

SUMMARY OF COMPANY'S ACCOUNTING POLICIES

A. BASIS OF ACCOUNTING

The Company's financial statements are prepared using the accrual method of accounting. The Company has elected a September 30, year-end.

B. BASIC EARNINGS PER SHARE

ASC No. 260, "Earnings Per Share", specifies the computation, presentation and disclosure requirements for earnings (loss) per share for entities with publicly held common stock. The Company has adopted the provisions of ASC No. 260. Basic net loss per share amounts is computed by dividing the net loss by the weighted average number of common shares outstanding. Diluted earnings per share are the same as basic earnings per share because there are no dilutive items in the Company.

C. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in banks, money market funds, and certificates of term deposits with maturities of less than three months from inception, which are readily convertible to known amounts of cash and which, in the opinion of management, are subject to an insignificant risk of loss in value. The Company had \$0 (2011) and \$0 (2012) in cash and cash equivalents at September 30, 2011 and June 30, 2012 respectively. The Company will maintain its cash in institutions insured by the Federal Deposit Insurance Corporation (FDIC).

D. USE OF ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In accordance with ASC No. 250 all adjustments are normal and recurring.

E. INCOME TAXES

Income taxes are provided in accordance with ASC No. 740, Accounting for Income Taxes. A deferred tax asset or liability is recorded for all temporary differences between financial and tax reporting and net operating loss carry forwards. Deferred tax expense (benefit) results from the net change during the year of deferred tax assets and liabilities.

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion of all of the deferred tax assets

will be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

F. ADVERTISING COSTS

The Company's policy regarding advertising is to expense advertising when incurred. The Company had not incurred any advertising expense for the fiscal years ended September 30, 2011 and 2010; or for the nine months ended June 30, 2012.

G. REVENUE AND COST RECOGNITION

The Company has no current source of revenue; therefore the Company has not yet adopted any policy regarding the recognition of revenue or cost.

H. NEW ACCOUNTING PRONOUNCEMENTS

The Company has evaluated all the recent accounting pronouncements through the date the financial statements were issued and filed with the OTC Markets and believe that none of them will have a material effect on the company's financial statements.

Recent Accounting Pronouncements

In January 2010, the FASB issued Accounting Standards Update 2010-06, *Fair Value Measurements and Disclosures (Topic 820)*. This Update provides amendments to Subtopic 820-10, Fair Value Measurements and Disclosures - Overall, that requires new disclosures and clarify existing disclosures. The amendments in this Update are effective for interim and annual periods beginning after December 15, 2010. The adoption of this ASU is not anticipated to have a material impact on the Company's financial position or results of operation

In October 2009, FASB issued ASU 2009-13 *Revenue Recognition (Topic 605)*. ASU 2009-05 provides accounting and financial reporting disclosure amendments for multiple-deliverable revenue arrangements. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The adoption of this ASU is not anticipated to have a material impact on the Company's financial position or results of operations.

In September 2009, the FASB issued ASU 2009-12, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. ASU 2009-12 provides amendments to Subtopic 820-10, Fair Value Measurements and Disclosures – Overall, for the fair value measurement of investments in certain entities that calculate net asset value per share (or its equivalent). The adoption of this ASU in not anticipated to have a material impact on the Company's financial position or results of operation.

In August 2009, FASB issued ASU 2009-05 *Fair Value Measurements and Disclosure (Topic 820)*. ASU 2009-05 provides amendments for the fair value measurement of liabilities and clarification on fair value measuring techniques. ASU 2009-05 is effective for the first reporting period, including interim periods, beginning after the issuance. The adoption of this ASU did not have a material impact on the Company's financial position or results of operations.

In June 2009, FASB issued ASU 2009-01 *Topic 105 — Generally Accepted Accounting Principles*. ASU 2009-01 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP. ASU 2009-01 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of this ASU did not have a material impact on the Company's financial position or results of operations.

In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* ("SFAS No. 167"), which amends the consolidation guidance applicable to variable interest entities. The amendments will significantly affect the overall consolidation analysis under FASB ASC 810, *Consolidation* and requires an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity. SFAS No. 167 has not yet been codified and in accordance with ASC 105, remains authoritative guidance until such time that it is integrated in the FASB ASC. SFAS No. 167 is effective as of the beginning of the first fiscal year that begins after November 15, 2009, early adoption is prohibited. The adoption of this Update will have no material effect on the Company's financial condition or results of operations.

In June, 2009, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No 166, *Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140* ("SFAS 166"). This Statement removes the concept of a qualifying special-purpose entity from Statement 140 and removes the exception from applying FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities*, to qualifying special-purpose entities. SFAS No. 166 has not yet been codified and in accordance with ASC 105, remains authoritative guidance until such time that it is integrated in the FASB ASC. SFAS No. 166 is effective for financial asset transfers occurring after the beginning of an entity's first fiscal year that begins after November 15, 2009 and early adoption is prohibited. The adoption of this statement will have no material effect on the Company's financial condition or results of operations.

In May, 2009, FASB issued ASC 855 *Subsequent Events* which establishes principles and requirements for subsequent events. In accordance with the provisions of ASC 855, the Company currently evaluates subsequent events through the date the financial statements are available to be issued.

I. DERIVATIVE INSTRUMENTS

ASC 815-24 (formerly SFAS No. 133), "Accounting for Derivative Instruments and Hedging Activities", requires all derivatives to be recorded as either assets or liabilities and measured at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change. At December 31, 2011, September 30, 2011 and 2010, the Company has not engaged in any transactions that would be considered derivative instruments or hedging activities.

J. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments as defined by Statement of Financial Accounting Standards Board ("FASB") ASC 825-10-50, include cash, receivables, accounts payable and accrued expenses. All instruments are accounted for on a historical cost basis, which, due to the short maturity of these financial instruments, approximates fair value at September 30, 2010. FASB ASC 820, defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. FASB ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date. The Company has no Level 1 assets or liabilities; and
- Level 2. Inputs from other than quoted prices in active markets that are observable either directly or indirectly. The Company has no Level 2 assets or liabilities; and
- Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions. The Company has no Level 3 liabilities.

The Company does not have any assets or liabilities measured at fair value on a recurring basis at June 30, 2012. The Company did not have any fair value adjustments for assets and liabilities measured at fair value on a nonrecurring basis during the period ended June 30, 2012.

K. MINERAL PROPERTIES

Under US GAAP mineral property acquisition costs are ordinarily capitalized when incurred using FASB ASC Topic 805-20-55-37, Whether Mineral Rights are Tangible or Intangible Assets. The carrying costs are assessed for impairment under ASC Topic 360-10-35-20, Accounting for Impairment or Disposal of Long-Lived Assets whenever

events or changes in circumstances indicate that the carrying costs may not be recoverable.

The Company also evaluates the carrying value of acquired mineral property rights in accordance with ASC Topic 930-360-35-1, Mining Assets: Impairment and Business Combinations, using the Value Beyond Proven and Probable (VBPP) method. The fair value of a mining asset generally includes both VBPP and an estimate of the future market price of the minerals. When the Company has capitalized mineral property costs, these properties will be periodically assessed for impairment of value. Once a property reaches the production stage, the related capitalized costs will be amortized, using the units of production method.

Additionally the Company expenses as incurred all maintenance and exploration property costs. Since the Company is unable to support continued capitalization of acquisition costs, the Company has recognized impairment charges of \$18,224,000 for the twelve month period ended September 30, 2010 and \$2,080,000 for the twelve month period ended September 30, 2011.

L. DEFERRED COMPENSATION

Deferred compensation consists of the unamortized value of common stock issued to Directors and Consultants for future services, amortized over two years from May 1, 2010. An analysis of deferred expenses follows:

R Y Lowenthal was issued 2,500,000 shares of Common Stock on April 30, 2010 in respect his salary for a 2 (two) year period under his Service Agreement. This was valued at \$50,000 for the 2 (two) year period.

An amount of \$10,417 was expensed for the financial year ended September 30, 2010.

An amount of \$25,000 was expensed for the financial year ended September 30, 2011.

An amount of \$6,250 was expensed for the three months ended December 31, 2011.

An amount of \$6,250 was expensed for the three months ended March 31, 2012.

An amount of \$2,083 was expensed for the three months ended June 30, 2012.

N E Blom was issued 2,500,000 shares of Common Stock on September 29, 2011 in respect his salary for a 2 (two) year period under his Service Agreement. This was valued at \$50,000 for the 2 (two) year period.

An amount of \$2,083 was expensed for the financial year ended September 30, 2011.

An amount of \$6,250 was expensed for the three months ended December 31, 2011.

An amount of \$6,250 was expensed for the three months ended March 31, 2012.

An amount of \$6,250 was expensed for the three months ended June 30, 2012.

The balance in the amount of \$29,617 is reflected as deferred compensation.

On November 11, 2011, the Company appointed Mr. Ben B. Stein to its Advisory Committee. Mr. Stein was issued an initial amount of 105,000 shares at that date by a stockholder, for and on behalf of the Company. These shares were valued at \$0.07.

An amount of \$7,350 was expensed for the three months ended December 31, 2011.

An amount of \$7,350 was expensed for the three months ended March 31, 2012.

An amount of \$7,350 was expensed for the three months ended June 30, 2012.

Mr. Stein will receive an amount of 36,000 shares of the Company's shares of Common Stock on each of the below-mentioned dates:

February 11, 2012, May 11, 2012, August 11, 2012, November 11, 2012, February 11, 2013, May 11, 2013, August 11, 2013, November 11, 2013, February 11, 2014, May 11, 2014, August 11, 2014.

These shares of the Company's Common Stock are to be issued to Mr. Stein by a stockholder, for and on behalf of the Company. The price of the shares has been valued at \$0.07 each.

The amount of \$22,680 is reflected as deferred compensation.

On November 11, 2011, the Company appointed Mr. Jack Reybold to its Advisory Committee. Mr. Reybold was issued an initial amount of 105,000 shares at that date by a stockholder, for and on behalf of the Company. These shares were valued at \$0.07.

An amount of \$7,350 was expensed for the three months ended December 31, 2011.

An amount of \$7,350 was expensed for the three months ended March 31, 2012.

An amount of \$7,350 was expensed for the three months ended June 30, 2012.

Mr. Reybold will receive an amount of 36,000 shares of the Company's shares of Common Stock on each of the below-mentioned dates:

February 11, 2012, May 11, 2012, August 11, 2012, November 11, 2012, February 11, 2013, May 11, 2013, August 11, 2013, November 11, 2013, February 11, 2014, May 11, 2014, August 11, 2014.

These shares of the Company's Common Stock are to be issued to Mr. Reybold by a stockholder, for and on behalf of the Company. The price of the shares has been valued at \$0.07 each.

The amount of \$22,680 is reflected as deferred compensation

M. LONG TERM LIABILITIES

On December 1, 2011, all of the Convertible Loan Note Holders in the amount \$16,784,000 agreed to extend the conversion date by an additional three years to the Second Quarter of 2014 onwards. These are now reflected on long term liabilities on the Balance Sheet as from the three months ended December 31, 2011.

The accrued interest on these Convertible Loan Notes in the amount of \$1,700,871 is reflected on long term liabilities on the Balance Sheet as from the nine months ended June 30, 2012.

In addition, a Stockholder Loan from Diamond Peak Resource Corporation in respect of funds advanced to the Company amounted to \$719,009 as at June 30, 2012.

