

Form 10-Q/A

(Amendment No.1 to Form 10-Q)

(Mark One)

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

For the quarterly period ended March 31, 2014

or

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

For the transition period from _____ to _____

Commission file number 000-53765

SILVER FALCON MINING, INC.

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

DELAWARE

26-1266967

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

1001 3rd Ave., W., Bradenton, Florida 34205
(Address of principal executive offices)

(941) 761-7819

(Issuer's telephone number, including area code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

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

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

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 3,437,943,817 and 33,253,180 shares of Class A Common Stock and Class B Common Stock, respectively, as of May 14, 2014.

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

SILVER FALCON MINING, INC.
(AN EXPLORATION STAGE COMPANY)
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SILVER FALCON MINING, INC.
 (AN EXPLORATION STAGE COMPANY)
 CONSOLIDATED BALANCE SHEET
 MARCH 31, 2014 AND DECEMBER 31, 2013

	MARCH 31, 2014	DECEMBER 31, 2013
	(UNAUDITED)	(AUDITED)
ASSETS		
Cash	\$ 2,667	\$ 2,465
Inventories, work in process	2,538,929	2,538,929
Due from related parties, net of amounts due to related parties	-	32,647
Total current assets	2,541,596	2,574,041
Mill equipment, net of accumulated depreciation of \$1,625,832 and \$1,534,658, respectively (see Note 4)	528,100	619,274
Properties	2,851,095	2,851,095
Prepaid expenses (see Note 5)	-	194,250
Other assets	8,900	13,900
Total Assets	\$ 5,929,691	\$ 6,252,560
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Accounts payable	\$ 1,041,500	\$ 1,031,154
Payroll liabilities	277,929	282,540
Due to related parties	102,254	-
Accrued interest	73,897	81,197
Notes payable - current portion (see Note 3)	1,749,579	2,157,070
Total current liabilities	3,245,159	3,551,961
Notes payable (see Note 3)	20,339	20,095
Total liabilities	3,265,498	3,572,056
STOCKHOLDERS' DEFICIT		
Common stock, Class A, par value \$0.0001, 10,000,000,000 shares authorized, 3,437,943,817 and 2,764,005,816, issued and outstanding, respectively	343,795	276,401
Common stock, Class B, par value \$0.0001, 250,000,000 shares authorized, 33,253,180 and 33,253,180 issued and outstanding, respectively	3,325	3,325
Additional paid in capital	55,733,866	54,440,247
Accumulated deficit	(53,416,793)	(52,039,469)
Total liabilities and stockholders' deficit	\$ 5,929,691	\$ 6,252,560

See accompanying notes to financial statements.

SILVER FALCON MINING, INC.
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013,
AND THE PERIOD FROM OCTOBER 15, 2007 (INCEPTION) TO MARCH 31, 2014
(UNAUDITED)

	2014	2013	Cumulative from Inception
Revenue	\$ 10,440	\$ -	\$ 373,843
Expenses			
Consulting fees	\$ 273,500	\$ 320,419	\$ 18,362,758
Exploration and improvement	17,655	69,352	2,608,377
Mill operating expenses	45,765	137,127	2,502,341
Property lease fees	-	250,000	2,250,000
Compensation expense	4,584	119,446	2,857,325
Stock compensation expense	357,032	428,129	12,584,428
Depreciation expense	91,174	105,000	1,625,832
General and administrative	311,294	236,351	5,700,966
	1,101,004	1,665,824	48,492,027
Loss from operations	(1,090,564)	(1,665,824)	(48,118,184)
		(271,058)	(1,881,686)
Interest expense	(36,941)		
Debt conversion expense	(249,819)	(91,271)	(3,416,923)
Net Loss	<u>\$ (1,377,324)</u>	<u>\$ (2,028,153)</u>	<u>\$ 53,416,793)</u>
Net loss per common share - basic and diluted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (0.10)</u>
Weighted average number of common shares outstanding – basic and diluted	<u>3,077,127,829</u>	<u>882,810,371</u>	<u>512,716,702</u>

See accompanying notes to financial statements.

SILVER FALCON MINING, INC.
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013,
AND THE PERIOD FROM OCTOBER 15, 2007 (INCEPTION) TO MARCH 31, 2014
(UNAUDITED)

	2014	2013	Cumulative from Inception
Cash flows from operating activities			
Net Loss	\$ (1,377,324)	\$ (2,028,153)	\$ 53,416,793)
Adjustments to reconcile net loss to net cash used in operating activities:			
Issuance of common stock for consulting services	287,064	367,111	22,530,570
Issuance of common stock for compensation	357,032	1,100,061	8,739,051
Issuance of common stock for related party	-	294,000	1,951,979
Issuance of common stock for road access	-	-	13,050
Issuance of common stock for interest	382	7,697	224,374
Issuance of common stock for rent	-	-	1,315,730
Issuance of common stock for expenses	-	-	418,628
Debt conversion expense	249,819	91,271	3,416,923
Options granted	-	-	3,845,375
Increase (decrease) in operating assets and liabilities:			
Depreciation	91,174	105,000	1,625,832
Amortization	25,371	88,813	575,286
Inventories, work in process	-	-	(2,618,655)
Prepaid expenses	194,250	(640,849)	-
Due from related party	134,901	119,468	102,254
Other assets	5,000	66,829	75,826
Accounts payable and accrued expenses	10,346	(8,496)	1,351,805
Accrued interest	6,459	164,024	514,705
Accrued payroll and payroll liabilities	(4,611)	46,718	1,772,850
Net cash used in operating activities	(20,137)	(226,506)	(7,561,210)
Cash flows from investing activities			
Purchase of equipment	-	(34,556)	(2,129,106)
	-	(7,820)	(2,097,007)
Purchase of mill and mining properties			
Cash acquired in acquisition	-	-	39,780
Net cash used in investing activities	-	(42,376)	(4,186,333)

