Notes issued in 2009 that matured in 2011.
- ... From January 1, 2012 to June 30, 2012, we issued \$879,342 of 7% Convertible Notes to 18 investors, and \$169,000 of 7% Convertible Notes to nine investors in renewal of 7% Convertible Notes issued in 2010 that matured in 2012.

The 7% Convertible Notes were issued pursuant to the "private placement" exemption under Section 4(2) of the Securities Act. The issuances did not involve a public offering of securities, as the securities were not offered or sold by means of any form of general solicitation or general advertising. In our judgment, the recipients had knowledge of our assets, liabilities and business plan, and such information about us as was necessary to make an informed investment decision. A legend was placed on the 7% Convertible Notes stating that the securities have not been registered under the Securities Act and could not be sold or otherwise transferred without an effective registration or an exemption therefrom. As disclosed in "Notes Converted into Class A Common Stock," certain of the 7% Convertible Notes have been converted into Class A Common Stock.

Gold Note Issuances: In 2009, we issued \$202,400 of convertible notes (the "Gold Notes") to an investor. The Gold Notes had a term of two years, and bore interest at 7% per annum payable monthly. Principal and interest due on the Gold Notes was convertible, at the election of the holder, either into (a) common stock at the market price on the date of issuance of the Gold Note, or (b) gold bars that are 99.999% pure at the daily London fix less a discount of \$460 per ounce, provided that the net amount of any amounts which the investor could elect to convert into gold bars could not exceed 30% of the Company's net smelter return in the month. The Gold Notes were issued pursuant to the "private placement" exemption under Section 4(2) of the Securities Act. The issuances did not involve a public offering of securities, as the securities were not offered or sold by means of any form of general solicitation or general advertising. In our judgment, the recipient had knowledge of our assets, liabilities and business plan, and such information about us as was necessary to make an informed investment decision. A legend was placed on the Gold Notes stating that the securities had not been registered under the Securities Act and could not be sold or otherwise transferred without an effective registration or an exemption therefrom. As disclosed in "Notes Converted into Class A Common Stock," the Gold Notes were converted into Class A Common Stock in October 2010.

Notes Converted into Class A Common Stock: We have issued the following shares of Class A Common Stock upon conversion of 7% Convertible Notes or Gold Notes:

- ... In 2009, we issued 2,045,455 shares of Class A Common Stock upon conversion of notes with an aggregate principal amount of \$45,000.
- ... In 2010, we issued 43,641,549 shares of Class A Common Stock upon conversion of notes with an aggregate principal amount of \$2,449,065.
- ... In 2011, we issued 5,898,483 shares of Class A Common Stock upon conversion of notes with an aggregate principal amount of \$492,600, and an additional 135,000 shares of Class A Common Stock in payment of \$12,960 of interest owed on notes.
- ... 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.
- ... From January 1, 2012 to June 30, 2012, we issued 93,262,798 shares of Class A Common Stock upon conversion of notes with an aggregate principal amount of \$3,653,076, and an additional 2,778,567 shares of Class A Common Stock in payment of \$133,335 of interest owed on notes.

The shares were issued pursuant to the "private placement" exemption under Section 4(2) of the Securities Act. The issuances did not involve a public offering of securities, as the shares were not offered or sold by means of any form of general solicitation or general advertising. In our judgment, the recipient had knowledge of our assets, liabilities and business plan, and such information about us as was necessary to make an informed investment decision. A

legend was placed on the stock certificates stating that the securities have not been registered under the Securities Act and could not be sold or otherwise transferred without an effective registration or an exemption therefrom.

Shares Issued for Consulting Services: We have issued shares for consulting services in the following transactions:

- ... In 2009, we issued 56,786,923 shares of Class A Common Stock to various vendors for consulting services valued at \$1,974,096.
- ... In 2010, we issued 61,898,727 shares of Class A Common Stock to various vendors for consulting services valued at \$6,957,093 (of which 8,542,674 shares with a value of \$1,079,967 were registered on Form S-8), and 1,746,875 shares of Class B Common Stock to one officer for consulting services valued at \$69,875.
- ... In 2011, we issued 54,245,586 shares of Class A Common Stock to various vendors for consulting services valued at \$5,643,059.
- ... From January 1, 2012 to June 30, 2012, we issued 50,943,146 shares of Class A Common Stock to various vendors for consulting services valued at \$1,547,236.