N. STOCKHOLDER LOANS

These reflect Company expenses that have been paid by certain stockholders for and on behalf of the Company. The pre-existing Stockholder Loan was assumed by a third party stockholder, Diamond Peak Resource Corporation, on June 30, 2012. As at June 30, 2012 this amounted to \$719,009. This loan is unsecured and bears interest at the rate of 4% per annum.

O. ENTRY INTO ANY MATERIAL DEFINITIVE AGREEMENTS

The Company entered into a Service and Employment Agreement with Ronald Yadin Lowenthal for a 2 (Two) year period commencing on April 30, 2012.

P. TERMINATION OF ANY MATERIAL DEFINITIVE AGREEMENTS

Not applicable for the nine months ended June 30, 2012.

Q. COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS, INCLUDING BUT NOT LIMITED TO MERGERS

Not applicable for the nine months ended June 30, 2012.

R. CREATION OF A DIRECT FINANCIAL OBLIGATION OR AN OBLIGATION UNDER AN OFF-BALANCE SHEET AGREEMENT

The pre-existing Stockholder Loan was assumed by a third party stockholder, Diamond Peak Resource Corporation, on June 30, 2012. As at June 30, 2012 this amounted to \$719,009. This loan is unsecured and bears interest at the rate of 4% per annum.

The Company acquired a loan advanced to North American Gold & Minerals Fund (“NMGL”) in the amount of \$265,000. NMGL is a Mining Exploration Company quoted on the OTC Markets under the Symbol: NMGL. Ronald Lowenthal, the Chairman of this Company is the sole Officer of NMGL.

The Company acquired a loan advanced to ASPA Gold Corp. (“ASPA”) in the amount of \$103,700. ASPA is a Mining Exploration Company quoted on the OTC Markets under the Symbol: RENS. Ronald Lowenthal and Ted Blom, the Directors of this Company are both Directors of ASPA.

North American Gold & Minerals Fund owns 71.38% of the outstanding shares of ASPA Gold Corp. Common Stock.

The Company has undertaken to advance the necessary funding, expertise and advisors to both NMGL and ASPA in order for them to become “Current Information” Issuers with the OTC Markets Group. No firm date has been set for these events.

The Company may in the future, enter into a working relationship with North American Gold & Minerals Fund.

These commitments coupled with the Company’s existing expenditure will increase the amount owed to Diamond Peak Resource Corporation in respect of further loan advances.

S. TRIGGERING EVENTS THAT ACCELERATE OR INCREASE A DIRECT FINANCIAL OBLIGATION OR AN OBLIGATION UNDER AN OFF-BALANCE SHEET ARRANGEMENT

The Company has undertaken to advance the necessary funding, expertise and advisors to both North American Gold & Minerals Fund and to ASPA Gold Corp. in order for them to become “Current Information” Issuers with the OTC Markets Group. No firm date has been set for these events.

These commitments coupled with the Company’s existing expenditure will increase the amount owed to Diamond Peak Resource Corporation in respect of further loan advances.

T. COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES

Not applicable for the nine months ended June 30, 2012.

U. MATERIAL IMPAIRMENTS

Not applicable for the nine months ended June 30, 2012.

V. SALES OF EQUITY SECURITIES

Not applicable for the nine months ended June 30, 2012.

W. MATERIAL MODIFICATION TO RIGHTS OF SECURITY HOLDERS

Not applicable for the nine months ended June 30, 2012.

X. CHANGES IN COMPANY'S CERTIFYING ACCOUNTANT

Not applicable for the nine months ended June 30, 2012.

Y. NON RELIANCE ON PREVIOUSLY ISSUED FINANCIAL STATEMENTS OR A RELATED AUDIT REPORT OR COMPLETED INTERIM REVIEW

Not applicable for the nine months ended June 30, 2012.

Z. CHANGES IN THE CONTROL OF THE COMPANY

Not applicable for the nine months ended June 30, 2012.

Z (1): DEPARTURE OF DIRECTORS OR PRINCIPAL OFFICERS, ELECTION OF DIRECTORS, APPOINTMENT OF PRINCIPAL OFFICERS

Not applicable for the nine months ended June 30, 2012.

Z (2): AMENDMENTS TO ARTICLES OF INCORPORATION OR BYLAWS; CHANGE IN FISCAL YEAR:

Not applicable for the nine months ended June 30, 2012.

Z (3): AMENDMENTS TO ISSUER'S CODE OF ETHICS, OR WAIVER OF A PROVISION OF THE CODE OF ETHICS

Not applicable for the nine months ended June 30, 2012.

GOING CONCERN

The Company's financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not yet established an ongoing source of revenues sufficient to cover its operating costs and allow it to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes

profitable. If the Company is unable to obtain adequate capital, it could be forced to cease operations.

In order to continue as a going concern, the Company will need, among other things, additional capital resources. Management's plan is to obtain such resources for the Company by obtaining capital from management and significant shareholders sufficient to meet its minimal operating expenses and seeking equity and/or debt financing. However management cannot provide any assurances that the Company will be successful in accomplishing any of its plans. The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

SERVICE AGREEMENTS

On April 30, 2010, the Company entered into a 2 (two) year service agreement with Mr. Ronald Yadin Lowenthal, the Company's Executive Chairman. As compensation under the agreement, the Company agreed to issue 2,500,000 restricted shares. Mr. Lowenthal has agreed that these 2,500,000 restricted shares of the Company's common stock will not be in any manner either assigned, pledged, sold, lent or in any way alienated for a period of 2 (two) years commencing from the date of the agreement and terminating on March 31, 2012. As a signing bonus, the Company agreed to issue 9,500,000 restricted shares of its common stock to Mr. Lowenthal. Mr. Lowenthal has agreed that these 9,500,000 restricted shares of the Company's common stock will not be in any manner either assigned, pledged, sold, lent or in any way alienated for a period of 2 (two) years commencing from the date of the agreement and terminating on March 31, 2012. Through the fiscal year ended September 30, 2010, these shares of common stock were issued pursuant to this agreement, including 9,500,000 shares reflecting the signing bonus, for a total value of \$10,417 and \$190,000 respectively.

The Company entered into a new 2 (Two) year service agreement with Mr. Ronald Yadin Lowenthal commencing April 30, 2012. The salient terms are a base salary of \$1 per year with various Stock Options. The terms of these Stock Options are still being finalized and will be concluded prior to the Company's Financial Year End of September 30, 2012.

On September 29, 2011, the Company entered into a 2 (two) year service agreement with Mr. Nicolaas Edward ("Ted") Blom, the Company's President and Chief Executive Officer. As compensation under the agreement, the Company agreed to issue 2,000,000 restricted shares. Mr. Blom has agreed that these 2,000,000 restricted shares of the Company's common stock will not be in any manner either assigned, pledged, sold, lent or in any way alienated for a period of 2 (two) years commencing from the date of the agreement and terminating on September 28, 2013. As a signing bonus, the Company agreed to issue 10,000,000 restricted shares of its common stock to Mr. Blom. Mr. Blom has agreed that these 10,000,000 restricted shares of the Company's common stock will not be in any manner either assigned, pledged, sold, lent or in any way alienated for a period of 2 (two) years commencing from the date of the agreement and terminating on September 28, 2014. Through the fiscal year ended September 30, 2011, these

shares of common stock were issued pursuant to this agreement, including 10,000,000 shares reflecting the signing bonus, for a total value of \$2,083 and \$100 respectively.

Due to the Company's current lack of cash flows it has determined that a share-based payment arrangement is the most appropriate way to compensate its officers.

Pursuant to ASC 505-50-S99-1 the above mentioned shares have been treated as unissued for accounting purposes until the future services are received (that is, the shares are not considered issued until they are earned). Consequently, there will be no recognition at the measurement date and no entry will be recorded. Consequently, the paid in capital and related expense are only recognized as services are performed, by employee or non-employee. The shares are still included in "Issued and Outstanding" amounts, but there is no actual journal entry until the services are performed. At that point, the appropriate expense is debited and the appropriate capital accounts are credited.

WARRANTS AND OPTIONS

There are no warrants or options outstanding to acquire any additional shares of common stock.

RELATED PARTY TRANSACTIONS

The Officers and the directors of the Company are involved in other business activities and may, in the future, become involved in other business opportunities as they become available. Thus they may face a conflict in selecting between the Company and their other business interests. The Company has not formulated a policy for the resolution of such conflicts.

INCOME TAXES

Realization of deferred tax assets is dependent upon sufficient future taxable income during the period that deductible temporary differences and carry forwards are expected to be available to reduce taxable income. As the achievement of required future taxable income is uncertain, the Company recorded a valuation allowance. As of September 30, 2011 and 2010, the Company has a net operating loss carry forwards of approximately \$21,703,597 and \$18,721,319. Net operating loss carry forward expires twenty years from the date the loss was incurred.

LOAN - UNRELATED PARTY

Angel Vest, LLC has provided an amount of \$47,460 on May 2, 2010 in respect of a Loan to GNCC Capital, Inc. This facility is unsecured, bears interest at the rate of 10% (ten percent) per annum and is repayable on May 1, 2011. Angel Vest, LLC agreed to extend the repayment of this Loan by the Company, for an indefinite period of time. As at June 30, 2012, the accrued interest amounted to \$10,895.

STOCK TRANSACTIONS

Transactions, other than employees' stock issuance, are in accordance with ASC No. 505. Thus issuances shall be accounted for based on the fair value of the consideration received.

Transactions with employees' stock issuance are in accordance with ASC No. 718. These issuances shall be accounted for based on the fair value of the consideration received or the fair value of the equity instruments issued, or whichever is more readily determinable.

The Company issued 12,000,000 common shares to Mr. R Y Lowenthal on April 30, 2010 in respect of his Service Agreement at a deemed price of \$240,000.

The Company issued 97,000,000 common shares to 15 different sellers on May 3, 2010 in order to acquire its initial three Silver Exploration Properties at a deemed price of \$1,940,000.

The Company issued 21,000,000 common shares to 15 different sellers on May 3, 2010 in order to acquire its "Ester Basin" Gold Exploration Properties at a deemed price of \$420,000.

The Company issued 30,000,000 common shares to 15 different sellers on September 2, 2010 in order to acquire its "Clara" Gold Exploration Properties at a deemed price of \$600,000.

The Company issued 14,000,000 common shares to 15 different sellers on September 29, 2010 in order to acquire its "Burnt Well" Gold Exploration Properties at a deemed price of \$280,000.

The Company issued 14,000,000 common shares to 15 different sellers on December 2, 2010 in order to acquire additional claims at its "Kit Carson" Silver Exploration Properties at a deemed price of \$280,000

The Company issued 12,000,000 common shares to Mr. N E Blom on September 29, 2011 in respect of his Service Agreement at a deemed price of \$50,100.

As of September 30, 2011 and at June 30, 2012 the Company had 203,133,470 shares of common stock issued and outstanding. All 203,133,470 shares issued and outstanding carry full voting rights.

CAPITAL STOCK

Preferred Stock:

No Preferred Stock has been authorized.

Common Stock:

We have 500,000,000 authorized shares of Common Stock, \$0.00001 par value per share.

All shares of Common Stock have equal voting rights, are non-assessable and have one vote per share. Voting rights are not cumulative and, therefore, the holders of more than 50% of the common stock could, if they choose to do so, elect all of the directors of the Company.