SILVER FALCON MINING, INC.
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013,
AND THE PERIOD FROM OCTOBER 15, 2007 (INCEPTION) TO MARCH 31, 2014
(UNAUDITED)
(continued)

	2014	2013	Cumulative from Inception
Cash flows from financing activities			
Proceeds from notes payable	20,339	301,741	11,929,831
Proceeds from sale of common stock	-	-	170,667
Purchase of common stock	-	-	(63,000)
Repayments of notes payable	-	(36,000)	(287,288)
Proceeds from Directors loans	-	-	338,113
Repayments of Directors loans	-	-	(338,113)
Net cash provided by financing activities	20,339	265,741	11,750,210
 Net increase in cash	 202	 (3,141)	 2,667
 Cash - beginning of period	 2,465	 3,141	 -
Cash - end of period	\$ 2,667	\$ -	\$ 2,667
SUPPLEMENTARY DISCLOSURE OF NONCASH TRANSACTIONS			Cumulative from Inception
	2014	2013	
Shares issued for notes payable conversions	466,716	353,979	10,451,481
Shares issued for accrued compensation	-	-	1,494,921
Shares issued for rent	-	-	453,600
Shares issued for expenses	-	-	418,628
Shares issued for interest	382	7,697	224,374
Shares issued for related party	-	294,000	1,951,979
Shares issued for acquisition	-	-	355,085
Shares issued for purchase mining properties	-	-	754,089
Shares issued for compensation	357,032	1,100,061	8,739,051

See accompanying notes to financial statements

SILVER FALCON MINING, INC.
(AN EXPLORATION STAGE COMPANY)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE THREE MONTHS ENDED MARCH 31, 2014
(UNAUDITED)

	COMMON STOCK		COMMON STOCK		ADDITIONAL	ACCUMULATED	TOTAL
	SERIES A SHARES	AMOUNT	SERIES B SHARES	AMOUNT	PAID IN CAPITAL	DEFICIT	
Balance as of December 31, 2013	2,764,005,816	\$ 276,401	33,253,180	\$ 3,325	\$ 54,440,247	\$ (52,039,469)	\$ 2,680,504
Issuance of common stock for services	150,393,112	15,039	-	-	272,025	-	287,064
Issuance of common stock for related party	-	-	-	-	-	-	-
Issuance of common stock for interest	191,132	19	-	-	363	-	382
Issuance of common stock for notes payable conversions	332,187,862	33,219	-	-	433,497	-	466,716
Issuance of common stock for compensation	191,165,895	19,117	-	-	337,915	-	357,032
Conversion of Class A to Class B common stock	-	-	-	-	-	-	-
Beneficial conversion and debt issue costs	-	-	-	-	249,819	-	249,819
Net loss	-	-	-	-	-	(1,377,324)	(1,377,324)
Balance as of March 31, 2014	3,437,943,817	\$ 343,795	33,253,180	\$ 3,325	\$ 55,733,866	\$ (53,416,793)	\$ 2,664,193

See accompanying notes to financial statements.

SILVER FALCON MINING, INC.
(AN EXPLORATION STAGE COMPANY)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2014 AND 2013
(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 minerals are mined from the leased premises, and a royalty of 15% of all amounts we receive from the processing of minerals mined from tailing piles on the premises or through shafts or adits located on the premises. The lease provides that lease payments must commence April 1, 2008, but by agreement with GoldLand we extended the commencement date to July 1, 2010. On the first quarter of 2011, we amended the above-described lease with GoldLand. The amendment provided that the annual lease payments would be deferred for a fifteen month period from October 2010 to December 2011, and the term of the Lease would be extended for an equal amount of time. In the first quarter of 2014, we amended the above-described lease with GoldLand. The amendment provided that the annual lease payments would be deferred for a two year period commencing January 1, 2014, 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 the refiner pay us for the metals derived from our shipments 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 has been received.

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 minerals are in processing (stockpiled minerals, work in process and finished goods).

Stockpiled minerals inventory represents minerals that have 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 mineral 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 minerals, 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.

The Company categorizes all of its inventory as work in process. The Company processes its inventory into dore bars which it ships to a refiner for final processing, and therefore it never holds finished goods.

At the present time, our inventories consist of the historical cost of transporting raw minerals 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 a mineral 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 operation, and ends when the operation stage, or exploitation of reserves, begins. Expenditures incurred during the development and operation 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 a mineral body for processing in a specific block, stope or work area, providing a relatively short-lived benefit only to the mine area they relate to, and not to the mineral 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 Reserves

At least annually, management reviews the reserves used to estimate the quantities and grades of minerals at our mines which we believe can be recovered and sold economically. Management's calculations of proven and probable mineral 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 processing costs and/or metals prices change. A significant drop in metals prices may reduce reserves by making some portion of such minerals uneconomic to produce. Changes in reserves may also reflect that actual grades of minerals 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 experience. It is reasonably possible that certain of our estimates of proven and probable mineral 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 processing or capital costs, reduction in the grade or tonnage of the deposit or an increase in the dilution of the minerals or reduced recovery rates may render mineral 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 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 depreciation rates. Our estimates of proven and probable mineral 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), processing levels, operating costs 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 mineral 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, processing levels, operating costs 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 March 31, 2014.

