



StarMountain

ANNUAL FINANCIAL STATEMENTS WITH
COMPANY INFORMATION AND DISCLOSURE STATEMENT

December 31, 2016

STAR MOUNTAIN RESOURCES, INC.

Star Mountain Resources, Inc.
Annual Financial Statements With
Company Information and Disclosure Statement
December 31, 2016

Prepared and submitted in accordance with OTC Pink Basic Disclosure Guidelines

1) The exact name of the issuer and its predecessor (if any)

Star Mountain Resources, Inc. – December 2014
Formerly Jameson Stanford Resources Corporation - April 2012
Formerly MyOtherCountryClub.com – September 2009

2) The address of the issuer’s principal executive offices

605 W Knox Rd., Suite 102
Tempe, AZ 85284
Telephone (480) 567-9787
Fax (480) 567-9788
www.starmountainresources.com

3) Security Information

Series B Preferred Stock
Series C Preferred Stock
Common Stock
Trading Symbol: SMRS
CUSIP: 855155107

A. Par or stated Value

Star Mountain Resources, Inc. Series B and Series C Preferred Stock, par value \$0.001
Star Mountain Resources, Inc. Common Stock, par value \$0.001

B. Common or Preferred Stock

STAR MOUNTAIN RESOURCES, INC. SERIES B PREFERRED STOCK

Total shares authorized: 100,000 as of: December 31, 2016
Total shares outstanding: 5,000 as of: December 31, 2016

STAR MOUNTAIN RESOURCES, INC. SERIES C PREFERRED STOCK

Total shares authorized: 5,000,000 as of: December 31, 2016
Total shares outstanding: 3,130,000 as of: December 31, 2016

STAR MOUNTAIN RESOURCES, INC. COMMON STOCK

Total shares authorized: 350,000,000 as of: December 31, 2016
Total shares outstanding: 38,220,384 as of: December 31, 2016

Transfer Agent

VStock Transfer LLC
18 Lafayette Place
Woodmere, NY 11598
212-828-8436

VStock Transfer LLC is registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

List any restrictions on the transfer of security: None.

Describe any trading suspension orders issued by the SEC in the past 12 months. None.

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

On May 19, 2016, the Company filed with the Secretary of State of Nevada Amended and Restated Articles of Incorporation (the “Restated Articles”) as described in its Schedule 14C Information Statement filed with the Securities and Exchange Commission on May 2, 2016 (the “Information Statement”). In addition, as described in the Information Statement, the Company also amended and restated its Bylaws (“Restated Bylaws”). The effective date of the Restated Articles and Restated Bylaws is May 22, 2016.

As reported in the Information Statement, the Company’s Restated Articles were amended as follows:

- Increases the number of shares of common stock from 350,000,000 to 400,000,000;
- Creates two new classes of common stock, namely 10,000,000 shares of Class A Common Stock (voting common stock with 10 votes per share) and 40,000,000 shares of Class B Common Stock (non-voting common stock);
- Grants the Board of Directors the right to fix the number of our directors to be elected in the manner provided in the bylaws;
- Grants the power to the Board of Directors to adopt, amend or repeal our bylaws;
- Amends our current articles of incorporation to include a limitation of liability;
- Amends our current articles of incorporation to include indemnification provisions; and
- Adopts the Restated Articles, which makes no material changes to our existing Articles of Incorporation and the Certificates of Designation of Series B and C Preferred Stock, other than incorporating the amendments described in the proposals noted above.

4) Issuance History

Overview

	<u>Years Ended</u>	
	<u>2016</u>	<u>2015</u>
Number of Shares Authorized		
Preferred Stock		
Class B	100,000	100,000
Class C	5,000,000	5,000,000
Common Stock	350,000,000	350,000,000
Number of Shares Outstanding		
Preferred Stock		
Class B	5,000	500
Class C	3,130,000	3,130,000
Common Stock	38,230,384	37,951,229
Free Trading Shates		
Preferred Stock		
Class B	0	0
Class C	0	0
Common Stock	8,973,535	8,973,535
Shareholders exceed 50		
Preferred Stock		
Class B	No	No
Class C	No	No
Common Stock	Yes	Yes
Number of Shareholders of Record		
Preferred Stock		
Class B	1	1
Class C	9	9
Common Stock	97	90

During the last two years, there have been no securities offerings nor shares issued for services

Preferred Stock – Series B & C

<u>Date</u>	<u>Nature of Offering</u>	<u># Shares</u>	<u>Price</u>	<u>Trading Status</u>	<u>Restricted Legend</u>
December 31, 2014		0			
September 29, 2015	Conversion of Payables	5,000	\$ 1.10	Unregistered	Yes
October 31, 2015	Private Placement	3,130,000	\$ 0.50	Unregistered	Yes
December 31, 2015		3,135,000			
December 31, 2016		3,135,000			