RECLAMATION AND REMEDIATION OBLIGATIONS

Reclamation costs are allocated to expense over the life of the related assets and are periodically adjusted to reflect changes in the estimated present value resulting from the passage of time and revisions to the estimates of either the timing or amount of the reclamation and remediation costs. Reclamation obligations are based on when the spending for an existing environmental disturbance will occur. We review, on at least an annual basis, the reclamation obligation at each mine.

Reclamation obligations for inactive mines are accrued based on management's best estimate of the costs expected to be incurred at a site. Such cost estimates include, where applicable, ongoing care, maintenance and monitoring costs. Changes in estimates at inactive mines are reflected in earnings in the period an estimate is revised. Accounting for reclamation and remediation obligations requires management to make estimates unique to each mining operation of the future costs we will incur to complete the reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred in future periods could differ from amounts estimated. Additionally, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required. Any such increases in future costs could materially impact the amounts charged to earnings for reclamation and remediation.

INCOME AND MINING TAXES

We recognize the expected future tax benefit from deferred tax assets when the tax benefit is considered to be more likely than not of being realized. Assessing the recoverability of deferred tax assets requires management to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecasted cash flows and the application of existing tax laws in each jurisdiction. Refer above to Carrying Value of Long-Lived Assets for a discussion of the factors that could cause future cash flows to differ from estimates. To the extent that future cash flows and taxable income differ significantly from estimates, our ability to realize deferred tax assets recorded at the balance sheet date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which we operate could limit our ability to obtain the future tax benefits represented by our deferred tax assets recorded at the reporting date. Our operations could involve dealing with uncertainties and judgments in the application of complex tax regulations in multiple jurisdictions. The final taxes paid are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions and resolution of disputes arising from federal, state, and international tax audits.

We recognize potential liabilities and record tax liabilities for anticipated tax audit issues in the U.S. and other tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes will be due. We adjust these reserves in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. If our estimate of tax liabilities proves to be less than the ultimate assessment, an additional charge to expense would result. If an estimate of tax liabilities proves to be greater than the ultimate assessment, a tax benefit would result. We recognize interest and penalties, if any, related to unrecognized tax benefits in *Income and mining tax expense*.

INVESTMENTS

Management determines the appropriate classification of its investments in equity securities at the time of purchase and reevaluates such determinations at each reporting date. Investments in incorporated entities in which the Company's ownership is greater than 20% and less than 50%, or which the Company does not control through majority ownership or means other than voting rights, are accounted for by the equity method and are included in long-term assets. The Company accounts for its marketable security investments as available for sale securities in accordance with ASC guidance on accounting for certain investments in debt and equity securities. The Company periodically evaluates whether declines in fair values of its investments below the Company's carrying value are other-than-temporary in accordance with ASC guidance.

The Company's policy is to generally treat a decline in the investment's quoted market value that has lasted continuously for more than six months as an other-than-temporary decline in value. The Company also monitors its investments for events or changes in circumstances that have occurred that may have a significant adverse effect on the fair value of the investment and evaluates qualitative and quantitative factors regarding the severity and duration of the unrealized loss and the Company's ability to hold the investment until a forecasted recovery occurs to determine if the decline in value of an investment is other-than-temporary. Declines in fair value below the Company's carrying value deemed to be other-than-temporary are charged to earnings.

PROPERTY, PLANT AND MINE EQUIPMENT

Facilities 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 amortized using the straight-line method at rates sufficient to amortize such costs over the estimated productive lives, which do not exceed the related estimated mine lives, of such facilities based on proven and probable reserves.

Mine Development:

Mine development costs include engineering and metallurgical studies, drilling and other related costs to delineate an ore body, the removal of overburden to initially expose an ore body at open pit surface mines and the building of access ways, shafts, lateral access, drifts, ramps and other infrastructure at underground mines. Costs incurred before mineralization is classified as proven and probable reserves are expensed and classified as *Exploration* or *Advanced projects, research and development* expense. Capitalization of mine development project costs, that meet the definition of an asset, begins once mineralization is classified as proven and probable reserves.

Drilling and related costs are capitalized for an ore body where proven and probable reserves exist and the activities are directed at obtaining additional information on the ore body or

converting non-reserve mineralization to proven and probable reserves. All other drilling and related costs are expensed as incurred. Drilling costs incurred during the production phase for operational ore control are allocated to inventory costs and then included as a component of *Costs applicable to sales*.

The cost of removing overburden and waste materials to access the ore body at an open pit mine prior to the production phase are referred to as “pre-stripping costs.” Pre-stripping costs are capitalized during the development of an open pit mine. Where multiple open pits exist at a mining complex utilizing common processing facilities, pre-stripping costs are capitalized at each pit. The removal, production, and sale of de minimis saleable materials may occur during development and are recorded as *Other income*, net of incremental mining and processing costs. The production phase of an open pit mine commences when saleable minerals, beyond a de minimis amount, are produced.

Stripping costs incurred during the production phase of a mine are variable production costs that are included as a component of inventory to be recognized in *Costs applicable to sales* in the same period as the revenue from the sale of inventory. The Company’s definition of a mine and the mine’s production phase may differ from that of other companies in the mining industry resulting in incomparable allocations of stripping costs to deferred mine development and production costs. Other mining companies may expense pre-stripping costs associated with subsequent pits within a mining complex.

Mine development costs are amortized using the units-of-production (“UOP”) method based on estimated recoverable ounces or pounds in proven and probable reserves. To the extent that these costs benefit an entire ore body, they are amortized over the estimated life of the ore body. Costs incurred to access specific ore blocks or areas that only provide benefit over the life of that area are amortized over the estimated life of that specific ore block or area.

Mineral Interests:

Mineral interests include acquired interests in production, development and exploration stage properties. The mineral interests are capitalized at their fair value at the acquisition date, either as an individual asset purchase or as part of a business combination. The value of such assets is primarily driven by the nature and amount of mineralized material believed to be contained in such properties. Production stage mineral interests represent interests in operating properties that contain proven and probable reserves.

Development stage mineral interests represent interests in properties under development that contain proven and probable reserves. Exploration stage mineral interests represent interests in properties that are believed to potentially contain mineralized material consisting of

- (i) mineralized material such as inferred material within pits; measured, indicated and inferred material with insufficient drill spacing to qualify as proven and probable reserves; and inferred material in close proximity to proven and probable reserves;

- (ii) around-mine exploration potential such as inferred material not immediately adjacent to existing reserves and mineralization, but located within the immediate mine area;
- (iii) other mine-related exploration potential that is not part of measured, indicated or inferred material and is comprised mainly of material outside of the immediate mine area;
- (iv) greenfields exploration potential that is not associated with any other production, development or exploration stage property, as described above; or
- (v) any acquired right to explore or extract a potential mineral deposit. The Company's mineral rights generally are enforceable regardless of whether proven and probable reserves have been established. In certain limited situations, the nature of a mineral right change from an exploration right to a mining right upon the establishment of proven and probable reserves. The Company has the ability and intent to renew mineral interests where the existing term is not sufficient to recover all identified and valued proven and probable reserves and/or undeveloped mineralized material.

ASSET IMPAIRMENT

The Company reviews and evaluates its 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, trends and related factors), production levels, operating costs, capital requirements and reclamation costs, all based on life-of-mine plans. Existing proven and probable reserves and value beyond proven and probable reserves, including mineralization 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 levels for which there are identifiable cash flows that are largely independent of future cash flows from other asset groups. The Company's 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 costs and capital are each subject to significant risks and uncertainties.

REVENUE RECOGNITION

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. Revenues from by-product sales are credited to *Costs applicable to sales* as a by-product credit.

Concentrate sales are initially recorded based on 100% of the provisional sales prices. Until final settlement occurs, sales prices are made to take into account the mark-to-market changes based on the forward prices for the estimated month of settlement. For changes in metal quantities upon receipt of new information and assay, the provisional sales quantities are adjusted as well. The principal risks associated with recognition of sales on a provisional basis include metal price fluctuations between the date initially recorded and the date of final settlement. If a significant decline in metal prices occurs between the provisional pricing date and the final settlement date, it is reasonably possible that the Company could be required to return a portion of the sales proceeds received based on the provisional invoice.

The Company's sales based on a provisional price contain an embedded derivative that is required to be separated from the host contract for accounting purposes. The host contract is the receivable from the sale of the concentrates at the forward exchange price at the time of sale. The embedded derivative, which does not qualify for hedge accounting, is marked to market through earnings each period prior to final settlement.

INCOME AND MINING TAXES

The Company accounts for income taxes using the liability method, recognizing certain temporary differences between the financial reporting basis of the Company's liabilities and assets and the related income tax basis for such liabilities and assets. This method generates either a net deferred income tax liability or asset for the Company, as measured by the statutory tax rates in effect. The Company derives its deferred income tax charge or benefit by recording the change in either the net deferred income tax liability or asset balance for the year. Mining taxes represent state and provincial taxes levied on mining operations and are classified as income taxes; as such taxes are based on a percentage of mining profits. With respect to the earnings that the Company derives from the operations of its consolidated subsidiaries, in those situations where the earnings are indefinitely reinvested, no deferred taxes have been provided on the unremitted earnings (including the excess of the carrying value of the net equity of such entities for financial reporting purposes over the tax basis of such equity) of these consolidated companies.

The Company's deferred income tax assets include certain future tax benefits. The Company records a valuation allowance against any portion of those deferred income tax assets when it believes, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred income tax asset will not be realized.

The Company's operations may involve dealing with uncertainties and judgments in the application of complex tax regulations in multiple jurisdictions. The final taxes paid are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions and resolution of disputes arising from federal, state, and international tax audits.

The Company recognizes potential liabilities and records tax liabilities for anticipated tax audit issues in the U.S. and other tax jurisdictions based on its estimate of whether, and the extent to which, additional taxes will be due. The Company adjusts these reserves in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the Company's current estimate of the tax liabilities. If the Company's estimate of tax liabilities proves to be less than the ultimate assessment, an additional charge to expense would result. If the estimate of tax liabilities proves to be greater than the ultimate assessment, a tax benefit would result. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in *Income and mining tax expense*.

RECLAMATION AND REMEDIATION COSTS

Reclamation obligations are recognized when incurred and recorded as liabilities at fair value. The liability is accreted over time through periodic charges to earnings. In addition, the asset retirement cost is capitalized as part of the asset's carrying value and amortized over the life of the related asset. Reclamation costs are periodically adjusted to reflect changes in the estimated present value resulting from the passage of time and revisions to the estimates of either the timing or amount of the reclamation costs. The reclamation obligation is based on when spending for an existing disturbance will occur. The Company reviews, on an annual basis, unless otherwise deemed necessary, the reclamation obligation at each mine site in accordance with ASC guidance for reclamation obligations.

Future remediation costs for inactive mines are accrued based on management's best estimate at the end of each period of the costs expected to be incurred at a site. Such cost estimates include, where applicable, ongoing care, maintenance and monitoring costs. Changes in estimates at inactive mines are reflected in earnings in the period an estimate is revised.

FOREIGN CURRENCY

The functional currency for the majority of the Company's operations is the U.S. dollar. All monetary assets and liabilities where the functional currency is the U.S. dollar are translated at current exchange rates and the resulting adjustments are included in *Other income, net*. All assets and liabilities recorded in functional currencies other than U.S. dollars are translated at current exchange rates and the resulting adjustments are charged or credited directly to *Accumulated other comprehensive income* in *Equity*. Revenues and expenses in foreign currencies are translated at the weighted-average exchange rates for the period.