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, processing levels, operating costs 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.

NOTE 3 – NOTES PAYABLE

7% Two Year Notes

As of March 31, 2014, we had outstanding \$864,949 of two-year promissory notes that we have issued to various investors starting in 2012. Interest accrues on the notes at the rate of 7% per year, and is payable monthly. Principal and interest due on the notes is convertible into shares of Class A Common Stock at the election of the holder at conversion prices ranging from \$0.0012 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 April 12, 2014 to March 30, 2016. During the three months ended March 31, 2014, we issued \$20,339 of new notes.

During the three months ended March 31, 2014, we issued 221,875,064 shares of our Class A Common Stock upon conversion of notes payable with an aggregate principal amount of \$294,600. 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 \$249,819 and a corresponding increase to paid in capital.

The maturities of 7% notes payable are as follows:

2014	\$	464,932
2015		349,678
2016		50,339
Total		864,949
Less current maturities		(844,610)
Long term debt	\$	<u>20,339</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 March 31, 2014 was \$157,485. We are in default on the payment due January 1, 2014.

Iliad Research & Trading, LP Convertible Note

On March 30, 2012 we issued a convertible promissory note to Iliad Research & Trading, LP (“Iliad”) in the original principal amount of \$566,500. Our net proceeds were \$500,000, after deducting original issue discount of \$51,500 and attorney’s fees and costs of the investor of \$15,000. The note bears interest at 8% per annum, and is payable in twelve monthly installments beginning on October 1, 2012 and continuing for each of the next eleven calendar months. Each monthly payment will be equal to \$47,208.33, plus any accrued and unpaid interest as of the installment date. Any installment payment may be either cash or shares of common stock, at our election, except that we may not pay less than six of the twelve installments in shares of common stock. Also, of the first six installment payments not less than three must be in shares of common stock, and of the last six installment payments not less than three must be in shares of common stock. If we make an installment payment in cash that we are required to make in shares of common stock, then we will be required to pay a 25% penalty on the amount of the installment payment. The note is convertible into shares of Class A Common Stock at \$0.04 per share, subject to adjustment downward under certain circumstances defined in the note. During the three months ended March 31, 2014, we issued 65,312,798 shares of our Class A Common Stock in payment of principal and interest of \$63,857 and \$4,525, respectively. As of March 31, 2014, the outstanding balance of the note was \$53,328.

JMJ Financial Convertible Note

In November 2013, we reached a settlement of the litigation with MJJ. Under the settlement, we agreed to a schedule under which the case was dismissed and MJJ’s existing indebtedness was satisfied by the issuance of a new note, and MJJ agreed to loan us an additional \$100,000. As of December 31, 2013, we were indebted to MJJ under two notes issued pursuant to the settlement as follows:

- A note for \$759,640 to evidence our prior obligations to JMJ. The new note bears a one-time interest charge of 12%, and is convertible into shares of common stock at such prices that JMJ and us agree from time to time. In addition, the new note provides that JMJ is prohibited from shorting our Class A Common Stock. We agreed to issue JMJ sufficient shares of Class A Common Stock in conversion of note to enable it to sell shares worth \$1,500 per day through April 15, 2014. We are obligated to pay the balance of the note as of April 15, 2014 in cash in fourteen equal monthly payments due on the first day of each calendar month. Any remaining balance on the note is due on May 15, 2015.
- The note for \$111,000, which reflects the \$100,000 loaned plus 9.9% interest thereon. The note is convertible into common stock at a conversion equal to the lesser of \$0.005 per share or 70% of the lowest trading price in the 25 trading days previous to the conversion, provided that if the shares are not delivered by DWAC then an additional 10% discount will apply, and if the shares are not eligible for deposit into the DTC system, then an additional 5% discount shall apply. The \$111,000 note further prohibits JMJ from shorting our common stock, and provides that if we enter into financing on more favorable terms than are evidenced by the \$111,000 note, then the \$111,000 note shall be repayable on such more favorable terms at JMJ's option. As part of the settlement, Mr. Quilliam entered into a limited personal guarantee under which he guaranteed our obligation to issue shares on conversion of the \$111,000 note, as well as any penalties that we have to pay in the event we do not promptly honor a conversion request. Mr. Quilliam's personal guarantee terminates in the event he ceases to be an officer or director or 5% shareholder prior to an event of default occurring under the \$111,000 note.

During the three months ended March 31, 2014, we issued 45,000,000 shares of our Class A Common Stock in payment of principal of \$94,500. As of March 31, 2014, the outstanding balance of the notes was \$848,286.

NOTE 4 – MILL EQUIPMENT

The following table summarizes the Company's equipment as of March 31, 2014.

Mill equipment	\$ 1,976,615
Vehicles	177,317
Accumulated depreciation	(1,625,832)
Net	<u><u>\$ 528,100</u></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. In the first quarter of 2014 the lease was terminated. We expensed the balance of \$194,250 in March 2014.

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 minerals are mined from the leased premises, and a royalty of 15% of all amounts we receive from the processing of minerals mined from the properties. In the first quarter of 2014, we amended the above-described lease with GoldLand. The amendment provided that the annual lease payments would be deferred for a two year period commencing January 1, 2014, and the term of the Lease would be extended for an equal amount of time. The lease, as most recently amended, expires on October 1, 2028, 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.

As of March 31, 2014 and December 31, 2013, Goldland owed us \$325,322 and \$397,512 respectively. The amounts are non-interest bearing, unsecured demand loans.

