

ARDENT MINES LTD
Form 10-K
August 31, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

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

For the fiscal year ended: June 30, 2011

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

For the transition period from _____ to _____

Commission File Number: 000-50994

Ardent Mines Limited
(Exact Name of Registrant as Specified in its Charter)

Nevada
(State of other jurisdiction of
incorporation or organization)

88-0471870
(IRS Employer Identification
Number)

100 Wall Street, 21st Floor
New York, NY 10005
(Address of principal executive offices)

855-273-3686
(Registrant's telephone number)

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

Securities registered pursuant to Section 12(g) of the Exchange Act: None

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§

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232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes " No "

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

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

Large Accelerated Filer .. Accelerated Filer ..
Non-Accelerated Filer .. Smaller Reporting Company x

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: \$45,857,800 at December 31, 2010.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: The Issuer had 16,013,650 shares of Common Stock, par value \$.00001, outstanding as of August 17, 2011.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The following cautionary statements identify important factors that could cause our actual results to differ materially from those projected in forward-looking statements made in this Annual Report on Form 10-K (this “Report”) and in other reports and documents published by us from time to time. Any statements about our beliefs, plans, objectives, expectations, assumptions, future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as “believes,” “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimated,” “intend,” “plan,” “projection,” “outlook” and the like, constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). However, as we issue “penny stock,” as such term is defined in Rule 3a51-1 promulgated under the Exchange Act, we are ineligible to rely on these safe harbor provisions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of our Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Given these uncertainties, readers are cautioned to carefully read all “Risk Factors” set forth under Item 1A and not to place undue reliance on any forward-looking statements. We disclaim any obligation to update any such factors or to announce publicly the results of any revisions of the forward-looking statements contained or incorporated by reference herein to reflect future events or developments, except as required by the Exchange Act. New factors emerge from time to time, and it is not possible for us to predict which will arise or to assess with any precision the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Unless otherwise provided in this Report, references to the “Company,” the “Registrant,” the “Issuer,” “we,” “us,” and “our” refer to Ardent Mines Limited.

SPECIAL NOTE REGARDING SHELL STATUS

Due to the growth, development and operations of the Company, the Company has ceased to be a “shell company” as such term is defined in Rule 12b-2 of the Securities Exchange Act of 1934. In connection with this development, this Report includes the information which is required by U.S. Securities and Exchange Commission Form 10, the General Form for the Registration of Securities Pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934.

PART I

ITEM 1: BUSINESS

Corporate Information

We were incorporated in the State of Nevada on July 27, 2000. We are presently engaged in the acquisition and exploration of mining properties. The Company's address is 100 Wall Street, 21st Floor, New York, NY 10005. The Company's telephone number is (855) 273-3686.

Background

In August 2000, we acquired the right to prospect one mineral property containing eight mining claims located on Copperkettle Creek in British Columbia, Canada. We have allowed these claims to lapse. From August 26, 2006 to December 11, 2006, we did not conduct any operations. During that period, we intended to identify an acquisition or merger candidate with ongoing operations in any field. However in December 2006 we decided to acquire the right to explore a new property in British Columbia and returned to the business of mineral exploration. On April 30, 2009, the Company decided not to renew certain claims, and later determined not to pursue its remaining claim in Canada. The Company subsequently determined to pursue other mining development opportunities.

The Company's Current Business Operations

During the period covered by this Report, the Company has appointed new officers and directors, opened a new office, and negotiated and conducted due diligence regarding several potential acquisitions. The Company's most significant achievement to date has been its acquisition of Gold Hills Mining Ltda., as described below.

Gold Hills Mining Ltda.