DERIVATIVE INSTRUMENTS

The Company may in the future have forward contracts designated as cash flow hedges in place to hedge against changes in foreign exchanges rates and diesel prices, and forward starting swap contracts to hedge against changes in treasury rates. The fair value of derivative contracts qualifying as cash flow hedges are reflected as assets or liabilities in the balance sheet. To the extent these hedges are effective in offsetting forecasted cash flows from production costs (the "effective portion"), changes in fair value are deferred in *Accumulated other comprehensive*

income. Amounts deferred in *Accumulated other comprehensive income* are reclassified to income when the hedged transaction has occurred. The ineffective portion of the change in the fair value of the derivative is recorded in *Other income, net* in each period. Cash transactions related to the Company's derivative contracts accounted for as hedges are classified in the same category as the item being hedged in the statement of cash flows.

When derivative contracts qualifying as cash flow hedges are settled, accelerated or restructured before the maturity date of the contracts, the related amount in *Accumulated other comprehensive income* at the settlement date is deferred and reclassified to earnings, as applicable, when the originally designated hedged transaction impacts earnings.

The fair value of derivative contracts qualifying as fair value hedges are reflected as assets or liabilities in the balance sheet. Changes in fair value are recorded in income in each period, consistent with recording changes to the mark-to-market value of the underlying hedged asset or liability in income. The Company will assess the effectiveness of the derivative contracts periodically using either regression analysis or the dollar offset approach, both retrospectively and prospectively, to determine whether the hedging instruments have been highly effective in offsetting changes in the fair value of the hedged items. The Company will also assess periodically whether the hedging instruments are expected to be highly effective in the future. If a hedging instrument is not expected to be highly effective, the Company will stop hedge accounting prospectively. In those instances, the gains or losses remain in *Accumulated other comprehensive income* until the hedged item affects earnings.

NET INCOME PER COMMON SHARE

Basic and diluted income per share is presented for *Net income attributable to the Company stockholders* and for *Income from continuing operations attributable to the Company stockholders*. Basic income per share is computed by dividing income available to common shareholders by the weighted-average number of outstanding common shares for the period, including the exchangeable shares. Diluted income per share reflects the potential dilution that could occur if securities or other contracts that may require the issuance of common shares in the future were converted. Diluted income per share is computed by increasing the weighted-average number of outstanding common shares to include the additional common shares that would be outstanding after conversion and adjusting net income for changes that would result from the conversion. Only those securities or other contracts that result in a reduction in earnings per share are included in the calculation.

COMPREHENSIVE INCOME

In addition to *Net income*, *Comprehensive income (loss)* includes all changes in equity during a period, such as adjustments to minimum pension liabilities, foreign currency translation adjustments, the effective portion of changes in fair value of derivative instruments that qualify as cash flow hedges and cumulative unrecognized changes in fair value of marketable securities available for-sale or other investments, except those resulting from investments by and distributions to owners.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

Business Combinations:

In December 2010, the ASC guidance for business combinations was updated to clarify existing guidance which requires a public entity to disclose pro forma revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual period only. The update also expands the supplemental pro forma disclosures required to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. Adoption of the updated guidance, effective for the Company's fiscal year beginning October, 2011, had no impact on the Company's consolidated financial position, results of operations or cash flows.

Fair Value Accounting:

In January 2010, the ASC guidance for fair value measurements and disclosure was updated to require additional disclosures related to transfers in and out of level 1 and 2 fair value measurements. The guidance was amended to clarify the level of disaggregation required for assets and liabilities and the disclosures required for inputs and valuation techniques used to measure the fair value of assets and liabilities that fall in either level 2 or level 3. The updated guidance was effective for the Company's fiscal year beginning October 1, 2010. The adoption had no impact on the Company's consolidated financial position, results of operations or cash flows.

Also in January 2010, the ASC guidance for fair value measurements and disclosure was updated to require enhanced detail in the level 3 reconciliation. Adoption of the updated guidance, effective for the Company's fiscal year beginning October 1, 2011, had no impact on the Company's consolidated financial position, results of operations or cash flows.

Variable Interest Entities:

In June 2009, the ASC guidance for consolidation accounting was updated to require an entity to perform a qualitative analysis to determine whether the enterprise's variable interest gives it a controlling financial interest in a VIE. This qualitative analysis identifies the primary beneficiary of a VIE as the entity that has both of the following characteristics:

- (i) the power to direct the activities of a VIE that most significantly impact the entity's economic performance; and
- (ii) the obligation to absorb losses or receive benefits from the entity that could potentially be significant to the VIE. The updated guidance also requires ongoing reassessments of the primary beneficiary of a VIE. Adoption of the updated guidance, effective for the Company's fiscal year beginning October 1, 2010, had no impact on the Company's consolidated financial position, results of operations or cash flows.

ADDITIONAL RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Goodwill Impairment:

In September 2011, the ASC guidance was issued related to goodwill impairment. Under the updated guidance, an entity will have the option to first assess qualitatively whether it is necessary to perform the current two-step goodwill impairment test. If the Company believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. The update does not change how the Company performs the two-step impairment test under current guidance.

The update is effective for the Company's fiscal year beginning October 1, 2012 with early adoption permitted. The Company does not expect the updated guidance to have an impact on the consolidated financial position, results of operations or cash flows.

Comprehensive Income:

In June 2011, the ASC guidance was issued related to comprehensive income. Under the updated guidance, an entity will have the option to present the total of comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In addition, the update required certain disclosure requirements when reporting other Comprehensive income. The update does not change the items reported in other comprehensive income or when an item of other comprehensive income must be reclassified to income. Subsequently, in December 2011, the FASB issued its final standard to defer the new requirement to present components of reclassifications of other comprehensive income on the face of the income statement.

Companies will still be required to adopt the other requirements contained in the new standard on comprehensive income. The Company adopted the new guidance and its deferral and opted to present the total of comprehensive income in two separate but consecutive statements effective for its fiscal year beginning October 1, 2011. The early adoption had no impact on the Company's consolidated financial position, results of operations or cash flows.

Fair Value Accounting:

In May 2011, the ASC guidance was issued related to disclosures around fair value accounting. The updated guidance clarifies different components of fair value accounting including the application of the highest and best use and valuation premise concepts, measuring the fair value of an instrument classified in a reporting entity's shareholders' equity and disclosing quantitative information about the unobservable inputs used in fair value measurements that are categorized in Level 3 of the fair value hierarchy. The update is effective for the Company's fiscal year beginning October 1, 2012. The Company does not expect the updated guidance to have a significant impact on the consolidated financial position, results of operations or cash flows.

RECLAMATION AND REMEDIATION

The Company's mining and exploration activities are subject to various federal and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company conducts its operations to protect public health and the environment and believes its operations are in compliance with applicable laws and regulations in all material respects. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations, but cannot predict the full amount of such future expenditures. Estimated future reclamation costs are based principally on legal and regulatory requirements.

SUBSEQUENT EVENTS

The Company evaluated all events or transactions that occurred after June 30, 2012 up through date the Company issued these financial statements. During this period, the Company had no material recognizable subsequent events.

INVESTMENT POLICIES

1. Investments in real estate or interest in real estate.

The Company does not intend to invest in any real estate properties at this time.

2. Investments in real estate mortgages.

The Company does not intend to invest in any type of real estate mortgages.

3. Securities of or interests in persons primarily engaged in real estate activities.

The Company does not intend to invest in any persons primarily engaged in real estate activities.

THE NATURE OF PRODUCTS OR SERVICES OFFERED

1. Principal Products or Services, and their Markets:

The Company is in the mineral exploration business, and does not have any marketable products at this time.

2. Distribution methods of the products or services:

The Company is currently in the exploration stage as a mining company and is not distributing products at this time.

3. Status of any publicly announced new products or services:

There are no publicly announced new products or services at present.

4. Competitive business conditions, the issuer's competitive position in the industry, and methods of competition:

There are many companies in this business which make the industry very competitive. The Company, once it commences production, will compete with other companies for the sale of its gold and silver which are based on international markets. The current high global price for gold and silver will, however, increase the Company's profitability in the event it commences production while such prices are prevalent.

5. Sources and availability of raw materials and the names of principal suppliers:

There are numerous independent drilling companies located in Arizona, Nevada and Utah which own drill rigs that can be mobilized to the company's project sites in Arizona. These companies provide equipment and supplies for drilling programs so that the Company is not required to purchase these items directly. Supplies and rental equipment are readily available in Parker, Arizona (for Clara, Silverfield and Burnt Well), Prescott, Arizona (for Kit Carson) and Kingman, Arizona (for Potts Mountain and Ester Basin). Incidental supplies may be obtained in a Home Depot, Lowes or independent hardware store located in one of these cities.

6. Dependence on one or a few major customers:

The Company is the exploration stage and currently does not have a base of customers; once entering the production stage, it is the company's goal to diversify and grow its customer base so as to eliminate any dependency on any one main customer. Whereas the company is a mining company in the gold and silver market, the large desire for such commodities on the world market is constant and ready markets for such precious metals are more than available,

THE NATURE AND EXTENT OF THE ISSUER'S FACILITIES

- A). Assets, properties or facilities of the issuer, location of principal plants and other properties or facilities of the issuer, the location of the principal plants and other property of the issuer, condition of the properties. If the issuer does not have complete ownership or control of the property, describe the limitations on the ownership.

Assets and properties:

The Company does not own any property. It currently has access to office space provided without charge by management of the Company. The Company's mining claims and prospecting permits are described above under "Business of Issuer."

Facilities of the issuer:

The Company does not lease or rent any property. It receives its mail using the services of a mail forwarding service based in New York, NY. The Company does not anticipate that it will need to expand its facilities during the first few years of operation while it executes its development plan.

- B). If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

Not applicable.

- C). If the issuer owns any property or properties, for which the book value amounts to ten percent or more of the total assets of the issuer and its consolidated subsidiaries for the last fiscal year furnish the following information for each such property:

Not applicable.

WARRANTS AND OPTIONS

There are no warrants or options outstanding to acquire any additional shares of common stock.

RELATED PARTY TRANSACTIONS

The Officers and the directors of the Company are involved in other business activities and may, in the future, become involved in other business opportunities as they become available. Thus they may face a conflict in selecting between the Company and their other business interests. The Company has not formulated a policy for the resolution of such conflicts.

INCOME TAXES

Realization of deferred tax assets is dependent upon sufficient future taxable income during the period that deductible temporary differences and carry forwards are expected to be available to reduce taxable income. As the achievement of required future taxable income is uncertain, the Company recorded a valuation allowance. As of September 30, 2011 and 2010, the Company has a net operating loss carry forwards of approximately \$21,703,597 and \$18,721,319. Net operating loss carry forward expires twenty years from the date the loss was incurred.

LOAN - UNRELATED PARTY

Angel Vest, LLC has provided an amount of \$47,460 on May 2, 2010 in respect of a Loan to GNCC Capital, Inc. This facility is unsecured, bears interest at the rate of 10% (ten percent) per annum and is repayable on May 1, 2011. Angel Vest, LLC agreed to extend the repayment of this Loan by the Company, for an indefinite period of time. As at June 30, 2012, the accrued interest amounted to \$10,895.