Pierre Quilliam, our chairman and chief executive officer, 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 March 31, 2014 and December 31, 2013 was \$76,507 and \$0, respectively. The loans represent amounts paid by Mr. Quilliam on our behalf for expenses relating to various mill operating costs. In addition, we owe Bisell Investments of Florida, Inc. \$351,069. Mr. Quilliam is President of Bisell Investments of Florida, Inc.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

On October 11, 2007, we entered into a lease agreement with GoldLand, under which we leased its mineral rights on War Eagle Mountain. Under the lease, we are responsible for all mining activities on War Eagle Mountain, and we are obligated to pay GoldLand annual lease payments of \$1,000,000, payable on a monthly basis, a monthly non-accountable expense reimbursement of \$10,000 during any month in which minerals are mined from the leased premises, and a royalty of 15% of all amounts we receive from the processing of minerals mined from tailing piles on the premises or through shafts or adits located on the premises. In the first quarter of 2014, we amended the above-described lease with GoldLand. The amendment provided that the annual lease payments would be deferred for a two year period commencing January 1, 2014, and the term of the Lease would be extended for an equal amount of time. The lease, as most recently amended, 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 June 4, 2012, we issued a convertible promissory note to JMJ in the original principal amount of \$315,000 (the "June Note"). On July 12, 2012, we issued a convertible promissory note to JMJ in the original principal amount of \$525,000 (the "July Note" and with the June Note, the "Notes"). The Notes are convertible into Class A Common Stock at a conversion price equal to 80% of the three lowest daily average trading prices of the Common Stock during the 15 trading days preceding the conversion. On November 30, 2012, JMJ submitted a conversion request for \$54,079.20 of indebtedness under the June Note, which by JMJ's calculations would have required us to issue JMJ 3,000,000 shares of Class A Common Stock. On December 12, 2012, JMJ submitted another conversion request for \$52,360 of indebtedness under the June Note, which by JMJ's calculations would have required us to issue JMJ 3,500,000 shares of Class A Common Stock. We did not honor either conversion request because of our belief that JMJ was impermissibly shorting our Class A Common Stock, and was improperly manipulating the market price of our Class A Common Stock. On December 21, 2012, JMJ filed a lawsuit against us and Pierre Quilliam, our chief executive officer. The lawsuit sought a judgment against us for all amounts due under both Notes. The lawsuit also sought a judgment against Mr. Quilliam for amounts due under both Notes on the theory of fraudulent inducement and/or fraudulent misrepresentation.

On December 13, 2013, we entered into a settlement agreement with JMJ, and the case was dismissed. Under the settlement, we issued JMJ a new note for \$759,640 to evidence our existing obligations to JMJ. The new note bears a one-time interest charge of 12%, and is convertible into shares of Class A Common Stock at such prices that JMJ and us agree from time to time. In addition, the new note provides that JMJ is prohibited from shorting our Class A Common Stock. We agreed to issue JMJ sufficient shares of Class A Common Stock in conversion of note to enable it to sell shares worth \$1,500 per day through April 15, 2014. We are obligated to pay the balance of the note as of April 15, 2014 in cash in fourteen equal monthly payments due on the first day of each calendar month. Any remaining balance on the note is due on May 15, 2015.

In addition, JMJ agreed to loan us an additional \$100,000. The additional loan is evidenced by an additional note for the principal amount of \$111,000, which reflects the \$100,000 loaned plus 9.9% interest thereon. The note is convertible into Class A Common Stock at a conversion equal to the lesser of \$0.005 per share or 70% of the lowest trading price in the 25 trading days previous to the conversion, provided that if the shares are not delivered by DWAC then an additional 10% discount will apply, and if the shares are not eligible for deposit into the DTC system, then an additional 5% discount shall apply. The \$111,000 note further prohibits JMJ from shorting our Class A Common Stock, and provides that if we enter into financing on more favorable terms than are evidenced by the \$111,000 note, then the \$111,000 note shall be repayable on such more favorable terms at JMJ's option.

As part of the settlement, Mr. Quilliam entered into a limited personal guarantee under which he guaranteed our obligation to issue shares on conversion of the \$111,000 note, as well as any penalties that we have to pay in the event we do not promptly honor a conversion request. Mr. Quilliam's personal guarantee terminates in the event he ceases to be an officer or director or 5% shareholder prior to an event of default occurring under the \$111,000 note.

In July 2012, we filed a lawsuit against Earll Excavations, Inc. ("EEI") and William Earll ("Earll") in Owyhee County, Idaho seeking damages of \$2,000,000. In the lawsuit, we contend that EEI failed to complete improvements to the Sinker Tunnel and construction of our metallurgical laboratory complex in accordance with the contracts. Our lawsuit also seeks damages for Earll's and EEI's breach of a confidentiality agreement, breach of an implied covenant of good faith and fair dealing, and for slander. At about the same time that we filed our lawsuit, EEI filed suit against us in Owyhee County, Idaho. EEI's lawsuit seeks damages of \$477,783 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.

In June 2013, we were notified that a Default Judgment and Decree of Foreclosure (the "Judgment") had been entered in the lawsuit by the District Court for the Third Judicial District of the State of Idaho for the County of Owyhee. The Judgment granted a judgment against us in favor of EEI in the amount of \$567,743.56, plus post-judgment interest at the rate of 5.25% per annum. The Judgment also held that EEI had a first lien on our Diamond Creek Mill site in Owyhee County, Idaho to secure an indebtedness of \$289,648.30, plus post-judgment interest.