In January of 2011, the Company entered into a term sheet to acquire Gold Hills Mining Ltda. ("Gold Hills"), a Brazilian corporation which possesses rights for mineral extraction on properties located in Northeastern Brazil. After the completion of due diligence, on May 4, 2011, the Company acquired Gold Hills pursuant to a Purchase Agreement (the "Purchase Agreement") by and between the Company, Gold Hills and the two shareholders of Gold Hills (such shareholders are referred to herein as the "Sellers"). Pursuant to the Purchase Agreement, the Sellers have sold to the Company One Hundred Percent (100%) of all the issued and outstanding equity interests (the "Shares") of Gold Hills in accordance with the following terms:

- (a) Payment of two hundred and fifty thousand U.S. dollars (\$250,000), which has been paid.
- (b) The Company shall conduct an exploration campaign at the properties (the "Exploration"). Upon the completion of the Exploration, the following amounts shall be paid by Gold Hills to the Sellers:
 - (i) If the Exploration confirms the existence of gold mineral reserves of less than Three Hundred Thousand (300,000) ounces, no additional payment shall be made by the Company to the Sellers.
 - (ii) If the Exploration confirms the existence of gold mineral reserves of between Three Hundred Thousand (300,000) and Four Hundred Ninety-Nine Thousand Nine Hundred and Ninety-Nine (499,999) ounces, the additional payment to be made to the Sellers shall be Four Hundred Thousand U.S. Dollars (\$400,000).
 - (iii)

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If the Exploration confirms the existence of gold mineral reserves of greater than Four Hundred Ninety-Nine Thousand Nine Hundred and Ninety-Nine (499,999) ounces, the additional payment to be made to the Sellers shall be (a) One Million U.S. Dollars (\$1,000,000); plus (b) Two U.S. Dollars (\$2) per additional ounce in excess of the first Five Hundred Thousand (500,000) ounces, to be paid in four biannual installments starting in twelve (12) months.

(c) Upon Gold Hills obtaining certain enumerated environmental licenses which are necessary to commence Gold Hills planned mining operations, the Company will make an additional cash payment to the Sellers in the amount of Seven Hundred Thousand U.S. Dollars (\$700,000).

(d) Upon the commencement of the successful mining and processing of gold by Gold Hills, the Sellers shall be entitled to receive a royalty equal to Two Percent (2%) of Gold Hills' gross income, as calculated in accordance with generally accepted accounting principals.

Subject to the Company's determination of the existence of such gold reserves as set forth above, the Company has agreed to invest Three Million Five Hundred Thousand U.S. Dollars (\$3,500,000) in Gold Hills.

Pursuant to the Purchase Agreement, one of the Sellers shall be appointed to Gold Hills' Board. The Purchase Agreement also contains standard representations and warranties, and provides for arbitration in the event of any dispute.

Acquisition of Mineral Rights in the State of Para, Brazil

A Brazilian subsidiary of the Company has executed an agreement granting the Company an exclusive option to acquire mineral rights in the Carajas Mineral Province in the State of Para, Brazil. Pursuant to this Exclusive Option Agreement, the Company will commence due diligence regarding this property. The Company has agreed to initially acquire a 70% interest, and eventually the totality of the mineral rights, after confirmation of mineral resources upon the execution of an initial exploration campaign that the Company estimates will take between 12 to 18 months to complete.

Other Prospective Acquisitions

On September 25, 2010, the Company entered into a letter of intent (the "Letter of Intent") with Rio Sao Pedro Mineracao LTDA ("Rio Sao Pedro"), a Brazilian mining company. Rio Sao Pedro owns a prospective gold mine, the "Fazenda Lavras," which is near the Morro do Ouro mine of Kinross Gold Corporation in the city of Paracatu, located in the State of Minas Gerais, Brazil. The Rio Sao Pedro Fazenda Lavras property covers approximately 211 hectares (approximately 521 acres), with gold mining rights and other mineral rights on a total of 828 hectares (approximately 2,046 acres). The Company and Rio Sao Pedro and the Sellers continued negotiations for the acquisition of Rio Sao Pedro amicably for some time, however, at the present time, the Company does not anticipate that this transaction will proceed.