STOCK TRANSACTIONS

Transactions, other than employees' stock issuance, are in accordance with ASC No. 505. Thus issuances shall be accounted for based on the fair value of the consideration received. Transactions with employees' stock issuance are in accordance with ASC No. 718. These issuances shall be accounted for based on the fair value of the consideration received or the fair value of the equity instruments issued, or whichever is more readily determinable.

The Company issued 12,000,000 common shares to Mr. R Y Lowenthal on April 30, 2010 in respect of his Service Agreement at a deemed price of \$240,000.

The Company issued 97,000,000 common shares to 15 different sellers on May 3, 2010 in order to acquire its initial three Silver Exploration Properties at a deemed price of \$1,940,000.

The Company issued 21,000,000 common shares to 15 different sellers on May 3, 2010 in order to acquire its "Ester Basin" Gold Exploration Properties at a deemed price of \$420,000.

The Company issued 30,000,000 common shares to 15 different sellers on September 2, 2010 in order to acquire its "Clara" Gold Exploration Properties at a deemed price of \$600,000.

The Company issued 14,000,000 common shares to 15 different sellers on September 29, 2010 in order to acquire its "Burnt Well" Gold Exploration Properties at a deemed price of \$280,000.

The Company issued 14,000,000 common shares to 15 different sellers on December 2, 2010 in order to acquire additional claims at its "Kit Carson" Silver Exploration Properties at a deemed price of \$280,000

The Company issued 12,000,000 common shares to Mr. N E Blom on September 29, 2011 in respect of his Service Agreement at a deemed price of \$50,100.

As of September 30, 2011 and at June 30, 2012 the Company had 203,133,470 shares of common stock issued and outstanding. All 203,133,470 shares issued and outstanding carry full voting rights.

CONVERTIBLE LOAN NOTES PAYABLE

As at September 30, 2011, the Company had issued Convertible Loan Notes in the amount of \$16,784,000 to fund the acquisition of the Company's Silver and Gold Exploration Properties.

On December 1, 2011, the holders of each of these Convertible Loan Notes consented to an extension of 3 (three) years from the due date of these Convertible Loan Notes.

These Convertible Loan Notes bear interest at 5% (five percent) per annum.

The salient terms of these Convertible Loan Notes, are as follows:

A. Interest:

The Company promises to pay interest at the Interest Rate in cash on the principal amount of this Note. The Company will pay cash interest semiannually in arrears on June 30 and December 31 of each year (each an "Interest Payment Date"), beginning on December 31, 2010, to Holders of record at the close of business on the preceding June 15 and December 15 (whether or not a business day) (each a "Regular Record Date"), as the case may be, immediately preceding such Interest Payment Date. Cash interest on the Notes will accrue from the most recent date to which interest has been paid or duly provided or, if no interest has been paid, from the Issue Date. Cash interest will be computed on the basis of a 360-day year of twelve 30-day months. The Company shall pay cash interest on overdue principal at the rate borne by the Notes, and it shall pay interest in cash on overdue installments of cash interest at the same rate to the extent lawful. All such overdue cash interest shall be payable on demand. Upon conversion, accrued and unpaid interest shall be deemed paid in full rather than cancelled, extinguished or forfeited.

B. Optional Redemption:

The Note is not redeemable prior to December 31, 2010. On and after December 31, 2010, the Company may at its option, redeem the Notes in whole or in part at any time or in part from time to time, in cash. If the Company redeems the Notes at its option, the Notes will be redeemed at a redemption price equal to 100% (One hundred percent) of the principal amount (the "Redemption Price"), plus accrued and unpaid interest, if any, to (but not including) the Redemption Date. If a Redemption Date is after a Regular Record Date but on or prior to the corresponding Interest Payment Date, the accrued and unpaid interest becoming due on such date shall be payable to the Holders of such Notes, or one or more predecessor Notes, registered as such on the relevant Regular Record Date according to their terms, and the Redemption Price shall not include such interest payment. If fewer than all the Notes are to be redeemed, the Agent shall select the particular Notes to be redeemed from the outstanding Notes by lot or shall redeem each note proportionally.

On and after the Redemption Date, interest ceases to accrue on Notes or portions of Notes called for redemption, unless the Company defaults in the payment of the Redemption Price and accrued and unpaid interest.

30 (Thirty) days prior notice of redemption will be given by the Company to the Holders at their registered address of record.

No sinking fund is provided for the Notes.

C. Conversion of Note:

Except as set forth in the next sentence, a Holder of a Note may convert such Note (or any portion thereof equal to \$1,000 or any integral multiple of \$1,000 in excess thereof) into Common Stock at any time at the Conversion Rate then in effect. If such Note is called for redemption, such conversion right shall terminate at the close of business on

the second Business Day prior to the Redemption Date for such Note (unless the Company shall default in making the redemption payment when due, in which case the conversion right shall terminate at the close of business on the date such default is cured and such Note is redeemed).

The number of shares of Common Stock issuable upon conversion of a Note shall be determined by dividing the principal amount of the Note or portion thereof surrendered for conversion by \$1,000, and then multiplying the quotient by the Conversion Rate in effect on the Conversion Date. The "Conversion Rate" is based on the average trading price as reported for the 5 (Five) trading days preceding the date of conversion. The Company shall pay cash adjustment in lieu of any fractional share of Common Stock.

To convert a Certificated Note, a Holder must (1) complete and manually sign a conversion notice in the form of Exhibit A hereto (or complete and manually sign a facsimile of such notice) and deliver such notice to the Conversion Agent, (2) surrender the Note to the Conversion Agent, (3) furnish appropriate endorsements and transfer documents if required by the Conversion Agent, the Company or the Agent and (4) pay any transfer or similar tax, if required.

Schedule of Convertible Notes Issued

<u>Loan Note Issued To</u>	<u>Amount</u>	<u>Due Date</u>
Acquisition of Three Silver Properties dated May 3, 2010:		
Middle Verde Development Co., LLC	\$ 390,567	05/03/2011
Searchlight Exploration, LLC	\$ 390,567	05/03/2011
Stelan Real Estate Management, Inc.	\$ 781,134	05/03/2011
Castlewood Capital Group, S.A.	\$ 337,303	05/03/2011
Highwave Management Corp.	\$ 449,739	05/03/2011
Streetside Holdings AG	\$ 505,956	05/03/2011
Artco Capital Ltd.	\$ 393,520	05/03/2011
Insight Holdings, S.A.	\$ 505,956	05/03/2011
Emerald International Corporation	\$ 449,739	05/03/2011
Saffron Ventures GmbH	\$ 505,956	05/03/2011
Liberty Investment Services Ltd.	\$ 505,956	05/03/2011
Macy Ocean Enterprises, Inc.	\$ 449,739	05/03/2011
Neutral Bay Investments, S.A.	\$ 505,956	05/03/2011
Diamond Peak Resource Corporation	\$ 505,956	05/03/2011
Western Treasure Holdings Corp.	\$ 505,956	05/03/2011
SUB TOTAL	<u>\$7,184,000</u>	

Schedule of Convertible Notes Issued (Continued):

<u>Loan Note Issued To</u>	<u>Amount</u>	<u>Due Date</u>
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Acquisition of Ester Basin Gold dated May 3, 2010:

Searchlight Exploration, LLC	\$ 199,980	05/03/2011
Stelan Real Estate Management, Inc.	\$ 199,980	05/03/2011
Castlewood Capital Group, S.A.	\$ 96,002	05/03/2011
Highwave Management Corp.	\$ 128,002	05/03/2011
Streetside Holdings AG	\$ 144,004	05/03/2011
Artco Capital Ltd.	\$ 112,003	05/03/2011
Insight Holdings, S.A.	\$ 144,004	05/03/2011
Emerald International Corporation	\$ 128,002	05/03/2011
Saffron Ventures GmbH	\$ 144,004	05/03/2011
Liberty Investment Services Ltd.	\$ 144,004	05/03/2011
Macy Ocean Enterprises, Inc.	\$ 128,003	05/03/2011
Neutral Bay Investments, S.A.	\$ 144,004	05/03/2011
Diamond Peak Resource Corporation	\$ 144,004	05/03/2011
Western Treasure Holdings Corp.	\$ 144,004	05/03/2011
SUB TOTAL	<u>\$2,000,000</u>	

Acquisition of Clara Gold dated September 2, 2010:

Searchlight Exploration, LLC	\$ 233,200	09/02/2011
Anaconda Exploration, LLC	\$ 233,200	09/02/2011
Stelan Real Estate Management, Inc.	\$ 233,200	09/02/2011
Castlewood Capital Group, S.A.	\$ 198,024	09/02/2011
Highwave Management Corp.	\$ 264,032	09/02/2011
Streetside Holdings AG	\$ 297,036	09/02/2011
Artco Capital Ltd.	\$ 231,028	09/02/2011
Insight Holdings, S.A.	\$ 297,036	09/02/2011
Emerald International Corporation	\$ 264,032	09/02/2011
Saffron Ventures GmbH	\$ 297,036	09/02/2011
Liberty Investment Services Ltd.	\$ 297,036	09/02/2011
Macy Ocean Enterprises, Inc.	\$ 264,032	09/02/2011
Neutral Bay Investments, S.A.	\$ 297,036	09/02/2011
Diamond Peak Resource Corporation	\$ 297,036	09/02/2011
Western Treasure Holdings Corp.	\$ 297,036	09/02/2011
SUB TOTAL	<u>\$4,000,000</u>	

Schedule of Convertible Notes Issued (Continued):

<u>Loan Note Issued To</u>	<u>Amount</u>	<u>Due Date</u>
Acquisition of Burnt Well Gold dated September 29, 2010		
Searchlight Exploration, LLC	\$ 89,500	09/29/2011
Anaconda Exploration, LLC	\$ 89,500	09/29/2011

Stelan Real Estate Management, Inc.	\$ 179,000	09/29/2011
Castlewood Capital Group, S.A.	\$ 86,520	09/29/2011
Highwave Management Corp.	\$ 115,369	09/29/2011
Streetside Holdings AG	\$ 129,780	09/29/2011
Artco Capital Ltd.	\$ 100,940	09/29/2011
Insight Holdings, S.A.	\$ 129,780	09/29/2011
Emerald International Corporation	\$ 115,351	09/29/2011
Saffron Ventures GmbH	\$ 129,780	09/29/2011
Liberty Investment Services Ltd.	\$ 129,780	09/29/2011
Macy Ocean Enterprises, Inc.	\$ 115,360	09/29/2011
Neutral Bay Investments, S.A.	\$ 129,780	09/29/2011
Diamond Peak Resource Corporation	\$ 129,780	09/29/2011
Western Treasure Holdings Corp.	\$ 129,780	09/29/2011
SUB TOTAL	<u>\$1,800,000</u>	

Schedule of Convertible Notes Issued (Continued):

<u>Loan Note Issued To</u>	<u>Amount</u>	<u>Due Date</u>
Searchlight Exploration, LLC	\$ 89,500	12/02/2011
Middle Verde Development Co., LLC	\$ 89,500	12/02/2011
Stelan Real Estate Management, Inc.	\$ 179,000	12/02/2011
Castlewood Capital Group, S.A.	\$ 86,520	12/02/2011
Highwave Management Corp.	\$ 115,369	12/02/2011
Streetside Holdings AG	\$ 129,780	12/02/2011
Artco Capital Ltd.	\$ 100,940	12/02/2011
Insight Holdings, S.A.	\$ 129,780	12/02/2011
Emerald International Corporation	\$ 115,351	12/02/2011
Saffron Ventures GmbH	\$ 129,780	12/02/2011
Liberty Investment Services Ltd.	\$ 129,780	12/02/2011
Macy Ocean Enterprises, Inc.	\$ 115,360	12/02/2011
Neutral Bay Investments, S.A.	\$ 129,780	12/02/2011
Diamond Peak Resource Corporation	\$ 129,780	12/02/2011
Western Treasure Holdings Corp.	\$ 129,780	12/02/2011
SUB TOTAL	<u>\$ 1,800,000</u>	

TOTAL ISSUED CONVERTIBLE LOAN NOTES: \$16,784,000

CAPITAL STOCK

Preferred Stock:

No Preferred Stock has been authorized.