The Judgment further ordered that a sheriff's sale be held of such property. Finally, the Judgment dismissed our counterclaims against EEI and Earll with prejudice. We retained new counsel who filed a motion to vacate the Judgment. On July 17, 2013, the court revoked and set aside the Judgment. On October 11, 2013, the court held a hearing in the litigation with William Earll and Earll Excavations, Inc. The hearing resulted in the court entering an order on October 29, 2013 directing that an Order of Default be entered *nunc pro tunc* to June 14, 2013. We thereafter filed a motion to reconsider the October 29, 2013 Order. The motion was decided adversely to us in April 2014 (see Note 10 – Subsequent Events).

We are in default on substantially all of our accounts payable. As of March 31, 2014, the Internal Revenue Service had filed tax liens for various withholding taxes totaling \$252,088 against us and Pierre Quilliam, our chief executive officer; the Idaho Department of Labor and Idaho Tax Commission had filed tax liens for \$55,247; and two creditors (not including Earll Excavation, Inc.) had judgment liens for \$197,226.

NOTE 8 - CAPITAL STOCK

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

As of March 31, 2014, there were 3,437,943,817 and 33,253,180 shares of Class A Common Stock and Class B Common Stock issued and outstanding, respectively.

During the three months ended March 31, 2014, we issued shares of Class A Common Stock Common Stock in the following transactions:

- 221,875,064 shares of Class A Common Stock upon conversion of 7% two year promissory notes with a principal balance of \$294,600, plus accrued interest thereon.
- 65,312,798 shares of Class A Common Stock upon conversion of convertible notes held by Iliad Research & Trading, LP.
- 45,000,000 shares of Class A Common Stock upon conversion of convertible notes held by JMJ Financial.
- 50,214,145 shares of Class A Common Stock valued at \$80,904 were issued in payment of services.
- 191,165,895 shares of Class A Common Stock valued at \$357,032 were issued in payment of compensation to officers.
- 100,178,968 shares of Class A Common Stock for services under our stock compensation plan.

As of March 31, 2014, the Company had outstanding notes payable to various investors in the original principal amount of \$1,901,518. All of the notes are convertible into shares of Class A Common Stock at the election of the holder at conversion prices ranging from \$0.0012 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 April 12, 2014 to March 30, 2016. At March 31, 2014, an aggregate of 1,228,973,500 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 (\$1,377,324) for the three months ended March 31, 2014. 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

Issuance of Shares: During April 2014, we issued shares of Class A Common Stock in the following transactions:

- 123,385,333 shares of Class A Common Stock to various vendors for consulting services valued at \$159,134.
- 39,869,482 shares of Class A Common Stock upon conversion of notes payable with a aggregate principal amount of at \$41,336.

Earll Action: On April 10, 2014, the District Court for the Third Judicial District of the State of Idaho for the County of Owyhee entered an order on April 10, 2014 which denied the Company's Motion for Reconsideration, and reinstated Earll Excavation, Inc.'s Order of Default (the "Judgment") in the action styled Earll Excavation, Inc. v. Silver Falcon Mining, Inc. and Joyce Livestock Company Limited Partnership, Case No. CV 12-2595 (the "Earll Action"). The Judgment was originally granted on June 14, 2013. After the Company received notice of the Judgment, it retained new counsel, who filed a motion to vacate the Judgment. On July 17, 2013, the court in the Earll Action revoked and set aside the Judgment. The court then held a further hearing on the motion on October 11, 2013, which resulted in the issuance of an order dated October 29, 2013 which reinstated the Judgment.

The Judgment grants a judgment against the Company in favor of the plaintiff in the amount of \$567,743.56, plus post-judgment interest at the rate of 5.25% per annum. The Judgment also held that the plaintiff had a first lien on the Company's Diamond Creek Mill site in Owyhee County, Idaho to secure an indebtedness of \$289,648.30, plus post-judgment interest. The Judgment previously granted a default judgment against Joyce Livestock, Inc. on the plaintiff's claim that its lien was superior to the lien of Joyce Livestock on the Diamond Creek Mill. However, after the Judgment was originally entered, the plaintiff voluntarily agreed to set aside the default against Joyce Livestock, Inc. Finally, the Judgment dismissed the Company's counterclaims against the plaintiff and William Earll with prejudice.

The Company is currently considering its options, which include raising capital to pay the judgment, filing another motion for reconsideration based on factual inaccuracies in court's findings, filing an appeal or filing other legal remedies available under state and federal statutes.

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

Disclosure Regarding Forward Looking Statements

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

Overview

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

On October 11, 2007, GoldLand leased its mineral rights on War Eagle Mountain to us. Under the lease, we are responsible for all mining activities on War Eagle Mountain, and we are obligated to pay GoldLand annual lease payments of \$1,000,000, payable on a monthly basis, a monthly non-accountable expense reimbursement of \$10,000 during any month in which minerals are mined from the leased premises, and a royalty of 15% of all amounts we receive from the processing of minerals mined from tailing piles on the premises or through shafts or adits located on the premises. The lease, as amended, provides for a deferral of lease payments for two years commencing on January 1, 2014.

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 minerals.

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 raw material, there are sufficient quantities of gold and silver remaining in the dump material to justify further processing. We elected to build the mill on private property that we own, rather than BLM property, because of lower reclamation costs, even though the offsite property will entail higher transportation costs. In early 2011, we began construction of a metallurgical lab at our mill site. A temporary smelter became operational in July 2011, although we still need to complete a building to house the smelter and lab. In the fall of 2013, we plan to install a chemical leaching facility at our mill site in order to improve the yields from our raw material.