Common Stock

December 31, 2014		17,969,729				
February 2, 2015	Shares Cancelled - default judgment	(910,000)				
March 1, 2015	Services Rendered	50,000	\$	1.20	Unregistered	Yes
March 17, 2015	Claim Settlement	114,000			Unregistered	Yes
May 15, 2015	Services Rendered	1,550,000	\$	1.10	Unregistered	Yes
June 30, 2015	Private Placement	310,000	\$	0.34	Unregistered	Yes
June 30, 2015	Private Placement - Unit Offering	2,280,000			Unregistered	Yes
July 28, 2015	Private Placement - Unit Offering	110,000			Unregistered	Yes
September 30, 2015	Services Rendered	2,150,000	\$	1.10	Unregistered	Yes
September 30, 2015	Services Rendered	100,000	\$	1.10	Unregistered	Yes
September 30, 2015	Shares issued for acquisition	500,000	\$	0.29	Unregistered	Yes
October 28, 2015	Shares issued for acquisition	50,000	\$	0.29	Unregistered	Yes
October 31, 2015	Series C Preferred Offering	3,130,000			Unregistered	Yes
November 2, 2015	Shares issued for acquisition	10,000,000	\$	0.29	Unregistered	Yes
November 10, 2015	Convertible Note Offering	437,500			Unregistered	Yes
December 22, 2015	Private Placement - Unit Offering	110,000			Unregistered	Yes
December 31, 2015		37,951,229				
January 1, 2016	Services Rendered	200,000	\$	0.66	Unregistered	Yes
February 24, 2016	Services Rendered	150,000	\$	0.51	Unregistered	Yes
May 27, 2016	Shares Cancelled - Services Rendered	(150,000)	\$	0.66		
October 13, 2016	Shares issued for acquisition	79,155	\$	0.34	Unregistered	Yes
December 31, 2016		38,230,384				

5) Financial Statements

The Consolidated Financial Statements for the years ended December 31, 2016 and 2015 are included in this Annual Report on pages F-1 through F-16, and are incorporated herein by reference.

6) Describe the Issuer's Business, Products and Services

The Company has been a minerals exploration company focused on acquiring and consolidating mining claims, mineral leases, producing mines, and historic mines with production and future growth potential identified through our exploration efforts.

On November 2, 2015, the Company acquired a 100% interest in Northern Zinc, LLC, a Nevada limited liability company ("Northern Zinc"), pursuant to an October 13, 2015 purchase agreement the Company entered into with Northern Zinc and its sole member, Aviano Financial Group, LLC, a Delaware limited liability company ("Aviano") (the "Northern Zinc Purchase Agreement"). Northern Zinc and Aviano are unrelated third parties. Concurrent with the Company's purchase of Northern Zinc, Northern Zinc acquired (a) 100% of the issued and outstanding common stock of Balmat Holding Corporation ("Balmat") and its wholly owned subsidiary, St. Lawrence Zinc Company, LLC, ("SLZ") the owner of the mining property known as the Balmat Zinc Mine and (b) certain

mining and processing equipment pursuant to an October 13, 2015 purchase agreement the Company entered into with Northern Zinc, HudBay Minerals Inc. ("Hudbay"), Balmat and SLZ (the "Balmat Purchase Agreement"). Balmat, SLZ and Hudbay were unrelated third parties. The Balmat Mine is located in upstate New York.

On December 30, 2016, (the "Closing Date") the Company entered into and completed the transactions set forth in a Purchase Agreement with the Company, Titan Mining (US) Corporation, a Delaware corporation ("Purchaser" or "Titan (US)"), Titan Mining Corporation, a British Columbia corporation ("Titan"), Northern Zinc LLC ("Seller" or "Northern Zinc"), Balmat Holding Corporation ("Balmat") and St. Lawrence Zinc Company, LLC ("St. Lawrence Zinc") (the "Purchase Agreement"). Titan (US) and Titan are privately held unrelated parties and Northern Zinc, Balmat and St. Lawrence Zinc are wholly-owned subsidiaries of the Company.

Pursuant to the terms of the Purchase Agreement, the Company sold 100% of the issued and outstanding shares of common stock of Balmat (the "Balmat Shares") which, through its wholly owned subsidiary, St. Lawrence Zinc, is the owner of the mining property known as the Balmat Zinc Mine and certain mining and processing equipment located in St. Lawrence County, New York (the "Balmat Assets").

The sale price of the Balmat Shares was approximately \$39,775,120 in cash and assumption of debt plus issuance of 2,968,900 shares of Titan common stock (the "Titan Shares") representing 5% of its issued and outstanding common stock. The cash and debt assumption portion of the purchase price was payable, subject to certain adjustments, as follows: (a) a promissory note in the principal amount of \$3,000,000 (the "Promissory Note") payable in cash as follows (i) \$1,000,000 on the Closing Date, \$500,000 three months after the Closing Date, (ii) \$500,000 six months after the Closing Date, \$500,000 nine months after the Closing Date and \$500,000 twelve months after the Closing Date; (b) assumption of pre-closing liabilities related to the operations of the Balmat Mine in the amount of \$50,000; (c) assumption and release of debts of the Company in the amount of \$3,318,794; (d) assumption of reclamation liabilities (Asset Retirement Obligation ("ARO") related to the Balmat Mine in the amount of \$17,906,326 and (e) assumption of post-closing payment obligations to HudBay Minerals, Inc. as provided for in the previously reported October 13, 2015 purchase agreement entered into among the Northern Zinc, the Company, HudBay Minerals Inc. Balmat and St. Lawrence Zinc. The initial \$1,000,000 cash payment was used to pay-off the Development Authority of the North Country loan and accrued interest of \$501,031, outstanding pre-closing liabilities prior to November 30, 2016 of \$60,083, outstanding pre-closing liabilities from December 1, 2016 to December 30, 2016 of \$50,000, increased by \$31,421 reflecting 50% of pre-closing liabilities from December 1, 2016 to December 30, 2016 assumed by Titan (US), leaving an approximate balance due at closing of \$414,898. This amount was further reduced by certain legal fees of Titan incurred in connection with the previously reported November 3, 2016 assumption of the TCA Global Master Fund, LP debenture (the "TCA Debenture") and additional operating Balmat mine operating expenses totaling approximately \$36,175.