Common Stock:

We have 500,000,000 authorized shares of Common Stock, \$0.00001 par value per share.

All shares of Common Stock have equal voting rights, are non-assessable and have one vote per share. Voting rights are not cumulative and, therefore, the holders of more than 50% of the common stock could, if they choose to do so, elect all of the directors of the Company.

RECLAMATION AND REMEDIATION OBLIGATIONS

Reclamation costs are allocated to expense over the life of the related assets and are periodically adjusted to reflect changes in the estimated present value resulting from the passage of time and revisions to the estimates of either the timing or amount of the reclamation and remediation costs. Reclamation obligations are based on when the spending for an existing environmental disturbance will occur. We review, on at least an annual basis, the reclamation obligation at each mine.

Reclamation obligations for inactive mines are accrued based on management's best estimate of the costs expected to be incurred at a site. Such cost estimates include, where applicable, ongoing care, maintenance and monitoring costs. Changes in estimates at inactive mines are reflected in earnings in the period an estimate is revised. Accounting for reclamation and remediation obligations requires management to make estimates unique to each mining operation of the future costs we will incur to complete the reclamation and remediation work required to comply with existing laws and regulations. Actual costs incurred in future periods could differ from amounts estimated. Additionally, future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required. Any such increases in future costs could materially impact the amounts charged to earnings for reclamation and remediation.

INCOME AND MINING TAXES

We recognize the expected future tax benefit from deferred tax assets when the tax benefit is considered to be more likely than not of being realized. Assessing the recoverability of deferred tax assets requires management to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecasted cash flows and the application of existing tax laws in each jurisdiction. Refer above to Carrying Value of Long-Lived Assets for a discussion of the factors that could cause future cash flows to differ from estimates. To the extent that future cash flows and taxable income differ significantly from estimates, our ability to realize deferred tax assets recorded at the balance sheet date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which we operate could limit our ability to obtain the future tax benefits represented by our deferred tax assets recorded at the reporting date. Our operations could involve dealing with uncertainties and judgments in the application of complex tax regulations in multiple jurisdictions. The final taxes paid are

dependent upon many factors, including negotiations with taxing authorities in various jurisdictions and resolution of disputes arising from federal, state, and international tax audits.

We recognize potential liabilities and record tax liabilities for anticipated tax audit issues in the U.S. and other tax jurisdictions based on our estimate of whether, and the extent to which, additional taxes will be due. We adjust these reserves in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. If our estimate of tax liabilities proves to be less than the ultimate assessment, an additional charge to expense would result. If an estimate of tax liabilities proves to be greater than the ultimate assessment, a tax benefit would result. We recognize interest and penalties, if any, related to unrecognized tax benefits in *Income and mining tax expense*.

INVESTMENTS

Management determines the appropriate classification of its investments in equity securities at the time of purchase and reevaluates such determinations at each reporting date. Investments in incorporated entities in which the Company's ownership is greater than 20% and less than 50%, or which the Company does not control through majority ownership or means other than voting rights, are accounted for by the equity method and are included in long-term assets. The Company accounts for its marketable security investments as available for sale securities in accordance with ASC guidance on accounting for certain investments in debt and equity securities. The Company periodically evaluates whether declines in fair values of its investments below the Company's carrying value are other-than-temporary in accordance with ASC guidance.

The Company's policy is to generally treat a decline in the investment's quoted market value that has lasted continuously for more than six months as an other-than-temporary decline in value. The Company also monitors its investments for events or changes in circumstances that have occurred that may have a significant adverse effect on the fair value of the investment and evaluates qualitative and quantitative factors regarding the severity and duration of the unrealized loss and the Company's ability to hold the investment until a forecasted recovery occurs to determine if the decline in value of an investment is other-than-temporary. Declines in fair value below the Company's carrying value deemed to be other-than-temporary are charged to earnings.

PROPERTY, PLANT AND MINE EQUIPMENT

Facilities 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 amortized using the straight-line method at rates sufficient to amortize such costs over the estimated productive lives, which do not exceed the related estimated mine lives, of such facilities based on proven and probable reserves.

Mine Development:

Mine development costs include engineering and metallurgical studies, drilling and other related costs to delineate an ore body, the removal of overburden to initially expose an ore body at open pit surface mines and the building of access ways, shafts, lateral access, drifts, ramps and other infrastructure at underground mines. Costs incurred before mineralization is classified as proven and probable reserves are expensed and classified as *Exploration* or *Advanced projects, research and development* expense. Capitalization of mine development project costs, that meet the definition of an asset, begins once mineralization is classified as proven and probable reserves.

Drilling and related costs are capitalized for an ore body where proven and probable reserves exist and the activities are directed at obtaining additional information on the ore body or converting non-reserve mineralization to proven and probable reserves. All other drilling and related costs are expensed as incurred. Drilling costs incurred during the production phase for operational ore control are allocated to inventory costs and then included as a component of *Costs applicable to sales*.

The cost of removing overburden and waste materials to access the ore body at an open pit mine prior to the production phase are referred to as “pre-stripping costs.” Pre-stripping costs are capitalized during the development of an open pit mine. Where multiple open pits exist at a mining complex utilizing common processing facilities, pre-stripping costs are capitalized at each pit. The removal, production, and sale of de minimis saleable materials may occur during development and are recorded as *Other income*, net of incremental mining and processing costs. The production phase of an open pit mine commences when saleable minerals, beyond a de minimis amount, are produced.

Stripping costs incurred during the production phase of a mine are variable production costs that are included as a component of inventory to be recognized in *Costs applicable to sales* in the same period as the revenue from the sale of inventory. The Company’s definition of a mine and the mine’s production phase may differ from that of other companies in the mining industry resulting in incomparable allocations of stripping costs to deferred mine development and production costs. Other mining companies may expense pre-stripping costs associated with subsequent pits within a mining complex.

Mine development costs are amortized using the units-of-production (“UOP”) method based on estimated recoverable ounces or pounds in proven and probable reserves. To the extent that these costs benefit an entire ore body, they are amortized over the estimated life of the ore body. Costs incurred to access specific ore blocks or areas that only provide benefit over the life of that area are amortized over the estimated life of that specific ore block or area.

Mineral Interests:

Mineral interests include acquired interests in production, development and exploration stage properties. The mineral interests are capitalized at their fair value at the acquisition date, either as an individual asset purchase or as part of a business combination. The value of such assets is primarily driven by the nature and amount of mineralized material believed to be contained in

such properties. Production stage mineral interests represent interests in operating properties that contain proven and probable reserves.

Development stage mineral interests represent interests in properties under development that contain proven and probable reserves. Exploration stage mineral interests represent interests in properties that are believed to potentially contain mineralized material consisting of

- (vi) mineralized material such as inferred material within pits; measured, indicated and inferred material with insufficient drill spacing to qualify as proven and probable reserves; and inferred material in close proximity to proven and probable reserves;
- (vii) around-mine exploration potential such as inferred material not immediately adjacent to existing reserves and mineralization, but located within the immediate mine area;
- (viii) other mine-related exploration potential that is not part of measured, indicated or inferred material and is comprised mainly of material outside of the immediate mine area;
- (ix) greenfields exploration potential that is not associated with any other production, development or exploration stage property, as described above; or
- (x) any acquired right to explore or extract a potential mineral deposit. The Company's mineral rights generally are enforceable regardless of whether proven and probable reserves have been established. In certain limited situations, the nature of a mineral right change from an exploration right to a mining right upon the establishment of proven and probable reserves. The Company has the ability and intent to renew mineral interests where the existing term is not sufficient to recover all identified and valued proven and probable reserves and/or undeveloped mineralized material.

ASSET IMPAIRMENT

The Company reviews and evaluates its 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, trends and related factors), production levels, operating costs, capital requirements and reclamation costs, all based on life-of-mine plans. Existing proven and probable reserves and value beyond proven and probable reserves, including mineralization 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 levels for which there are identifiable cash flows that are largely independent of future cash flows from other asset groups. The Company's 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 costs and capital are each subject to significant risks and uncertainties.

REVENUE RECOGNITION

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. Revenues from by-product sales are credited to *Costs applicable to sales* as a by-product credit.

Concentrate sales are initially recorded based on 100% of the provisional sales prices. Until final settlement occurs, sales prices are made to take into account the mark-to-market changes based on the forward prices for the estimated month of settlement. For changes in metal quantities upon receipt of new information and assay, the provisional sales quantities are adjusted as well. The principal risks associated with recognition of sales on a provisional basis include metal price fluctuations between the date initially recorded and the date of final settlement. If a significant decline in metal prices occurs between the provisional pricing date and the final settlement date, it is reasonably possible that the Company could be required to return a portion of the sales proceeds received based on the provisional invoice.

The Company's sales based on a provisional price contain an embedded derivative that is required to be separated from the host contract for accounting purposes. The host contract is the receivable from the sale of the concentrates at the forward exchange price at the time of sale. The embedded derivative, which does not qualify for hedge accounting, is marked to market through earnings each period prior to final settlement.

INCOME AND MINING TAXES

The Company accounts for income taxes using the liability method, recognizing certain temporary differences between the financial reporting basis of the Company's liabilities and assets and the related income tax basis for such liabilities and assets. This method generates either a net deferred income tax liability or asset for the Company, as measured by the statutory tax rates in effect. The Company derives its deferred income tax charge or benefit by recording the change in either the net deferred income tax liability or asset balance for the year. Mining taxes represent state and provincial taxes levied on mining operations and are classified as income taxes; as such taxes are based on a percentage of mining profits. With respect to the earnings that the Company derives from the operations of its consolidated subsidiaries, in those situations where the earnings are indefinitely reinvested, no deferred taxes have been provided on the unremitted earnings (including the excess of the carrying value of the net equity of such

entities for financial reporting purposes over the tax basis of such equity) of these consolidated companies.

The Company's deferred income tax assets include certain future tax benefits. The Company records a valuation allowance against any portion of those deferred income tax assets when it believes, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred income tax asset will not be realized.

The Company's operations may involve dealing with uncertainties and judgments in the application of complex tax regulations in multiple jurisdictions. The final taxes paid are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions and resolution of disputes arising from federal, state, and international tax audits. The Company recognizes potential liabilities and records tax liabilities for anticipated tax audit issues in the U.S. and other tax jurisdictions based on its estimate of whether, and the extent to which, additional taxes will be due. The Company adjusts these reserves in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the Company's current estimate of the tax liabilities. If the Company's estimate of tax liabilities proves to be less than the ultimate assessment, an additional charge to expense would result. If the estimate of tax liabilities proves to be greater than the ultimate assessment, a tax benefit would result. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in *Income and mining tax expense*.