All shares issued for consulting services were valued at the market price on the date of the issuance. Prior to October 16, 2009, the shares were originally issued in the belief that the issuance was exempt under Rule 701. We have since learned that many of the shares issued for services would not qualify for Rule 701, because for example we had exceeded the volume limitations in Rule 701 or issued the shares to persons other than natural persons. Accordingly, we alternatively claim the "private placement" exemption under Section 4(2) of the Securities Act for all of the shares issued for services. After October 16, 2009, we relied upon the "private placement" exemption under Section 4(2) of the Securities Act for all of the shares issued for services. The issuances did not involve a public offering of securities, as the shares were not offered or sold by means of any form of general solicitation or general advertising. In our judgment, the recipients had knowledge of our assets, liabilities and business plan, and such information about us as was necessary to make an informed investment decision.

Shares Issued to Settle Potential Litigation Claim: In June 2008, we issued 3,500,000 shares of Class A Common Stock to HEM Mutual Assurance, LLC to settle a legal claim against us and Mr. Quilliam arising out of its investment in Dicut, Inc., our former corporate parent. While we believed we had good defenses to any suit, we determined that the cost of defending any claim would exceed the cost of the settlement. The shares were valued at \$81,700, which was the market price on the date of the issuance. The shares were originally issued in the belief that the issuance was exempt under Rule 701. We have since learned that the issuance of the shares would not qualify for Rule 701, because for example we had exceeded the volume limitations in Rule 701 and the recipient was not a natural person. Accordingly, we alternatively claim the "private placement" exemption under Section 4(2) of the Securities Act for all of the shares issued for services. The issuances did not involve a public offering of securities, as the shares were not offered or sold by means of any form of general solicitation or general advertising. In our judgment, the recipient had knowledge of our assets, liabilities and business plan, and such information about us as was necessary to make an informed investment decision.

Iliad Transactions: On March 30, 2012, we issued Iliad Research and Trading, LP ("Iliad") a convertible promissory note in the original principal amount of \$566,500. On June 4, 2012, we issued Iliad a warrant to purchase 16,666,667 shares of Class A Common Stock at \$0.03 per share. The securities were issued pursuant to the "private placement" exemption under Section 4(2) of the Securities Act. The issuances did not involve a public offering of securities, as the securities were not offered or sold by means of any form of general solicitation or general advertising. In our judgment, the recipient had knowledge of our assets, liabilities and business plan, and such information about us as was necessary to make an informed investment decision. A legend was placed on the securities stating that the securities have not been registered under the Securities Act and could not be sold or otherwise transferred without an effective registration or an exemption therefrom.

JMJ Transactions: On June 4, 2012, we issued MJM Financial ("MJM") a convertible promissory note in the original principal amount of \$315,000, and a warrant to purchase 10,000,000 shares of Class A Common Stock at \$0.03 per share. On July 12, 2012, we issued MJM a convertible promissory note in the original principal amount of \$525,000, and a warrant to purchase 16,666,667 shares of Class A Common Stock at \$0.03 per share. The securities were issued pursuant to the "private placement" exemption under Section 4(2) of the Securities Act. The issuances did not involve a public offering of securities, as the securities were not offered or sold by means of any form of general solicitation or general advertising. In our judgment, the recipient had knowledge of our assets, liabilities and business plan, and such information about us as was necessary to make an informed investment decision. A legend was placed on the securities stating that the securities have not been registered under the Securities Act and could not be sold or otherwise transferred without an effective registration or an

exemption therefrom.

Shares issued in Miscellaneous Transactions: We have issued shares of Class A Common Stock in the following miscellaneous transactions:

- ... In 2009, we issued 435,000 shares valued at \$13,049 as consideration for a road easement to our property near War Eagle Mountain, Idaho.
- ... In 2010, we issued 3,000,000 shares to one investor for cash proceeds of \$75,000.
- ... In 2010, we issued 3,687,469 shares valued at \$377,165 to a company to acquire mining equipment.
- ... In 2011, we issued 245,045 shares of Class A Common Stock valued at \$24,826 to a vendor for the purchase of equipment.
- ... In 2010, we issued 1,250,000 shares valued at \$50,000 to one investor to pay interest on 7% Convertible Notes held by the investor.
- ... In 2011, we issued a total of 57,782,245 shares of Class A Common Stock valued at \$3,267,346 in payment of compensation owed to various officers and employees for 2011 and prior years.
- ... In January 2012, we issued 2,000,000 shares of Class A Common Stock for \$65,667 of cash under an equity line of credit.
- ... From January 1, 2012 to June 30, 2012, we issued 52,408,636 shares of Class A Common Stock valued at \$1,834,302 to pay compensation for 2012 owed to various officers and employees.
- ... In October 2011, we issued 8,969,857 shares valued at \$502,312 to various officers of Goldland Holdings, Co. (who are also our officers) to pay accrued compensation owed to them by Goldland Holdings, Co. The value of the shares was recorded as a receivable from Goldland, and will be applied to amounts that we owe Goldland Holdings, Co. under a lease of mineral rights.
- ... From January 1, 2012 to June 30, 2012, we issued 52,408,636 shares of Class A Common Stock valued at \$1,834,302 to pay compensation for 2012 owed to various officers and employees.
- ... From January 1, 2012 to June 30, 2012, we issued 43,852,978 shares of Class A Common Stock valued at \$1,534,854 in payment of compensation owed to GoldLand officers for 2012 (who are also our officers). The value of the shares was recorded as a receivable from Goldland, and will be applied to amounts that we owe Goldland Holdings, Co. under a lease of mineral rights.