On December 12, 2010, the Company entered into an Exploration and Acquisition Agreement (the "Capri Agreement") with Afrocan Resources Ltd. ("Afrocan"). Afrocan owns 100% of all issued and outstanding shares of Capri General Trading Co. Ltd. ("Capri"), which is the legal and beneficial owner of 100% of all mineral rights on a property in Tanzania (the "Shenda Property"). The Company agreed that subject to certain conditions, including final due diligence satisfactory to the Company and the completion and execution of detailed long form agreements supplementing the terms and conditions of the Capri Agreement, the Company would conduct exploration activities at the Shenda Property. In the event that the Company could ascertain certain levels of commercially available and commercially exploitable reserves, the Company would acquire all of the issued and outstanding equity interests in Capri from Afrocan in exchange for shares of the Company's common stock. As of the date of this Report, the Company is no longer actively pursuing the Capri transaction.

During 2011, the Company agreed to general terms for the purchase of 100% of the shares of Sociedad Minera Las Cumbres SAC ("Las Cumbres"), the operator of a silver mine located in the Churín region of Peru, approximately 150 miles Northeast of the capital city of Lima. The Company also entered into an option agreement with Alfredo de

Lima SMRL to purchase the mineral rights for the Condorsenga mine, where the Las Cumbres operation is located. These agreements were subject to certain conditions which were not fulfilled by the counterparties, and the Company is no longer pursuing these transactions.

Employees and Directors

As of the end of the period covered by this Report, we had two full-time employees. Mr. Leonardo Alberto Riera was appointed as a member of the Company's Board of Directors and as the President of the Company on August 25, 2010. Effective as of September 2, 2010, Mr. Luis Feliu was appointed as the Chief Financial Officer of the Company. Mr. Riera and Mr. Feliu both devote the majority of their time to the Company's operations. In addition, during the period covered by this Report, the Company's Board of Directors expanded to include Luciano de Freitas Borges, James Ladner and Gabriel Margent. On August 25, 2010 Mr. Urmas Turu resigned as the President of the Company. He remained a member of the Company's Board of Directors until March 22, 2011.

Corporate Development Services Agreement

On September 27, 2010, the Company entered into a Corporate Development Services Agreement (the "Services Agreement") with CRG Finance AG ("CRG"). Pursuant to the Services Agreement, CRG has agreed to render to the Company consulting and other strategic advisory services (collectively, the "Advisory Services"). The Company will pay to CRG the following amounts for the Advisory Services: (i) an inception fee of US\$100,000.00 (one hundred thousand U.S. dollars) and (ii) a monthly services fee of US\$25,000.00 (twenty five thousand U.S. dollars) per month, payable each month for the period commencing as of September 1, 2010. CRG shall be paid \$10,000 per month of the Advisory Services Fee beginning September 1, 2010, with the balance of \$15,000 per month of the Advisory Services Fees together with the Inception Payment accruing until completion of the first Company financing when such accruals shall be fully due and payable. In consideration of any and all Investment Banking Services provided to the Company, CRG shall receive in cash ten percent (10%) of the total value of each such transaction, payable at the closing of each such transaction. The Services Agreement also contains provisions for the reimbursement of reasonable expenses incurred by CRG, and for indemnification of CRG and its affiliates from claims related to the services provided under the Services Agreement. The term of the Services Agreement shall be three years, and may be terminated at any time for any reason by CRG upon not less than thirty (30) days' advance written notice. During May and June 2011, the inception fee and the accrued monthly service fees through June 2011 were paid in full. In July 2011, Ardent Mines and CRG entered into a suspension agreement whereby the investment banking services were terminated and the monthly service fees beginning July 2011 will no longer be due. During the year ended June 30, 2011, we borrowed a total of \$750,000 from CRG Finance AG at a rate of 7.5% per annum, calculated based on a year of 365 days and actual days elapsed. The loan, plus any interest accumulated, is due upon demand after the first anniversary of the agreement date within thirty calendar days upon delivery to the Borrower a written demand by the Lender. On October 18, 2011, the loan becomes convertible into common stock at the holder's option at \$3.68 per share.