The Purchase Agreement includes mutual indemnification provisions for the breach of any representations, warranties or breach of covenants as provided for in the Purchase Agreement in addition to any potential claims that may arise in connection with the Purchase Agreement and the transactions provided for in that agreement. In particular, Titan (US) has certain set-off rights which permit it to withhold payment under the Promissory Note in the event of certain claims or damages it may incur as a result of the transactions provided for in the Purchase Agreement.

Investor Rights Agreement

In connection with the Purchase Agreement, the Company and Titan entered into an Investor Rights Agreement dated December 30, 2016 (the "Investor Rights Agreement"). Under the terms of the Investor Rights Agreement, the Company has the following rights (defined terms not otherwise defined have the meaning set forth in the Investor Rights Agreement attached as Exhibit C to the Company's Press Release dated January 6, 2017 as disclosed on the OTC Disclosure & News Service.

Pre-Emptive Rights

(a) Titan shall use good faith efforts to keep the Company reasonably apprised of any potential Offering (as defined below) in advance of the applicable notice referred to below. Subject to the rules of the stock exchange on which the shares are listed, if Titan proposes to issue any shares and/or any securities exercisable, convertible or exchangeable for or into shares, including, without limitation, any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Shares, (the "Offered Securities") pursuant to a financing to raise cash proceeds, whether by way of public offering or private placement (an "Offering") Titan will:

- (i) in the case of an Offering conducted other than by way of a Bought Deal, at least five business days prior to the closing of such Offering; and
- (ii) in the case of an Offering conducted by way of a Bought Deal, as soon as practicable in the circumstances given the speed and urgency with which Bought Deals are conducted,

give written notice of the Offering to the Company, which notice will include an offer (the "Offer") to the Company to subscribe for, at the same subscription price as under the Offering, up to that number of Offered Securities as will enable the Company, upon completion of the Offering, to maintain the same Percentage Interest in Titan after the completion of the Offering (assuming the exercise, conversion or exchange of any Offered Securities that are exercisable, convertible or exchangeable for or into Shares) as existed immediately prior to completion of the Offering. The "Percentage Interest" of the Company means the percentage calculated by dividing (i) the number of issued and outstanding Shares owned by the Company and its Affiliates (on a non-diluted basis, but adjusted as contemplated in the preceding sentence when calculating the Percentage Interest after the completion of an Offering of Offered Securities that are exercisable, convertible or exchangeable for or into Shares) by (ii) the total number of issued and outstanding Shares of Titan (on a non-diluted basis, similarly adjusted). The Offer will contain full particulars of the Offering, including:

- (iii) the subscription price;
- (iv) the terms and conditions of the Offered Securities;
- (v) the number of Offered Securities to be issued or proposed to be issued to persons other than the Company;
- (vi) the maximum number of Offered Securities that the Company is entitled to subscribe for (the "Subscriber's Entitlement"); and
- (vii) the proposed completion date for the Offering.

(b) The Offer will provide that the Company may accept the Offer by giving notice of such acceptance to Titan not later than three business days after the Offer is provided to Northern Zinc (or, in the event of a Bought Deal, such lesser period of time as is practicable in the circumstances given the speed and urgency with which Bought Deals are conducted), which notice shall specify the number of Offered Securities to be purchased by the Company. The completion of Offered Securities to be purchased by the Company pursuant to such acceptance shall be conditional on the completion of the Offering and shall occur at substantially the same time as the completion of the Offering.

(c) Notwithstanding anything to the contrary contained herein, the Company's rights above will not apply to any issuance of Offered Securities issued:

- (i) for compensatory or incentive purposes to officers, employees or directors of, or consultants to, Titan or any of its Affiliates including, without limitation, the grant of stock options, deferred share units, restricted share units or restricted shares, duly adopted for such purposes by a majority of the non-employee members of the board of directors of Titan or a majority of the members of the committee of non-employee members of the board of directors established for such purpose;
- (ii) pursuant to a rights offering by Titan or pursuant to a shareholder rights plan of Titan that is carried out on a pro rata basis among all holders of the applicable class of securities of Titan;
- (iii) upon the exercise, conversion or exchange of any securities exercisable, convertible or exchangeable for or into Shares;
- (iv) pursuant to any over-allotment option granted to the underwriters in a securities offering;
- (v) as a result of the consolidation or subdivision of any securities of Titan, or as a special distribution or stock dividend or similar transaction that is carried out on a pro rata basis among all holders of the applicable class of securities of Titan; or
- (vi) in connection with or pursuant to any merger, business combination, joint venture, exchange offer, take-over bid, arrangement, amalgamation, asset purchase transaction or acquisition of assets or shares of a third party where such transaction is approved by a majority of the disinterested directors of Titan.