The shares were issued pursuant to the "private placement" exemption under Section 4(2) of the Securities Act. The issuances did not involve a public offering of securities, as the shares were not offered or sold by means of any form of general solicitation or general advertising. In our judgment, the recipient had knowledge of our assets, liabilities and business plan, and such information about us as was necessary to make an informed investment decision. A legend was placed on the stock certificates stating that the securities have not been registered under the Securities Act and could not be sold or otherwise transferred without an effective registration or an exemption therefrom.

Item 16. Exhibits

Exhibit 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 (1)
3.1	Certificate of Incorporation of Silver Falcon Mining, Inc., a Delaware corporation, dated October 11, 2007 (1)
3.2	Certificate of Amendment of Certificate of Incorporation dated October 15, 2007 (1)
3.3	By-Laws (1)
4.1	Form of Class A Common Stock certificate (1)
4.2	Form of Convertible Promissory Note (1)
5*	Opinion re Legality of Investment Law Group of Gillett, Mottern & Walker, LLP
10.1	Employment Agreement of Pierre Quilliam dated January 1, 2012 (2)
10.2	Employment Agreement of Denise Quilliam dated January 1, 2012 (2)
10.3	Employment Agreement of Thomas C. Ridenour dated January 1, 2012 (2)
10.4	Employment Agreement of Allan Breikreuz dated January 1, 2012 (2)
10.5	Employment Agreement of Pascale Tutt dated January 1, 2012 (3)
10.6	Lease Agreement between GoldLand Holdings Co. and Silver Falcon Mining, Inc., dated October 11, 2007 (1)
10.7	Amendment to Lease between GoldLand Holdings Co. and Silver Falcon Mining, Inc., dated January 21, 2011 (4)
10.8	Amendment to Amendment to Lease dated March 24, 2011 (5)
10.9	Asset Purchase Agreement dated September 20, 2008 by and between Silver Falcon Mining, Inc. and Mineral Extraction Company (6)
10.10	Share Purchase Agreement dated January 22, 2009 by and between Deep Rock, Inc., William Martens and Silver Falcon Mining, Inc. (6)
10.11	Form of Consulting Contract (6)
10.12	Real Estate Purchase and Sale Agreement dated November 30, 2010 (7)
10.13	Promissory Note payable to Joyce Livestock Company Limited (7)
10.14	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 (7)
10.15	2010 Employee, Consultant and Advisor Stock Compensation Plan (8)
10.16	Form on Stock Payment Agreement (8)

- 10.17 2010 Stock Option Plan (8)
- 10.18 Form of Stock Option Agreement (8)
- 10.19 Investment Agreement with Centurion Private Equity, LLC dated April 5, 2011 (9)
- 10.20 Registration Rights Agreement with Centurion Private Equity, LLC dated April 5, 2011 (9)
- 10.21 Securities Purchase Agreement dated March 30, 2012 by and between the Registrant and Iliad Research and Trading, LP (10)
- 10.22 Promissory Note payable to Iliad Research and Trading, LP dated March 30, 2012 (10)
- 10.23 Transfer Agent Instructions dated March 30, 2012 (10)
- 10.24 Securities Purchase Agreement dated June 4, 2012 by and between the Registrant and JMJ Financial (11)
- 10.25 Representations and Warranties Agreement dated June 4, 2012 by and between the Registrant and JMJ Financial (11)
- 10.26 Secured Convertible Promissory Note dated June 4, 2012 by and between the Registrant and JMJ Financial (11)
- 10.27 Additional Default Provisions dated June 4, 2012 by and between the Registrant and JMJ Financial (11)
- 10.28 Common Stock Purchase Warrant dated June 4, 2012 by and between the Registrant and JMJ Financial (11)
- 10.29 Common Stock Purchase Warrant dated June 4, 2012 by and between the Registrant and Iliad Research and Trading, LP (11)
- 10.30 2012 Employee, Consultant and Advisor Stock Compensation Plan (12)
- 10.31 2011 Stock Option Plan (12)
- 10.32 Securities Purchase Agreement dated July 12, 2012 by and between the Registrant and JMJ Financial (13)
- 10.33 Representations and Warranties Agreement dated July 12, 2012 by and between the Registrant and JMJ Financial (13)
- 10.34 Secured Convertible Promissory Note dated July 12, 2012 by and between the Registrant and JMJ Financial (13)
- 10.35 Additional Default Provisions dated July 12, 2012 by and between the Registrant and JMJ Financial (13)
- 10.36 Common Stock Purchase Warrant dated July 12, 2012 by and between the Registrant and JMJ Financial (13)
- 10.37 Registration Rights Agreement dated July 12, 2012 by and between the Registrant and JMJ Financial (13)