SUBSEQUENT EVENTS

Press Release Regarding NI 43-101 Compliant Technical Report on Exploration of the Gold Hills Project

On July 5, 2011, the Company announced that it has received a 43-101 Technical Report on Exploration prepared by SRK Consulting (U.S.) Inc. for the Company's "Serra du Ouro" Project in Brazil. Ardent Mines acquired all mineral rights in the Serra du Ouro project area, containing a highly mineralized vein of approximately 13 Kilometers in length, by purchasing 100% of the shares of Gold Hills Mining Ltda. in May of 2011. The SRK report is filed as an Exhibit hereto and is also available on Ardent Mines' website www.ardentmines.com. The report was prepared upon SRK's completion of a site visit and the analysis of geological and geophysical evidence. SRK confirmed the existence of a highly mineralized vein containing gold of high grade (4 to 7 g/t), originally prospected by the CPRM, an agency of the Brazilian government.

Where You Can Find More Information

The Company files annual, quarterly and other requisite filings with the U.S. Securities and Exchange Commission (the "SEC"). Members of the public may read and copy any materials which we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Members of the public may obtain additional information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet site that contains reports, proxy and information statements, as well as other information regarding issuers that file electronically with the SEC. This site is located at <http://www.sec.gov>.

We maintain an Internet website at www.ardentmines.com. In addition to news and other information about our company, we make available on our website our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and all amendments to those reports as soon as reasonably practicable after we electronically file this material with, or furnish it to, the Securities and Exchange Commission and copies of our Code of Ethics. The information available on our website is provided for convenience only and is not incorporated into this Report.

You may also request a copy of our filings at no cost, by writing or telephoning us at:

Ardent Mines Limited
100 Wall Street, 21st Floor
New York, NY 10005
Telephone: (855) 273-3686
Attention: Leonardo Riera
Title: Chief Executive Officer

ITEM 1A. RISK FACTORS

An investment in our Company involves a risk of loss. You should carefully consider the risks described below, before you make any investment decision regarding our Company. Additional risks and uncertainties may also impair our business. If any such risks actually materialize, our business, financial condition and operating results could be adversely affected. In such case, the trading price of our common stock could decline.

Risks Related to Our Company

We have not yet commenced revenue generating operations under our business model and we have no past performance which can serve as an indicator of our future potential.

We are presently at the early stages of the implementation of our business plan. Our most recent financial statements will therefore not provide sufficient information to assess our future prospects. Our likelihood of success must be considered in light of all of the risks, expenses and delays inherent in establishing a new business, including, but not limited to unforeseen expenses, complications and delays, established competitors and other factors.

Our Auditors have issued an opinion expressing uncertainty regarding our ability to continue as a going concern. If we are not able to continue operations, investors could lose their entire investment in our Company.

We have a history of operating losses, and may continue to incur operating losses for the foreseeable future. This raises substantial doubts about our ability to continue as a going concern. Our auditors issued an opinion in their audit report dated August 19, 2011 expressing uncertainty about our ability to continue as a going concern. This means that there is substantial doubt whether we can continue as an ongoing business without additional financing and/or generating profits from our operations. If we are unable to continue as a going concern and our Company fails, investors in our Company could lose their entire investment.

We need to raise additional capital which may not be available to us or might not be available on favorable terms.

We will need additional funds to implement our business plan as our business model requires significant capital expenditures. We will need substantially more capital to execute our business plan. Our future capital requirements will depend on a number of factors, including our ability to grow our revenues and manage our business. Our growth will depend upon our ability to raise additional capital, possibly through the issuance of long-term or short-term indebtedness or the issuance of our equity securities in private or public transactions. If we are successful in raising equity capital, because of the number and variability of factors that will determine our use of the capital, our ultimate use of the proceeds may vary substantially from our current plans.