Piggy-Back Registration Rights. Commencing on and after the date that is four months after the date Titan becomes a reporting issuer, if Titan proposes to make a Distribution other than by way of a Bought Deal, Titan will promptly give the Company written notice of the proposed Distribution (a "Piggy-Back Registration Notice"), including proposed pricing. Upon the written request of the Company (a "Piggy-Back Notice"), given within five business days after receipt of the notice of the proposed Distribution from Titan, subject to Section 0 of the Investment Rights Agreement, Titan will use commercially reasonable efforts to, in conjunction with the proposed Distribution, cause to be qualified in such offering the applicable number of Shares held by the Company that the Company has requested to be included in such Distribution (the Shares subject to a Piggy-Back Notice, the "Qualifying Securities"), such

Qualifying Securities not to exceed 50% of the Shares owned by the Company at the time of the proposed Distribution, in accordance with the procedures set forth in Schedule A to this Agreement (a "Piggy-Back Registration"); provided that if the lead underwriter of such proposed Distribution advises or lead underwriters of such proposed Distribution advise, acting in good faith, Titan in writing that, in its or their judgment, the inclusion of the Qualifying Securities in the proposed Distribution should be limited (i) due to market conditions, or (ii) because the number of Shares proposed to be Distributed is likely to have an adverse effect on the successful marketing of the proposed Distribution (including the price acceptable to Titan), then the maximum number of Shares that the lead underwriter advises or lead underwriters advise should be Distributed will be allocated (A) first, to the number of Shares that Titan proposes to Distribute and (B) second, subject to the preceding sentence, to the Qualifying Securities, if any, that may be accommodated in such Distribution.

If the proposed Distribution is not completed within 180 days of a Piggy-Back Registration Notice, the related Piggy-Back Notice by the Company hereunder shall be deemed to be withdrawn.

If Titan proposes to undertake a Bought Deal, Titan shall give such notice to the Company, including anticipated pricing, as is practicable in the circumstances given the speed and urgency with which Bought Deals are conducted. The Company shall have the lesser of (i) 2 business days from the date Titan advises of the proposed Bought Deal and (ii) the time as is practicable in the circumstances given the speed and urgency with which Bought Deals are conducted to notify Titan of the number of Qualifying Securities, such number of Qualifying Securities not to exceed 50% of the Shares owned by the Company at the time of the proposed Bought Deal. The Corporation shall use commercially reasonable efforts to include such Qualifying Securities in any Bought Deal, and if included, the procedures set forth in Schedule A to this Agreement shall apply to such Bought Deal; provided that if the lead underwriter of such proposed Bought Deal advises or lead underwriters of such proposed Bought Deal advise, acting in good faith, Titan in writing that, in its or their judgment, the inclusion of the Qualifying Securities in the proposed Bought Deal should be limited (i) due to market conditions, or (ii) because the number of Shares proposed to be distributed is likely to have an adverse effect on the successful marketing of the proposed Bought Deal (including the price acceptable to Titan), then the maximum number of Shares that the lead underwriter advises or lead underwriters advise should be Distributed will be allocated (i) first, to the number of Shares that Titan proposes to Distribute and (ii) second, subject to the preceding sentence, to the Qualifying Securities, if any, that may be accommodated in such Distribution.

Termination. The Investor Rights Agreement will terminate on the earlier of (a) the date that the Percentage Interest of the Company is less than 3% and (b) the date that is 12 months after the date hereof.

Incorporation by Reference

The foregoing description of the Purchase Agreement, the Promissory Note and the Investor Rights Agreement does not purport to be complete and is qualified in its entirety by the copies of these agreements which are attached as Exhibits A, B and C, respectively, to the Company's Press Release dated January 6, 2017 as disclosed on the OTC Disclosure & News Service and incorporated herein by reference.

Since the Company's acquisition of the Balmat Assets in November 2015, it had been unable to secure sufficient financing to commence operations at the mine. Furthermore, the Company had been unable to continue to make the payments due under the TCA Debenture and its other debt obligations and to finance the care and maintenance activities of the Balmat Assets. Consequently, the Company's board determined that the sale of the Balmat Assets was in the best interests of the Company and its shareholders. Furthermore, the Company's board of directors determined that the benefits and costs associated with being publicly traded were no longer justifiable leading it to the conclusion that deregistration of its common stock was appropriate. For these reasons, the Company's board of directors has authorized the Company to voluntarily deregister its common stock under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), by filing a Form 15 with the Securities and Exchange Commission (the "SEC") on November 10, 2016. The Company was eligible to deregister its common stock under the Exchange Act because its common stock was held by fewer than 300 stockholders of record. The Company's common stock was transferred to the OTC PINK tier of the OTC trading marketplace.