RECLAMATION AND REMEDIATION COSTS

Reclamation obligations are recognized when incurred and recorded as liabilities at fair value. The liability is accreted over time through periodic charges to earnings. In addition, the asset retirement cost is capitalized as part of the asset's carrying value and amortized over the life of the related asset. Reclamation costs are periodically adjusted to reflect changes in the estimated present value resulting from the passage of time and revisions to the estimates of either the timing or amount of the reclamation costs. The reclamation obligation is based on when spending for an existing disturbance will occur. The Company reviews, on an annual basis, unless otherwise deemed necessary, the reclamation obligation at each mine site in accordance with ASC guidance for reclamation obligations.

Future remediation costs for inactive mines are accrued based on management's best estimate at the end of each period of the costs expected to be incurred at a site. Such cost estimates include, where applicable, ongoing care, maintenance and monitoring costs. Changes in estimates at inactive mines are reflected in earnings in the period an estimate is revised.

FOREIGN CURRENCY

The functional currency for the majority of the Company's operations is the U.S. dollar. All monetary assets and liabilities where the functional currency is the U.S. dollar are translated at current exchange rates and the resulting adjustments are included in *Other income, net*. All assets and liabilities recorded in functional currencies other than U.S. dollars are translated at current

exchange rates and the resulting adjustments are charged or credited directly to *Accumulated other comprehensive income* in *Equity*. Revenues and expenses in foreign currencies are translated at the weighted-average exchange rates for the period.

DERIVATIVE INSTRUMENTS

The Company may in the future have forward contracts designated as cash flow hedges in place to hedge against changes in foreign exchanges rates and diesel prices, and forward starting swap contracts to hedge against changes in treasury rates. The fair value of derivative contracts qualifying as cash flow hedges are reflected as assets or liabilities in the balance sheet. To the extent these hedges are effective in offsetting forecasted cash flows from production costs (the “effective portion”), changes in fair value are deferred in *Accumulated other comprehensive income*. Amounts deferred in *Accumulated other comprehensive income* are reclassified to income when the hedged transaction has occurred. The ineffective portion of the change in the fair value of the derivative is recorded in *Other income, net* in each period. Cash transactions related to the Company’s derivative contracts accounted for as hedges are classified in the same category as the item being hedged in the statement of cash flows.

When derivative contracts qualifying as cash flow hedges are settled, accelerated or restructured before the maturity date of the contracts, the related amount in *Accumulated other comprehensive income* at the settlement date is deferred and reclassified to earnings, as applicable, when the originally designated hedged transaction impacts earnings.

The fair value of derivative contracts qualifying as fair value hedges are reflected as assets or liabilities in the balance sheet. Changes in fair value are recorded in income in each period, consistent with recording changes to the mark-to-market value of the underlying hedged asset or liability in income. The Company will assess the effectiveness of the derivative contracts periodically using either regression analysis or the dollar offset approach, both retrospectively and prospectively, to determine whether the hedging instruments have been highly effective in offsetting changes in the fair value of the hedged items. The Company will also assess periodically whether the hedging instruments are expected to be highly effective in the future. If a hedging instrument is not expected to be highly effective, the Company will stop hedge accounting prospectively. In those instances, the gains or losses remain in *Accumulated other comprehensive income* until the hedged item affects earnings.

NET INCOME PER COMMON SHARE

Basic and diluted income per share is presented for *Net income attributable to the Company stockholders* and for *Income from continuing operations attributable to the Company stockholders*. Basic income per share is computed by dividing income available to common shareholders by the weighted-average number of outstanding common shares for the period, including the exchangeable shares. Diluted income per share reflects the potential dilution that could occur if securities or other contracts that may require the issuance of common shares in the future were converted. Diluted income per share is computed by increasing the weighted-average number of outstanding common shares to include the additional common shares that would be outstanding after conversion and adjusting net income for changes that would result from the

conversion. Only those securities or other contracts that result in a reduction in earnings per share are included in the calculation.

COMPREHENSIVE INCOME

In addition to *Net income*, *Comprehensive income (loss)* includes all changes in equity during a period, such as adjustments to minimum pension liabilities, foreign currency translation adjustments, the effective portion of changes in fair value of derivative instruments that qualify as cash flow hedges and cumulative unrecognized changes in fair value of marketable securities available for-sale or other investments, except those resulting from investments by and distributions to owners.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

Business Combinations:

In December 2010, the ASC guidance for business combinations was updated to clarify existing guidance which requires a public entity to disclose pro forma revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual period only. The update also expands the supplemental pro forma disclosures required to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. Adoption of the updated guidance, effective for the Company's fiscal year beginning October, 2011, had no impact on the Company's consolidated financial position, results of operations or cash flows.

Fair Value Accounting:

In January 2010, the ASC guidance for fair value measurements and disclosure was updated to require additional disclosures related to transfers in and out of level 1 and 2 fair value measurements. The guidance was amended to clarify the level of disaggregation required for assets and liabilities and the disclosures required for inputs and valuation techniques used to measure the fair value of assets and liabilities that fall in either level 2 or level 3. The updated guidance was effective for the Company's fiscal year beginning October 1, 2010. The adoption had no impact on the Company's consolidated financial position, results of operations or cash flows.

Also in January 2010, the ASC guidance for fair value measurements and disclosure was updated to require enhanced detail in the level 3 reconciliation. Adoption of the updated guidance, effective for the Company's fiscal year beginning October 1, 2011, had no impact on the Company's consolidated financial position, results of operations or cash flows.

Variable Interest Entities:

In June 2009, the ASC guidance for consolidation accounting was updated to require an entity to perform a qualitative analysis to determine whether the enterprise's variable interest gives it a

controlling financial interest in a VIE. This qualitative analysis identifies the primary beneficiary of a VIE as the entity that has both of the following characteristics:

- (iii) the power to direct the activities of a VIE that most significantly impact the entity's economic performance; and
- (iv) the obligation to absorb losses or receive benefits from the entity that could potentially be significant to the VIE. The updated guidance also requires ongoing reassessments of the primary beneficiary of a VIE. Adoption of the updated guidance, effective for the Company's fiscal year beginning October 1, 2010, had no impact on the Company's consolidated financial position, results of operations or cash flows.

CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our principal executive officer and the principal financial officer (our president), we have conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and principal financial officer concluded as of the evaluation date that our disclosure controls and procedures were effective such that the material information required to be included in any future Securities and Exchange Commission reports is accumulated and communicated to our management, including our principal executive and financial officer, recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms relating to our company, particularly during the period when this report was being prepared.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, for the company. Internal control over financial reporting includes those policies and procedures that:

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; and
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of its management and directors; and

- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Management recognizes that there are inherent limitations in the effectiveness of any system of internal control, and accordingly, even effective internal control can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect material misstatements. In addition, effective internal control at a point in time may become ineffective in future periods because of changes in conditions or due to deterioration in the degree of compliance with our established policies and procedures. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in there being a more than remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

Under the supervision and with the participation of our president, management conducted an evaluation of the effectiveness of our internal control over financial reporting, as of September 30, 2010, based on the framework set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation under this framework, management concluded that our internal control over financial reporting was not effective as of the evaluation date due to the factors stated below.

Management assessed the effectiveness of the Company's internal control over financial reporting as of evaluation date and identified the following material weaknesses:

INSUFFICIENT RESOURCES:

We have an inadequate number of personnel with requisite expertise in the key functional areas of finance and accounting.

INADEQUATE SEGREGATION OF DUTIES:

We have an inadequate number of personnel to properly implement control procedures.

LACK OF AUDIT COMMITTEE & OUTSIDE DIRECTORS ON THE COMPANY'S BOARD OF DIRECTORS:

We do not have a functioning audit committee or outside directors on our board of directors, resulting in ineffective oversight in the establishment and monitoring of required internal controls and procedures. Management is committed to improving its internal controls and will

- (1) Continue to use third party specialists to address shortfalls in staffing and to assist the Company with accounting and finance responsibilities; and

- (2) Increase the frequency of independent reconciliations of significant accounts which will mitigate the lack of segregation of duties until there are sufficient personnel; and
- (3) May consider appointing outside directors and audit committee members in the future.

Management, including our president, will discuss the material weakness noted above with our independent registered public accounting firm upon their appointment. Due to the nature of this material weakness, there is a more than remote likelihood that misstatements which could be material to the annual or interim financial statements could occur that would not be prevented or detected.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

There have been no changes in our internal control over financial reporting that occurred during the last Quarter dated June 30, 2012 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ADDITIONAL RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Goodwill Impairment:

In September 2011, the ASC guidance was issued related to goodwill impairment. Under the updated guidance, an entity will have the option to first assess qualitatively whether it is necessary to perform the current two-step goodwill impairment test. If the Company believes, as a result of its qualitative assessment, that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, the quantitative impairment test is required. Otherwise, no further testing is required. The update does not change how the Company performs the two-step impairment test under current guidance.

The update is effective for the Company's fiscal year beginning October 1, 2012 with early adoption permitted. The Company does not expect the updated guidance to have an impact on the consolidated financial position, results of operations or cash flows.

Comprehensive Income:

In June 2011, the ASC guidance was issued related to comprehensive income. Under the updated guidance, an entity will have the option to present the total of comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In addition, the update required certain disclosure requirements when reporting other Comprehensive income. The update does not change the items reported in other comprehensive income or when an item of other comprehensive income must be reclassified to income. Subsequently, in December 2011, the FASB issued its final standard to defer the new requirement to present components of reclassifications of other comprehensive income on the face of the income statement.

Companies will still be required to adopt the other requirements contained in the new standard on comprehensive income. The Company adopted the new guidance and its deferral and opted to present the total of comprehensive income in two separate but consecutive statements effective for its fiscal year beginning October 1, 2011. The early adoption had no impact on the Company's consolidated financial position, results of operations or cash flows.

Fair Value Accounting:

In May 2011, the ASC guidance was issued related to disclosures around fair value accounting. The updated guidance clarifies different components of fair value accounting including the application of the highest and best use and valuation premise concepts, measuring the fair value of an instrument classified in a reporting entity's shareholders' equity and disclosing quantitative information about the unobservable inputs used in fair value measurements that are categorized in Level 3 of the fair value hierarchy. The update is effective for the Company's fiscal year beginning October 1, 2012. The Company does not expect the updated guidance to have a significant impact on the consolidated financial position, results of operations or cash flows.

THE NATURE OF PRODUCTS OR SERVICES OFFERED

Principal Products or Services, and their Markets:

The Company is in the mineral exploration business, and does not have any marketable products at this time.

Distribution methods of the products or services:

The Company is currently in the exploration stage as a mining company and is not distributing products at this time.

Status of any publicly announced new products or services:

There are no publicly announced new products or services at present.

Competitive business conditions, the issuer's competitive position in the industry, and methods of competition:

There are many companies in this business which make the industry very competitive. The Company, once it commences production, will compete with other companies for the sale of its gold and silver which are based on international markets. The current high global price for gold and silver will, however, increase the Company's profitability in the event it commences production while such prices are prevalent.

Sources and availability of raw materials and the names of principal suppliers:

There are numerous independent drilling companies located in Arizona, Nevada and Utah which own drill rigs that can be mobilized to the company's project sites in Arizona.