We were incorporated in July 2000 and have yet to generate any revenues. We have losses which we expect to continue into the future. As a result, we may have to suspend or cease operations.

We were incorporated on July 27, 2000, and have not generated any revenues. Our net loss since inception is significant. To achieve and maintain profitability and positive cash flow we are dependent upon our ability to generate revenues and control exploration costs.

Based upon current plans, we expect to incur operating losses in future periods. This will happen because there are expenses associated with the exploration of our mineral properties. As a result, we may not generate revenues in the future. Failure to generate revenues will cause us to suspend or cease operations.

We will have to hire additional qualified personnel. If we cannot locate qualified personnel, we may have to suspend or cease operations.

We will have to hire additional qualified persons to perform surveying, exploration, and excavation of the Gold Hills property and properties we may acquire in the future. If we are unable to hire additional skilled employees, our operations will not succeed.

Indebtedness may burden us with high interest payments and highly restrictive terms which could adversely affect our business.

As a matter of Company policy, our financial plans will limit our debt exposure to a reasonable level. However, a significant amount of indebtedness could increase the possibility that we may be unable to generate sufficient revenues to service the payments on indebtedness, when due, including principal, interest and other amounts.

We may be exposed to tax audits.

Our U.S. federal and state tax returns may be audited by the U.S. Internal Revenue Service (the "IRS"). An audit may result in the challenge and disallowance of deductions claimed by us. We are unable to guarantee the deductibility of any item that we acquire. We will claim all deductions for federal and state income tax purposes which we reasonably believe that we are entitled to claim. In the event the IRS should disallow any of our deductions, the directors, in their sole discretion, will decide whether to contest such disallowance. No assurance can be given that in the event of such a contest the deductions would be sustained by the courts.

Because we intend to conduct our mineral exploration and development activities outside of the United States, we will be required to obtain approvals from foreign national and local governments.

The Company intends to pursue projects outside of the United States, which may require us to seek the approval of various foreign governments. Seeking such approvals may be expensive, complex, time consuming and uncertain.

Risks related to our Stock

We do not anticipate paying cash dividends.

We do not anticipate paying cash dividends in the foreseeable future. We intend to retain any cash flow we generate for investment in our business. Accordingly, our common stock may not be suitable for investors who are seeking current income from dividends. Any determination to pay dividends on our common stock in the future will be at the discretion of our board of directors.

Because the market for our common shares is limited, investors may not be able to resell their common shares.

Our common shares trade on the Over-the-Counter-Bulletin-Board quotation system. Trading in our shares has historically been subject to very low volumes and wide disparity in pricing. Investors may not be able to sell or trade their common shares because of thin volume and volatile pricing with the consequence that they may have to hold your shares for an indefinite period of time.

There are legal restrictions on the resale of the common shares offered, including penny stock regulations under the U.S. Federal Securities Laws.

Our common stock may continue to be subject to the penny stock rules under the Securities Exchange Act of 1934, as amended. These rules regulate broker/dealer practices for transactions in "penny stocks." Penny stocks are generally equity securities with a price of less than \$5.00. The penny stock rules require broker/dealers to deliver a standardized risk disclosure document that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker/dealer must also provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker/dealer and its salesperson and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations and the broker/dealer and salesperson compensation information must be given to the customer orally or in writing prior to completing the

transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction, the broker and/or dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. The transaction costs associated with penny stocks are high, reducing the number of broker-dealers who may be willing to engage in the trading of our shares. These additional penny stock disclosure requirements are burdensome and may reduce all of the trading activity in the market for our common stock. As long as the common stock is subject to the penny stock rules, our shareholders may find it more difficult to sell their shares.

If we raise additional funds through the issuance of equity or convertible debt securities, your ownership will be diluted.