Following the completion of the sale of the Balmat Assets, and once Titan's plans to complete an Offering of its securities are known and subject to applicable Canadian and U.S. securities laws, receipt of funds under the Promissory Note and payment of the Company's liabilities and indebtedness, the Company intends to evaluate the potential for distributions to its shareholders which may include the 2,968,900 shares of Titan common stock. In addition, the Company will continue to explore the feasibility of pursuing other mining projects, in light of its available working capital.

Date and State (or Jurisdiction) of Incorporation: Nevada September 2, 2009
The Company's primary and secondary SIC Codes - 1000 – Metal Mining
The Company's fiscal year end date; December 31.

7) **Describe the Issuer’s Facilities**

At the year ended December 31, 2016, the Company had rented office space at 8307 Shaffer Parkway, Suite 201, Littleton, CO 80127. In January 2017, the Company’s headquarters were moved to 605 W. Knox Rd., Suite 102, Tempe, AZ 85284. A shareholder of the Company is providing office space for a nominal rent of \$500 per month.

8) **Officers, Directors, and Control Persons**

A. **Names of Officers, Directors, and Control Persons.**

The following table sets forth the names and ages of each of our executive officers and directors.

<u>Name</u>	<u>Age</u>	<u>Positions and Offices Held</u>
Joseph Marchal	55	Executive Chairman of the Board and Chief Executive Officer
Mark Osterberg	60	President and Chief Operating Officer
Edward Brogan	58	Director
Donald Sutherland	65	Director

Experience of Our Executive Officers and Directors

Joseph Marchal. Mr. Marchal has served as our Executive Chairman since 2014. In addition, he has served as our Chief Executive Officer since March 1, 2015. From 2014 until March 1, 2015, Mr. Marchal served as our President and Chief Operating Officer. From September 2007 until June 2009, Mr. Marchal served as Chief Executive Officer for Asia-Pacific Region of Chi-X Global Inc., a subsidiary of Instinet, LLC, from 2008 to 2009, where he was responsible for the Instinet platform expansion in the region. Mr. Marchal also served as President and Managing Director of Asia Region at Instinet, LLC, as well as its President of Instinet Japan Ltd. from 2004 to 2008, where he had strategic responsibility for Instinet’s Asian product. From 2002 to 2004, Mr. Marchal served as Senior Managing Director of Deutsche Bank Securities, where he was responsible for the distribution of Japanese Equities Global Product. Mr. Marchal was also Deutsche Bank Securities’ Managing Director, and was in charge of Sales Trading, Agency Execution, Program Trading, Listed Futures, and Options and Connectivity Sales. Mr. Marchal served as Head of Japanese Equity Sales Trading and Execution Services at Salomon Brothers Japan (now Nikko Citigroup) from 1996 to 2002, and previously held senior positions in Asia at Daiwa Securities International and Fidelity Investments Japan as Director of Trading from 1983 to 1996. Mr. Marchal began his career in 1983 at Maruso Securities as a floor trader on the Tokyo Stock Exchange and has more than 25 years of experience in the securities industry, where he was an active member of the Tokyo brokerage community and a regular participant in industry advisory groups and conference panels. Mr. Marchal holds a B.S. degree from Sophia University, Japan.

Mark Osterberg. Mr. Osterberg has served as our President and Chief Operating Officer since March 2015. Prior to joining the Company, Mr. Osterberg, served as the chief consultant and president of Mine Mappers, LLC, a geological consultancy to mining companies, government agencies and the investment community since 2001. In this capacity, he provided high level technical expertise to projects in the U.S. and overseas, and has managed multiyear exploration and development projects. Mr. Osterberg has worked for 20 years for major and junior precious metal and base metal mining companies. He has expertise and experience in porphyry copper and molybdenum systems, Carlin-type gold systems, shear-zone and volcanic-hosted mesothermal gold systems, magmatic Cu-Ni-PGE and construction materials. His project-related experience includes grass-roots, green-fields reconnaissance programs, brownfields exploration and development programs, mine geology and modeling. He has provided technical expertise to investment houses considering financial participation in mining projects. He has developed innovative mapping techniques for regional and mine scale programs, is an expert GIS for Geology practitioner and is fluent in both Mintec’s MineSight and Maptek’s Vulcan modeling software.

Edward Brogan. Mr. Brogan has served as a member of our Board of Directors since May, 2014. He is an entrepreneur and investor with significant experience in the field of international corporate finance. Mr. Brogan was the Senior Advisor and director of Japan Advisory, a Japanese financial advisory company, since he founded the company in 2000 until 2013. In addition, since 2004 Mr. Brogan has been an investor and manager of real estate projects in the development stage and currently owns and leases multiple residential real estate properties in Singapore. Mr. Brogan has also been an investor in a variety of private equity transactions since 2000. From 1998 to 2000, Mr. Brogan was a managing director of Tiger Management LLC, where he concentrated on regional equity investment opportunities, and was primarily responsible for the generation of long and short equity recommendations in publicly traded Japanese companies. From 1990 to 1998, Mr. Brogan worked as a sell-side financial analyst covering a range of Japanese industries, including the auto industry as a director at Salomon Smith Barney, where he was ranked by U.K. and U.S. clients in both the Institutional Investor (1997 All-Japan Research Team Poll) and Greenwich Analyst surveys in 1996 and 1997, from 1996 to 1998 at Jardine Fleming’s Tokyo office where he focused on auto industry research, the Japanese game sector and software companies as a special situations analyst at Smith Barney. Prior to that, Mr. Brogan focused on Japanese small cap stocks at Marusan Securities in Tokyo. Mr. Brogan received a Bachelor of Arts degree (Summa cum laude) from Queens College of the City University of New York and a Master’s Degree in Philology from the Harvard Graduate School of Arts and Sciences in Cambridge, MA.