23.1* Consent of W.T. Uniack & Co. CPA's P.C.

23.2* Consent of Investment Law Group of Gillett, Mottern & Walker, LLP (included in Exhibit 5)

- (1) Incorporated by reference to the Form 10 Registration Statement filed August 17, 2009.
- (2) Incorporated by reference to the Form 10-K for the period ending December 31, 2011.
- (3) Incorporated by reference to Form 10-Q for the period ending March 31, 2012.
- (4) Incorporated by reference to the Form 8-K filed January 26, 2011.
- (5) Incorporated by referenced to the Form 10-K/A for the period ending December 31, 2010 filed November 30, 2011.
- (6) Incorporated by reference to the Form 10/A Registration Statement filed November 3, 2009.
- (7) Incorporated by reference to the Form 8-K filed January 27, 2010.
- (8) Incorporated by reference to Registration Statement on Form S-8 filed November 16, 2010.
- (9) Incorporated by reference to the Form 8-K filed April 11, 2011.
- (10) Incorporated by reference to the Form 8-K filed on April 10, 2012.
- (11) Incorporated by reference to the Form 8-K filed on June 8, 2012.
- (12) Incorporated by reference to the Registration Statement on Form S-8 filed on July 9, 2012.
- (13) Incorporated by reference to the Form 8-K filed on July 18, 2012.

* Filed herewith

Item 17. Undertakings

The undersigned registrant hereby undertakes:

(a) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(b) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) (§230.424(b) of this chapter) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement. ; and

(c) to include any material information with respect to the plan of distribution not previously disclosed in this registration statement or any material change to such information in the registration statement.

2. That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

3. To remove from registration by means of a post-effective amendment any of the securities being registered hereby which remain unsold at the termination of the offering.

4. That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A (§230.430A of this chapter), shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. *Provided, however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

5. That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities:

The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424 (§230.424 of this chapter);

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to our directors, officers and controlling persons pursuant to the provisions above, or otherwise, we been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933, and is, therefore, unenforceable.

In the event that a claim for indemnification against such liabilities, other than the payment by us of expenses incurred or paid by one of our directors, officers, or controlling persons in the successful defense of any action, suit or proceeding, is asserted by one of our directors, officers, or controlling persons in connection with the securities being registered, we will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification is against public policy as expressed in the Securities Act of 1933, and we will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Bradenton, State of Florida, on August 15, 2012.

SILVER FALCON MINING, INC.

By: /s/ Pierre Quilliam
 Pierre Quilliam
 President, Chief Executive Officer, and Chairman
 August 15, 2012

In accordance with the requirements of the Securities Act of 1933, this registration statement was signed by the following persons in the capacities and on the dates stated:

Dated: August 15, 2012	<i>/s/ Pierre Quilliam</i> Pierre Quilliam, Chairman and Chief Executive Officer (Principal Executive Officer)
Dated: August 15, 2012	<i>/s/ Lewis Georges</i> Lewis Georges, Director
Dated: August 15, 2012	<i>/s/ Denise Quilliam</i> Denise Quilliam, Director and Secretary
Dated: August 15, 2012	<i>/s/ Christian Quilliam</i> Christian Quilliam, Chief Operating Officer and Director
Dated: August 15, 2012	<i>/s/ Allan Breikreuz</i> Allan Breikreuz, Vice President and Director
Dated: August 15, 2012	<i>/s/ Thomas Ridenour</i> Thomas Ridenour, Director and Chief Financial Officer (Principal Financial and Accounting Officer)