If we raise additional funds through the issuance of equity or convertible debt securities, the percentage ownership held by existing shareholders will be reduced. New securities may contain certain rights, preferences or privileges that are senior to those of our common shares. Furthermore, any additional equity financing may be dilutive to shareholders, and debt financing, if available, may involve restrictive covenants, which may limit our operating flexibility with respect to certain business matters.

Grants of stock options and other rights to our directors, officers and employees may dilute your stock ownership.

We plan to attract and retain our directors, officers and employees in part by offering stock options and other purchase rights for a significant number of common shares. The issuance of common shares pursuant to such options, and additional options which may be issued in the future, will have the effect of reducing the percentage of ownership of our shareholders.

Our stock price may be volatile and market movements may adversely affect your investment.

The market price of our stock may fluctuate substantially due to a variety of factors, many of which are beyond our control. The stock markets in general have experienced substantial volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of our stock. Future sales of our common shares by our shareholders could depress the price of our stock.

Risks Related to the Exploration of Minerals

Mining involves financial risk and uncertainty related to hazardous operations.

The operations carried out by the Company will be subject to all the hazards and risks normally encountered in the exploration and development of gold mineral reserves and mining operations generally, including unusual and unexpected geologic formations, seismic activity, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, producing facilities, damage to life or property and environmental damage, all of which may result in possible legal liability. The exploration for and development of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate.

The Company may not be able to adequately insure against risk.

Although we intend to maintain insurance to protect against certain risks in such amounts as we consider being reasonable, our insurance will not cover all the potential risks associated with our development, exploration and mining activities. We may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. We may also become subject to liability for pollution or other hazards that may not be insured against or that we may elect not to insure against because of premium costs or other reasons. Losses from these events may cause us to incur significant costs that could have a material adverse effect upon our financial performance and results of operations.

The financial success of a mining operation is difficult to predict.

Major expenses may be required to locate and establish mineral reserves. The same is true for the development of mining facilities at a particular site once such mineral reserves have been established. It is impossible to ensure that the exploration or development of the gold mineral reserves by us will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in us not receiving an adequate return on invested capital.

The success of the exploration and development of gold mineral reserves by us will also be subject to a number of factors including the availability and performance of engineering and construction contractors, suppliers and consultants, the receipt of required governmental approvals and permits (including environmental permits). There can be no assurance that personnel and equipment will be available in a timely manner or on reasonable terms to successfully complete our activities as planned; that we will be able to obtain all necessary governmental approvals and permits if necessary; and that the ongoing operating costs associated with the exploration or development of the gold mineral reserves will not be significantly higher than anticipated by us. Any of the foregoing factors could adversely affect our operations and financial condition.

There is no certainty that the expenditures which will be made by us towards the search and evaluation of mineral deposits will result in discoveries or development of commercial quantities of gold ore.

Environmental risks and hazards may adversely impact the profitability of our Company.

All phases of our Gold Hills operations will be subject to environmental regulation in Brazil. Other mines that we may develop will also be subject to regulation in any other jurisdiction where we operate. These regulations may mandate, among other things, water quality standards and land reclamation. These standards may also regulate the generation, transportation, storage and disposal of hazardous waste. This will require a high degree of responsibility for us and our officers, directors and employees. There is no assurance that existing or future environmental regulation will not materially adversely affect our business, financial condition and results of operations.

Inadequate infrastructure could adversely impact the Company's profitability.

Development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect our operations, financial condition and results of operations.

The Company will require certain permits to commence operations.

Our development and exploration activities are subject to receiving and maintaining permits from appropriate governmental authorities. There is no assurance that delays will not occur in connection with obtaining all necessary renewals of permits, additional permits for any possible future changes to operations, or additional permits associated with new legislation. Prior to any development on any of our properties, we must receive permits from appropriate governmental authorities. There can be no assurance that we will continue to hold all permits necessary to develop or continue operating at any particular property.

There are risks of economic and political instability in Brazil.

The Gold Hills property where the Company has rights for mineral extraction is located in Brazil. There are risks relating to an uncertain or unpredictable political and economic environment in Brazil.