Donald Sutherland. Mr. Sutherland has served as a member of our Board of Directors since 2014. He is an entrepreneur with extensive business and management experience. In 2010, Mr. Sutherland founded Divine Nature Group LLC, a nutritional supplement company which he sold in 2012. Mr. Sutherland served as a member of the Board of Directors of Voice Assist from 2011 to 2012. From 1988 to 2004, Mr. Sutherland founded, owned and operated Cold Stone Creamery. From 1997 to 2001, Mr. Sutherland served as the Chairman of the Board for Cold Stone Creamery. From 1998 to 2002, Mr. Sutherland was the Chairman of the Board of Cold Stone Leasing. He has been a member of Cold Stone Creamery Restaurants since its inception in 1997 and a member of Cold Stone Creamery Equipment since its organization in 2003. Mr. Sutherland has also been a member of Cold Stone Creamery International since its organization in 2004.

B. Legal/Disciplinary History.

None of the foregoing persons have, in the last five years, been the subject of:

- A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);
- The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person’s involvement in any type of business, securities, commodities, or banking activities;
- A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated;
- The entry of an order by a self-regulatory organization that permanently or temporarily barred suspended or otherwise limited such person’s involvement in any type of business or securities activities.

Disclosure of Family Relationships

There are no family relationships among and between the issuer’s directors, officers, persons nominated or chosen by the issuer to become directors or officers, or beneficial owners of more than five percent (5%) of the any class of the issuers’ equity securities.

C. Beneficial Shareholders.

The following is a list of the name and address of shareholders who beneficially own more than ten percent (10%) of any class of the Company’s equity securities. The address for all officers and directors of the Company is 605 W Knox Rd., Suite 102, Tempe, AZ 85284.

Series B Preferred Stock

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class⁽¹⁾
Summit Capital USA, Inc. ⁽¹⁾	5,000	100.0%

(6) Calculated on the basis of 5,000 issued and outstanding shares of Series B Preferred Stock as of April 2, 2017. The holder of our Series B Preferred stock, Summit Capital USA, Inc. (“Summit Capital”) is entitled to 100 votes per share. Gregg C.E. Johnson owns, directly or indirectly, a 75% interest in Summit Capital and has voting and dispositive control over the securities held by Summit Capital. Mr. Johnson disclaims beneficial ownership of our common stock owned by Summit Capital except to the extent of his pecuniary interest in this entity. Summit Capital’s address is 605 W Knox Rd., Suite 102, Tempe, AZ 85284.

Series C Preferred Stock

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class⁽¹⁾
Joseph Marchal, Chief Executive Officer, Chairman of the Board of Directors ⁽²⁾	500,000	15.97%
Edward Brogan, Director ⁽³⁾	1,500,000	47.92%
Donald Sutherland, Director ⁽³⁾	400,000	12.78%
Total Held by Officers and Directors of Each Class (three persons):	2,400,000	76.68%

(1) Calculated on the basis of 3,130,000 issued and outstanding shares of Series C Preferred Stock as of April 2, 2017. Holders of our Series C Preferred stock are entitled to 10 votes per share.

Common Stock

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class ⁽¹⁾
Joseph Marchal, Chief Executive Officer, Chairman and Director ⁽²⁾	13,841,861	27.00%
Edward Brogan, Director ⁽³⁾	24,194,500	47.19%
Donald Sutherland, Director ⁽⁴⁾	5,729,666	11.18%
Total Held by Officers and Directors of Each Class (3 persons):	43,766,027	85.35%

Ten Percent Shareholders

Aviano Financial Group, LLC ⁽⁵⁾	10,000,000	19.51%
--	------------	--------

(1) Includes, where applicable, shares of common stock issuable upon the exercise of stock options and warrants and the conversion of debt held by such person that may be exercised within 60 days after April 1, 2017. Also gives effect to the conversion of the Series C Preferred Stock (see preceding table). Unless otherwise indicated, we believe that all persons named in the table above have sole voting power and/or investment power with respect to all shares of common stock beneficially owned by them.

(2) The number of shares beneficially owned by Mr. Marchal includes 6,847,361 shares of common stock currently outstanding and owned directly by Mr. Marchal, 1,419,500 shares of common stock issuable upon exercise of warrants exercisable at prices ranging from \$0.75 to \$2.00 per share which expire in 2017 and 2018, 575,000 shares of common stock issuable upon conversion of convertible debt due October 31, 2016 at a conversion price of \$1.00 per share and 5,000,000 votes by virtue of his ownership of 500,000 shares of Series C Preferred stock that have 10 votes per share.