The installation and startup of the mill and the working capital to begin transport of raw material 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 raw material 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 the start-up phase, 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 devise 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 devising a plan to use the Sinker Tunnel to mine the interior of the mountain on a year round basis. The plan will involve accessing and draining the mine shafts on the top of the mountain from the Sinker Tunnel, as well as relocating and collaring old shafts on the mountain. We estimate that the exploration phase will take about 18 months from mid-April 2013, and will cost approximately \$10,000,000. We began preliminary work on the exploration phase in mid-2010.

Development Phase

The development phase involves transitioning the mine from processing tailings leftover from prior mining activities to extracting and processing raw material or minerals from the mountain, assuming that the exploration phase demonstrates that there are economically viable reserves in War Eagle Mountain. We believe that full scale mining of raw material or minerals 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. The development phase will not take place unless that exploration phase demonstrates that there are reserves in War Eagle Mountain that can be extracted and processed in an economically viable fashion. Our goal is to devise 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 raw material or minerals out of the Sinker Tunnel for transport to our mill site; and
- Additional improvements include housing, storage, food preparation facilities, generators for power, etc.

In addition to the improvements identified above, we expect that we will need to make other improvements necessary to access the highest quality mineral veins, which improvements are not known at this time but which will be identified in our National Instrument 43-101 report. In 2010, we started (and have since completed) some improvements to the mine site that were previously part of our development phase, including improving about four miles of the county road linking State Route 78 with Silver City, 1.8 miles of access road to the Sinker Tunnel Complex from the county road, and about 1.6 miles of access road to the Oro Fino vein outcrop area to permit heavier loads and year round access, as well improvements to the physical facilities at the milling location site and mine site to accommodate our workers.

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

Results of Operations

Three months ended March 31, 2014 and 2013

We are in the exploration stage and generated revenues of \$10,440 and \$0 in the three months ended March 31, 2014 and 2013, respectively. Our revenues in the three months ended March 31, 2014 are not representative of our revenues in the future. Our primary operations during the period consisted of processing ore for third party miners. We have ceased processing our own tailings until we complete our metallurgical lab and leaching facility. In 2011, we completed a temporary smelter on our mill site and began shipping dore bars in limited quantities to a refiner on a regular basis. We expect to report increased revenues from our milling operation when our metallurgical lab and our leaching facility are completed. The leaching facility will increase the percentage of valuable minerals that are extracted from the raw materials, and the completion of the metallurgical lab will increase the rate at which we can complete dore bars for shipment to refiners. Until the metallurgical lab and leaching facility are completed, our revenues may not differ materially from what we have generated to date in 2014.

We reported losses from operations during the three months ended March 31, 2014 and 2013 of (\$1,090,564) and (\$1,665,824), respectively. The decreased loss in 2014 as compared to 2013 was attributable to the following factors:

- Consulting fees decreased from \$320,419 in 2013 to \$273,500 in 2014 as a result of decreased use of consultants in 2014. The material components of expenses charged to consulting services in both years were as follows:

<u>Type of Services</u>	<u>2014</u>	<u>2013</u>
Shareholder relations services	6,000	25,611
Locating and due diligence services on future acquisition opportunities	281,065	292,633

- Compensation expense related to Mill administrative decreased from \$119,446 in 2013 to \$4,584 in 2014 as a result of a reduction of payroll during the period.
- Depreciation expense decreased from \$105,000 in 2013 to \$91,174 in 2014 as a result of an adjustment of depreciation in the first quarter of 2013.

- Exploration and improvement costs decreased from \$69,352 in 2013 to \$17,655 in 2014 as a result of decreased work on the Sinker Tunnel.
- Lease payment fees decreased from \$250,000 in 2013 to \$0 in 2014 as a result of the lease deferral effective January 1, 2014.
- Stock compensation expense declined from \$428,129 in 2013 to \$357,032 in 2014.
- Mill operating expenses decreased from \$137,127 in 2013 to \$45,765 in 2014 due to a significant reduction in milling activity.
- General and administrative expenses increased to \$311,294 in 2014 as compared to \$236,351 in 2013 as a result of the write-off of prepaid rent of \$194,250 on the terminated lease offset by decreased expenses related to the mill general and administrative expenses.

We reported net losses during the three months ended March 31, 2014 and 2013 of (\$1,377,324) and (\$2,028,153), respectively. The decreased loss in 2014 as compared to 2013 was largely attributable to lower interest expense in 2014 of \$36,941, as compared to \$271,058 in 2013, and by a decrease in the loss from operations, offset by an increase in debt conversion expense from (\$91,271) in 2013 as compared to (\$249,819) in 2014.

Liquidity and Sources of Capital

The following table sets forth the major sources and uses of cash for the three months ended March 31, 2014 and 2013:

	Three months ended March 31,	
	2014	2013
Net cash provided by (used) in operating activities	\$ (20,137)	\$ (226,506)
Net cash provided by (used) in investing activities	-	(42,376)
Net cash provided by (used) in financing activities	20,339	265,741
Net (decrease) increase in unrestricted cash and cash equivalents	<u>\$ 202</u>	<u>\$ (3,141)</u>

Comparison of 2014 and 2013

In the three months ended March 31, 2014 and 2013, we financed our operations primarily through the issuance of convertible notes and the issuance of common stock for services.