Certain political and economic events, such as acts or failures to act by a government authority in Brazil and political and economic instability in Brazil could have a material adverse effect on our ability to start or continue our development and exploration activities in Brazil.

These risks and uncertainties include, but are not limited to: terrorism; hostage taking; extreme fluctuations in currency exchange rates; high rates of inflation; labor unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; changes in

taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favor or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on our operations or profitability.

Changes in policy by the Brazilian Government could adversely impact the Company.

Changes, if any, in mining or investment policies or shifts in political attitude in Brazil where Gold Hills operates may adversely affect its operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, price controls, export controls, currency remittance, income and other taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people and water use. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The Company could experience problems with title to its current property or to future properties.

Although we believe that we have taken reasonable measures to ensure proper title in all the issued and outstanding equity interests of Gold Hills and have carried out a reasonable due diligence as to the proper title of Gold Hills in the rights for mineral extraction on the property, there is no guarantee that any such title or interest will not be challenged or impaired. Third parties may have valid claims underlying portions of our Gold Hills interests, including prior unregistered liens, agreements, transfers or claims, and title may be affected by, among other things, undetected defects. In addition, we may be unable to exercise or to enforce our respective rights. As the Company acquires additional properties, similar issues could arise in connection with those properties as well.

The Company faces intense competition.

The mining industry is intensely competitive in all of its phases and we will compete with companies possessing greater financial and technical resources than we do. Competition in the precious metals mining industry is primarily for: mineral rich properties that can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labor to operate the properties; and the capital for the purpose of funding such properties. Existing or future competition in the mining industry could materially adversely affect our prospects for mineral exploration and success in the future.

The Company will face extensive governmental regulation of the mining industry.

Our mineral exploration activities will be subject to various laws governing exploration, development, production, taxes, labor standards, mine safety, toxic substances and other matters. Mining and exploration activities are also subject to various laws and regulations relating to the protection of the environment. Amendments to current laws and regulations governing the operations and activities of our Company or more stringent implementation thereof could have a material adverse effect on our business, financial condition and results of operations.

Our right to engage in mineral extraction may be terminated in certain circumstances. Under the laws of certain jurisdictions in which we may operate, mineral resources belong to the state and governmental concessions are required to explore for, and exploit, mineral reserves. Termination of any one or more of the Company's exploration or other rights could have a material adverse effect on our financial condition or results of operations.

ITEM 1B: UNRESOLVED STAFF COMMENTS

None.

ITEM 2: PROPERTIES

The Company does not own any real estate or other property. Our business office is located at 100 Wall Street, 21st Floor, New York, New York 10005. There is no rent charged for this space, which is being temporarily provided to the Company by its counsel. The Company has also established offices in Florida and Brazil.

ITEM 3: LEGAL PROCEEDINGS

During the period covered by this Report, the Company filed a Complaint with the Supreme Court of the State of New York. The action was removed to the United States District Court for the Southern District of New York on May 17, 2011. The defendants include Tydus Richards; Lotus Fund, Inc.; Dave Hibbard, as trustee of the Irrevocable Trust For the Benefit of Sloane Ricky Richards dated January 14, 2008; Christopher Wilson, individually and as trustee of the Irrevocable Trust For the Benefit of Chloe Belle Richards dated January 14, 2008; Scott Richards, as trustee of the Irrevocable Trust For the Benefit of Major Tydus Richards, dated January 14, 2008; Blackwater Industries LLC; Shelly Sean Singhal; and Pacific Stock Transfer Company.

Tyodus Richards has demanded the replacement of certain certificates of shares which he contends are his and which were lost or misplaced. The Company contends that Mr. Richards is not entitled to the certificates since he did not perform under a purported consulting agreement with the Company. The Company is seeking an injunction against Mr. Richards with respect to his request to obtain replacement certificates.

ITEM 4: RESERVED

Not Applicable.

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PART II

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