(3) The number of shares beneficially owned by Mr. Brogan includes 5,094,500 shares of common stock presently outstanding and owned directly by Mr. Brogan, 3,800,000 shares of common stock issuable upon exercise of warrants exercisable at prices ranging from \$0.75 to \$2.00 per share which expire in 2017 and 2018, 300,000 shares of common stock issuable upon conversion of convertible debt due October 31, 2016 at a conversion price of \$1.00 per share and 15,000,000 votes by virtue of his ownership of 1,500,000 shares of Series C Preferred stock that have 10 votes per share.

(4) The number of shares beneficially owned by Mr. Sutherland includes 1,729,666 shares of common stock presently outstanding and owned directly by Mr. Sutherland and voting rights to 4,000,000 votes by virtue of his ownership of 400,000 shares of Series C Preferred stock that have 10 votes per share.

(5) Aviano's address is 1801 Broadway Street, Suite 800, Denver, Colorado 80202.

9) Third Party Providers

Legal Counsel

Laura Anthony, Esquire
 Legal and Compliance, LLC
 330 Clematis St., Suite 217
 West Palm Beach, FL 33401
 Phone: (561) 514-0936
 Email: lanthony@legalandcompliance.com

Accountant or Auditor - None.

Investor Relations Consultant - None.

Other Advisor:

Gregg C.E. Johnson
Upeva, Inc.
605 W Knox Rd., Suite 102
Tempe, AZ 85284
Phone: 480-588-9787
Email: gregg@upeva.com

10) Issuer Certification

I, Joseph Marchal certify that:

1. I have reviewed this annual disclosure statement for the fiscal year ended December 31, 2016 of Star Mountain Resources, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

April 14, 2017

/s/ Joseph Marchal

Joseph Marchal

Chief Executive Officer and Chief Financial Officer

STAR MOUNTAIN RESOURCES, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and 2015

CONTENTS

Consolidated Financial Statements:	
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets - As of December 31, 2016 and 2015	F-3
Consolidated Statements of Operations - For the Years Ended December 31, 2016 and 2015	F-4
Consolidated Statements of Stockholders' Equity - For the Years Ended December 31, 2016 and 2015	F-5
Consolidated Statements of Cash Flows – For the Years Ended December 31, 2016 and 2015	F-6
Notes to Consolidated Financial Statements	F-7 to F-18

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Star Mountain Resources, Inc.
Tempe, Arizona

We have audited the accompanying consolidated balance sheet of Star Mountain Resources, Inc. and subsidiaries as of December 31, 2015, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Star Mountain Resources, Inc. and subsidiaries as of December 31, 2015, and the results of their operations and their cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations and has a working capital deficit. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters also are described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Haynie & Company

Haynie & Company
Salt Lake City, Utah
April 14, 2016

STAR MOUNTAIN RESOURCES INC.
CONSOLIDATED BALANCE SHEETS

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
	(unaudited)	(audited)
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 427	\$ 1,119,831
Prepaid and other	62,500	160,935
Note receivable - Titan Mining	3,050,000	-
Investment in Titan Mining	250,000	-
Deposits	1,048	-
Related party receivable	-	18,300,534
	<hr/>	<hr/>
Total current assets	3,363,975	19,581,300
	<hr/>	<hr/>
Land	21,120	21,120
Property & equipment, net	45,505	51,340
Mineral reserves	-	-
Mineral rights	-	24,270
Surety Bond	24,325	24,325
Restricted cash - environmental deposit	-	-
	<hr/>	<hr/>
ASSETS OF DISCONTINUED OPERATION	-	35,597,084
	<hr/>	<hr/>
TOTAL ASSETS	\$ 3,454,925	\$ 55,299,439
	<hr/> <hr/>	<hr/> <hr/>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,637,660	\$ 353,502
Accounts payable and accrued liabilities- related party	143,356	18,798
Notes payable - net of unamortized debt issuance costs	650,000	1,380,284
Notes payable - related parties	10,500	-
Convertible notes payable- related parties, net of discounts	875,000	769,670
Purchase price obligation - Balmat acquisition	-	500,000
Stipulated agreement liability - related party	79,272	79,272
	<hr/>	<hr/>
Total current liabilities	3,395,788	3,101,526
	<hr/>	<hr/>
LONG TERM LIABILITIES		
Asset retirement obligation	-	-
Purchase price obligation - Balmat acquisition	-	11,930,543
	<hr/>	<hr/>
Total long term liabilities	-	11,930,543
	<hr/>	<hr/>
LIABILITIES OF DISCONTINUED OPERATION		
	-	36,257,760
	<hr/>	<hr/>
Total Liabilities	3,395,788	51,289,829
	<hr/>	<hr/>
Commitments and Contingencie (Note 11)		
STOCKHOLDERS' EQUITY		
Preferred stock, 50,000,000 authorized, \$.001 par value, consisting of Series B preferred stock, 100,000 shares authorized, 5,000 and 0 shares issued and outstanding, respectively, and Series C preferred stock, 5,000,000 shares authorized, 3,130,000 and 0 shares issued and outstanding, respectively	3,135	3,135
Common stock, authorized 350,000,000 shares, \$.001 par value 38,230,384 and 17,969,729 issued and outstanding, respectively	38,230	37,951
Common stock subscribed	-	26,811
Additional paid in capital	18,612,943	18,476,262
Accumulated deficit	(18,595,171)	(14,534,549)
	<hr/>	<hr/>
Total Stockholders' Equity	59,137	4,009,610
	<hr/>	<hr/>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 3,454,925	\$ 55,299,439
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these consolidated financial statements