Operating activities used (\$20,137) of cash in 2014, as compared to (\$226,506) of cash in 2013. Major non-cash items that affected our cash flow from operations in 2014 were non-cash charges of \$116,545 for depreciation and amortization, non-cash debt conversion costs of \$249,819, \$287,064 for the value of common stock issued for services, and \$357,032 for the value of common stock issued for compensation. Other non-cash items include changes in operating assets and liabilities of \$346,345, most of which resulted from an decrease in prepaid expenses of \$194,250, a decrease in payroll liabilities of (\$4,611), an increase in due from related parties of \$134,901 and accrued interest of \$6,459.

Major non-cash items that affected our cash flow from operations in 2013 were non-cash charges of \$193,813 for depreciation and amortization, non-cash debt conversion costs of \$91,271, \$367,111 for the value of common stock issued for services and \$1,100,061 for the value of common stock issued for compensation. Other non-cash items include changes in operating assets and liabilities of (\$252,306), most of which resulted from a decrease in prepaid expenses of

(\$640,849), an increase in due from related party of \$119,468 and an increase in accrued payroll of \$46,718, offset by a reduction of (\$8,496) of accounts payable and accrued expenses.

Investing activities used (\$42,376) of cash in 2013, as compared to \$0 of cash in 2014. The decrease in cash used in investing activities was attributable to lower expenditures for equipment and improvements to our mill property.

Financing activities supplied \$265,741 of cash in 2013 as compared to \$20,339 of cash in 2014. Substantially all of the cash supplied in both years derived from the issuance of notes, net of sums spent to repay notes. In 2013, we issued \$301,741 in notes, as compared to 2014 when we issued \$20,339 of notes.

Liquidity

Our balance sheet as of March 31, 2014 reflects current assets of \$2,541,596, current liabilities of \$3,245,159, and working capital deficit of (\$703,563).

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. Finally, we are in default to substantially all of our vendors. As a result, the Internal Revenue Service and the State of Idaho have filed tax liens for over \$300,000, and various creditors have obtained judgments against us for over \$700,000.

As of March 31, 2014, we had the following debts that have matured or mature in the near future:

- \$864,949 in two year notes payable, of which \$544,932 is due within one year of March 31, 2014. As of May 14, 2014, we had failed to pay all interest owed on the notes, and we are in default thereunder. We do not face any legal action from any of the note holders at this time, and we do not have any formal agreement to waive our default thereunder. We have been in contact with all of our noteholders, and informed them of the status of financing and our ability to pay their notes. To date, none of the noteholders have filed a lawsuit against the Company. We have offered the noteholders the option of converting their notes into common stock at the current market price, instead of the conversion price stated in the notes, and a number of noteholders have accepted the offer. The remaining noteholders have elected to hold their notes and allow us time to raise the financing we need to complete our facilities and repay their notes.
- \$53,328 owed to Iliad Research & Trading, LP. As of May 14, 2014, we were not in default to Iliad;
- \$848,286 owed to JMJ. We settled litigation with JMJ on December 13, 2013. Under our settlement, we were supposed to begin paying off the balance through fourteen equal monthly payments starting on April 14, 2014. We did not make the first two payments. Instead, JMJ and we have orally agreed that JMJ may convert and sell up to \$3,500 of shares per day until the debt is paid.

Also, beginning January 1, 2012, we began to make monthly payments of \$83,333 to GoldLand under our lease of its mining interests on War Eagle Mountain. We pay the monthly liability to Goldland by issuing shares of our Class A Common Stock to GoldLand employees for compensation on behalf of GoldLand, and applying the value of the shares against our liability to GoldLand. In the quarter ending March 31, 2014, we reached an agreement with Goldland to defer lease payments for two years commencing on January 1, 2014.

The amount of capital that we currently have the capacity to raise is not sufficient to pay all of the capital expenses that we need to pay to commence operations, and pay our other liabilities as they come due. However, we have a number of options that we believe will enable us to continue with our business plan despite insufficient capital. For example, we plan to continue paying most of the salaries of our management by issuing shares of Class A Common Stock. We also plan to continue paying certain accounts payable with common stock, and have reached an agreement with Goldland to defer monthly lease payments to GoldLand for two years. 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.

As of March 31, 2014, we are obligated to issue approximately 1,228,973,500 shares of Class A Common Stock upon conversion of outstanding notes. Our contingent obligation to issue new shares of Class A Common Stock, combined with our plans to issue shares of Class A Common Stock to satisfy certain recurring liabilities, may impair our ability to raise capital by issuing shares of Class A Common Stock or securities convertible into Class A Common Stock, because future investors may be worried about future dilution.

Notwithstanding the fact that we are able to satisfy many of our liabilities by the issuance of shares, there are still many liabilities and capital expenditures that we cannot satisfy through the issuance of shares, including most of the construction cost to complete our metallurgical lab and leaching facility. We are actively seeking investment banking professionals to assist us in raising capital as well as advice on how we can be restructured to make the company sufficiently attractive to induce new investors to provide the capital we need. In the event we are not able to raise new cash capital, we will not be able to complete our business plan, and may be forced to consider a sale of the entire company.

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 three months ended March 31, 2014, and have minimal revenues at this time. These factors create an uncertainty about our ability to continue as a going concern. We are currently trying to raise capital through a private offering of convertible notes and to solicit existing convertible note holders to convert their notes into common stock. Our ability to continue as a going concern is dependent on the success of this plan. The financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Critical Accounting Estimates

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

For example, we will be required to make critical accounting estimates related to future metals prices, obligations for environmental, reclamation, and closure matters, mineral reserves, and accounting for business combinations.