These companies provide equipment and supplies for drilling programs so that the Company is not required to purchase these items directly. Supplies and rental equipment are readily available in Parker, Arizona (for Clara, Silverfield and Burnt Well), Prescott, Arizona (for Kit Carson) and Kingman, Arizona (for Potts Mountain and Ester Basin). Incidental supplies may be obtained in a Home Depot, Lowes or independent hardware store located in one of these cities.

Dependence on one or a few major customers:

The Company is the exploration stage and currently does not have a base of customers; once entering the production stage, it is the company's goal to diversify and grow its customer base so as to eliminate any dependency on any one main customer. Whereas the company is a mining company in the gold and silver market, the large desire for such commodities on the world market is constant and ready markets for such precious metals are more than available,

THE NATURE AND EXTENT OF THE ISSUER'S FACILITIES

- A). Assets, properties or facilities of the issuer, location of principal plants and other properties or facilities of the issuer, the location of the principal plants and other property of the issuer, condition of the properties. If the issuer does not have complete ownership or control of the property, describe the limitations on the ownership.

Assets and properties:

The Company does not own any property. It currently has access to office space provided without charge by management of the Company. The Company's mining claims and prospecting permits are described above under "Business of Issuer."

Facilities of the issuer:

The Company does not lease or rent any property. It receives its mail using the services of a mail forwarding service based in New York, NY. The Company does not anticipate that it will need to expand its facilities during the first few years of operation while it executes its development plan.

- B). If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

Not applicable.

- C). If the issuer owns any property or properties, for which the book value amounts to ten percent or more of the total assets of the issuer and its consolidated

subsidiaries for the last fiscal year furnish the following information for each such property:

Not applicable.

WARRANTS AND OPTIONS

There are no warrants or options outstanding to acquire any additional shares of common stock.

RELATED PARTY TRANSACTIONS

The Officers and the directors of the Company are involved in other business activities and may, in the future, become involved in other business opportunities as they become available. Thus they may face a conflict in selecting between the Company and their other business interests. The Company has not formulated a policy for the resolution of such conflicts.

INCOME TAXES

Realization of deferred tax assets is dependent upon sufficient future taxable income during the period that deductible temporary differences and carry forwards are expected to be available to reduce taxable income. As the achievement of required future taxable income is uncertain, the Company recorded a valuation allowance. As of September 30, 2011 and 2010, the Company has a net operating loss carry forwards of approximately \$21,703,597 and \$18,721,319. Net operating loss carry forward expires twenty years from the date the loss was incurred.

INVESTMENTS

Management determines the appropriate classification of its investments in equity securities at the time of purchase and reevaluates such determinations at each reporting date. Investments in incorporated entities in which the Company's ownership is greater than 20% and less than 50%, or which the Company does not control through majority ownership or means other than voting rights, are accounted for by the equity method and are included in long-term assets. The Company accounts for its marketable security investments as available for sale securities in accordance with ASC guidance on accounting for certain investments in debt and equity securities. The Company periodically evaluates whether declines in fair values of its investments below the Company's carrying value are other-than-temporary in accordance with ASC guidance.

The Company's policy is to generally treat a decline in the investment's quoted market value that has lasted continuously for more than six months as an other-than-temporary decline in value. The Company also monitors its investments for events or changes in circumstances that have occurred that may have a significant adverse effect on the fair value of the investment and evaluates qualitative and quantitative factors regarding the severity and duration of the unrealized loss and the Company's ability to hold the investment until a forecasted recovery occurs to determine if the decline in value of an investment is other-than-temporary. Declines in fair value below the Company's carrying value deemed to be other-than-temporary are charged to earnings.

PROPERTY, PLANT AND MINE EQUIPMENT

Facilities 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 amortized using the straight-line method at rates sufficient to amortize such costs over the estimated productive lives, which do not exceed the related estimated mine lives, of such facilities based on proven and probable reserves.

Mine Development:

Mine development costs include engineering and metallurgical studies, drilling and other related costs to delineate an ore body, the removal of overburden to initially expose an ore body at open pit surface mines and the building of access ways, shafts, lateral access, drifts, ramps and other infrastructure at underground mines. Costs incurred before mineralization is classified as proven and probable reserves are expensed and classified as *Exploration* or *Advanced projects, research and development* expense. Capitalization of mine development project costs, that meet the definition of an asset, begins once mineralization is classified as proven and probable reserves.

Drilling and related costs are capitalized for an ore body where proven and probable reserves exist and the activities are directed at obtaining additional information on the ore body or converting non-reserve mineralization to proven and probable reserves. All other drilling and related costs are expensed as incurred. Drilling costs incurred during the production phase for operational ore control are allocated to inventory costs and then included as a component of *Costs applicable to sales*.

The cost of removing overburden and waste materials to access the ore body at an open pit mine prior to the production phase are referred to as “pre-stripping costs.” Pre-stripping costs are capitalized during the development of an open pit mine. Where multiple open pits exist at a mining complex utilizing common processing facilities, pre-stripping costs are capitalized at each pit. The removal, production, and sale of de minimis saleable materials may occur during development and are recorded as *Other income*, net of incremental mining and processing costs. The production phase of an open pit mine commences when saleable minerals, beyond a de minimis amount, are produced.

Stripping costs incurred during the production phase of a mine are variable production costs that are included as a component of inventory to be recognized in *Costs applicable to sales* in the same period as the revenue from the sale of inventory. The Company’s definition of a mine and the mine’s production phase may differ from that of other companies in the mining industry resulting in incomparable allocations of stripping costs to deferred mine development and production costs. Other mining companies may expense pre-stripping costs associated with subsequent pits within a mining complex.

Mine development costs are amortized using the units-of-production (“UOP”) method based on estimated recoverable ounces or pounds in proven and probable reserves. To the extent that these

costs benefit an entire ore body, they are amortized over the estimated life of the ore body. Costs incurred to access specific ore blocks or areas that only provide benefit over the life of that area are amortized over the estimated life of that specific ore block or area.

Mineral Interests:

Mineral interests include acquired interests in production, development and exploration stage properties. The mineral interests are capitalized at their fair value at the acquisition date, either as an individual asset purchase or as part of a business combination. The value of such assets is primarily driven by the nature and amount of mineralized material believed to be contained in such properties. Production stage mineral interests represent interests in operating properties that contain proven and probable reserves.

Development stage mineral interests represent interests in properties under development that contain proven and probable reserves. Exploration stage mineral interests represent interests in properties that are believed to potentially contain mineralized material consisting of

- (xi) mineralized material such as inferred material within pits; measured, indicated and inferred material with insufficient drill spacing to qualify as proven and probable reserves; and inferred material in close proximity to proven and probable reserves;
- (xii) around-mine exploration potential such as inferred material not immediately adjacent to existing reserves and mineralization, but located within the immediate mine area;
- (xiii) other mine-related exploration potential that is not part of measured, indicated or inferred material and is comprised mainly of material outside of the immediate mine area;
- (xiv) greenfields exploration potential that is not associated with any other production, development or exploration stage property, as described above; or
- (xv) any acquired right to explore or extract a potential mineral deposit. The Company's mineral rights generally are enforceable regardless of whether proven and probable reserves have been established. In certain limited situations, the nature of a mineral right change from an exploration right to a mining right upon the establishment of proven and probable reserves. The Company has the ability and intent to renew mineral interests where the existing term is not sufficient to recover all identified and valued proven and probable reserves and/or undeveloped mineralized material.

ASSET IMPAIRMENT

The Company reviews and evaluates its 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, trends and related factors), production levels, operating costs, capital requirements and reclamation costs, all based on life-of-mine plans. Existing proven and probable reserves and value beyond proven and probable reserves, including mineralization 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 levels for which there are identifiable cash flows that are largely independent of future cash flows from other asset groups. The Company’s 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 costs and capital are each subject to significant risks and uncertainties.

REVENUE RECOGNITION

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. Revenues from by-product sales are credited to *Costs applicable to sales* as a by-product credit.

Concentrate sales are initially recorded based on 100% of the provisional sales prices. Until final settlement occurs, sales prices are made to take into account the mark-to-market changes based on the forward prices for the estimated month of settlement. For changes in metal quantities upon receipt of new information and assay, the provisional sales quantities are adjusted as well. The principal risks associated with recognition of sales on a provisional basis include metal price fluctuations between the date initially recorded and the date of final settlement. If a significant decline in metal prices occurs between the provisional pricing date and the final settlement date, it is reasonably possible that the Company could be required to return a portion of the sales proceeds received based on the provisional invoice.

The Company’s sales based on a provisional price contain an embedded derivative that is required to be separated from the host contract for accounting purposes. The host contract is the receivable from the sale of the concentrates at the forward exchange price at the time of sale. The embedded derivative, which does not qualify for hedge accounting, is marked to market through earnings each period prior to final settlement.

INCOME AND MINING TAXES

The Company accounts for income taxes using the liability method, recognizing certain temporary differences between the financial reporting basis of the Company’s liabilities and

assets and the related income tax basis for such liabilities and assets. This method generates either a net deferred income tax liability or asset for the Company, as measured by the statutory tax rates in effect. The Company derives its deferred income tax charge or benefit by recording the change in either the net deferred income tax liability or asset balance for the year. Mining taxes represent state and provincial taxes levied on mining operations and are classified as income taxes; as such taxes are based on a percentage of mining profits. With respect to the earnings that the Company derives from the operations of its consolidated subsidiaries, in those situations where the earnings are indefinitely reinvested, no deferred taxes have been provided on the unremitted earnings (including the excess of the carrying value of the net equity of such entities for financial reporting purposes over the tax basis of such equity) of these consolidated companies.

The Company's deferred income tax assets include certain future tax benefits. The Company records a valuation allowance against any portion of those deferred income tax assets when it believes, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred income tax asset will not be realized.

The Company's operations may involve dealing with uncertainties and judgments in the application of complex tax regulations in multiple jurisdictions. The final taxes paid are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions and resolution of disputes arising from federal, state, and international tax audits. The Company recognizes potential liabilities and records tax liabilities for anticipated tax audit issues in the U.S. and other tax jurisdictions based on its estimate of whether, and the extent to which, additional taxes will be due. The Company adjusts these reserves in light of changing facts and circumstances; however, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the Company's current estimate of the tax liabilities. If the Company's estimate of tax liabilities proves to be less than the ultimate assessment, an additional charge to expense would result. If the estimate of tax liabilities proves to be greater than the ultimate assessment, a tax benefit would result. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in *Income and mining tax expense*.

NET INCOME PER COMMON SHARE

Basic and diluted income per share is presented for *Net income attributable to the Company stockholders* and for *Income from continuing operations attributable to the Company stockholders*. Basic income per share is computed by dividing income available to common shareholders by the weighted-average number of outstanding common shares for the period, including the exchangeable shares. Diluted income per share reflects the potential dilution that could occur if securities or other contracts that may require the issuance of common shares in the future were converted. Diluted income per share is computed by increasing the weighted-average number of outstanding common shares to include the additional common shares that would be outstanding after conversion and adjusting net income for changes that would result from the conversion. Only those securities or other contracts that result in a reduction in earnings per share are included in the calculation.

COMPREHENSIVE INCOME

In addition to *Net income*, *Comprehensive income (loss)* includes all changes in equity during a period, such as adjustments to minimum pension liabilities, foreign currency translation adjustments, the effective portion of changes in fair value of derivative instruments that qualify as cash flow hedges and cumulative unrecognized changes in fair value of marketable securities available for-sale or other investments, except those resulting from investments by and distributions to owners.