The estimates will require us to rely upon assumptions that were highly uncertain at the time the accounting estimates are made, and changes in them are reasonably likely to occur from period to period. Changes in estimates used in these and other items could have a material impact on our financial statements in the future.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Pierre Quilliam, our chief executive officer, and Tom Ridenour, our chief financial officer, are responsible for establishing and maintaining our disclosure controls and procedures. Disclosure controls and procedures means controls and other procedures that are designed to ensure that information we are required to disclose in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and to ensure that information required to be disclosed by us in those reports is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our chief executive officer and chief financial officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of March 31, 2014. Based on that evaluation, our chief executive officer and chief financial officer concluded that, as of the evaluation date, such controls and procedures were effective.

Changes in internal controls

There were no changes in our internal controls over financial reporting that occurred during the quarter ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

In July 2012, we filed a lawsuit against Earll Excavations, Inc. ("EEI") and William Earll ("Earll") in Owyhee County, Idaho seeking damages of \$2,000,000. In the lawsuit, we contend that EEI failed to complete improvements to the Sinker Tunnel and construction of our metallurgical laboratory complex in accordance with the contracts. Our lawsuit also seeks damages for Earll's and EEI's breach of a confidentiality agreement, breach of an implied covenant of good faith and fair dealing, and for slander. At about the same time that we filed our lawsuit, EEI filed suit against us in Owyhee County, Idaho. EEI's lawsuit seeks damages of \$477,783 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.

In June 2013, we were notified that a Default Judgment and Decree of Foreclosure (the “Judgment”) had been entered in the lawsuit by the District Court for the Third Judicial District of the State of Idaho for the County of Owyhee. The Judgment granted a judgment against us in favor of EEI in the amount of \$567,743.56, plus post-judgment interest at the rate of 5.25% per annum. The Judgment also held that EEI had a first lien our Diamond Creek Mill site in Owyhee County, Idaho to secure an indebtedness of \$289,648.30, plus post-judgment interest.

The Judgment further ordered that a sheriff’s sale be held of such property. Finally, the Judgment dismissed our counterclaims against EEI and Earll with prejudice. We retained new counsel who filed a motion to vacate the Judgment. On July 17, 2013, the court revoked and set aside the Judgment. On October 11, 2013, the court held in hearing in the litigation with William Earll and Earll Excavations, Inc. The hearing resulted in the court entering an order on October 29, 2013 directing that an Order of Default be entered *nunc pro tunc* to June 14, 2013. We thereafter filed a motion to reconsider the October 29, 2013 Order.

On April 10, 2014, the court entered an order denying the Company’s motion for reconsideration, and reinstated the Judgment. The Company is currently considering its options, which include raising capital to pay the judgment, filing another motion for reconsideration based on factual inaccuracies in court’s findings, filing an appeal or filing other legal remedies available under state and federal statutes.

We are in default on substantially all of our accounts payable. As of March 31, 2014, the Internal Revenue Service had filed tax liens for various withholding taxes totaling \$252,088 against us and Pierre Quilliam, our chief executive officer; the Idaho Department of Labor and Idaho Tax Commission had filed tax liens for \$55,247; and two creditors (not including Earll Excavation, Inc.) had judgment liens for \$197,226.

ITEM 1A. RISK FACTORS.

Not applicable.

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

During the three months ended March 31, 2014, we issued shares of Class A Common Stock in the following transactions:

- 221,875,064 shares of Class A Common Stock upon conversion of 7% two year promissory notes with a principal balance of \$294,600, plus accrued interest thereon.
- 65,312,798 shares of Class A Common Stock upon conversion of convertible notes held by Iliad Research & Trading, LP.
- 45,000,000 shares of Class A Common Stock upon conversion of convertible notes held by JMJ Financial.
- 50,214,145 shares of Class A Common Stock valued at \$80,904 were issued in payment of services.

- 191,165,895 shares of Class A Common Stock valued at \$357,032 were issued in payment of compensation to officers.

During the three months ended March 31, 2014, we issued \$20,339 of our 7% two year convertible promissory notes to various investors. Each note is convertible into shares of common stock at the holder's election at the market price of the common stock on the date of issuance.

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

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

As of March 31, 2014, we were indebted under a promissory note dated December 3, 2009 in the original principal amount of \$225,000, which is payable without interest in ten annual installments of \$22,500 each, with the first installment being due on January 1, 2010. As of March 31, 2014, we had not paid the installment due on January 1, 2014.

As of March 31, 2014, we were indebted under \$864,949 principal amount of 7% two year notes. All of the 7% two year notes provide for monthly interest payments. As of March 31, 2014, we had not made interest payments that are due on substantially all of the 7% two year notes.

ITEM 4. MINE SAFETY DISCLOSURES.

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

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

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

EX-101.INS XBRL Instance Document

EX-101.SCH XBRL Taxonomy Extension Schema

EX-101.CAL XBRL Taxonomy Extension Calculation Linkbase

EX-101.DEF XBRL Taxonomy Extension Definition Linkbase

EX-101.LAB XBRL Taxonomy Extension Label Linkbase

EX-101.PRE XBRL Taxonomy Extension Presentation Linkbase

*Previously Filed on Form 10-Q on 5/20/2014

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this amended report to be signed on its behalf by the undersigned, thereunto duly authorized.

SILVER FALCON MINING, INC.

Date: December 5, 2014

/s/ Pierre Quilliam

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

Date: December 5, 2014

/s/ Thomas C. Ridenour

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