STAR MOUNTAIN RESOURCES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For Years Ended	
	December 31, 2016	December 31, 2015
	(unaudited)	(audited)
REVENUE	\$ -	\$ -
OPERATING EXPENSES		
Compensation	551,756	1,853,220
Exploration and development costs	139,164	214,121
Depreciation and amortization	6,164	5,807
General and administrative	1,187,399	2,030,711
General and administrative - related party	29,780	1,851,181
Total operating expenses	<u>1,914,263</u>	<u>5,955,039</u>
Operating loss	(1,914,263)	(5,955,039)
OTHER INCOME (EXPENSES)		
Interest income	95	190
Interest expense - related party	(92,569)	(39,921)
Interest expense - debt discount	(661,846)	(21,066)
Interest expense	(295,476)	(19,965)
Loss on sale of assets	(24,270)	-
Loss on disposal of assets	(4,667)	-
Total other income (expense)	<u>(1,078,734)</u>	<u>(80,762)</u>
Income tax provision	<u>-</u>	<u>-</u>
Loss for continuing operations	(2,992,997)	(6,035,801)
Gain on sale of discontinued operations	5,959,549	-
Loss from discontinued operations	<u>(7,027,174)</u>	<u>(660,677)</u>
	<u>(1,067,625)</u>	<u>(660,677)</u>
NET LOSS	<u>\$ (4,060,622)</u>	<u>\$ (6,696,478)</u>
Basic loss per share for continuing operations	<u>\$ (0.08)</u>	<u>\$ (0.27)</u>
Basic loss per share discontinued operations	<u>\$ (0.18)</u>	<u>\$ (0.03)</u>
Basic loss per share net loss	<u>\$ (0.11)</u>	<u>\$ (0.30)</u>
Weighted average number of common shares outstanding	<u>38,199,132</u>	<u>22,580,852</u>

The accompanying notes are an integral part of these consolidated financial statements

STAR MOUNTAIN RESOURCES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Preferred Shares		Common Shares		Additional Paid in Capital	Common Stock Suscribed	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2014	-	\$ -	17,969,729	\$ 17,970	\$ 7,377,627	\$ -	\$ (7,838,071)	\$ (442,470)
Shares cancelled as part of a default judgment			(910,000)	(910)	910	-	-	█ -
Shares issued in private placements	2,630,000	3,125	5,709,500	5,710	2,668,150	-	-	█ 2,676,985
Shares issued for services - related parties	4,750	5	3,650,000	3,650	4,539,150	-	-	█ 4,542,800
Shares issued for services	-	-	200,000	200	219,800	-	-	█ 220,000
Shares issued for conversion of debt -related party	500,000	5	782,000	782	389,155	-	-	389,942
Shares issued for acquisition	-	-	10,550,000	10,550	3,041,085	26,811	-	3,078,446
Stock option expense	-	-	-	-	213,220	-	-	█ 213,220
Shares issued to settle accounts payable	250	-	-	-	27,165	-	-	█ 27,165
Net Loss							(6,696,478)	(6,696,478)
Balance at December 31, 2015	3,135,000	\$ 3,135	37,951,229	\$ 37,952	\$ 18,476,262	\$ 26,811	\$ (14,534,549)	\$ 4,009,610
Shares issued for services	-	-	200,000	200	109,949	-	-	█ 110,149
Shares issued for acquisition	-	-	79,155	79	26,732	(26,811)	-	-
Net loss							(4,060,622)	(4,060,622)
Balance at December 31, 2016	3,135,000	\$ 3,135	38,230,384	\$ 38,231	\$ 18,612,943	\$ -	\$ (18,595,171)	\$ 59,137

The accompanying notes are an integral part of these consolidated financial statements

STAR MOUNTAIN RESOURCES INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

	For Years Ended	
	December 31, 2016	December 31, 2015
	(unaudited)	(audited)
Cash flows from operating activities		
Net loss	\$ (4,060,622)	\$ (6,696,478)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1,543,902	259,570
Shares and warrants issued for services	110,150	4,763,000
Stock options	-	213,220
Loss on Balmat purchase price adjustment	3,069,457	-
Amortization of debt discount	651,846	21,000
Gain on sale of operation	(5,959,549)	-
Changes in operating assets and liabilities		
Prepaid expense	104,626	(44,000)
Deposits and other	843	-
Accounts payable and accrued liabilities	1,256,740	96,370
Accounts payable - related party	22,674	68,000
Accrued interest	65,841	17,000
Accrued interest - related party	87,769	6,000
Accrued compensation	225,000	-
Net cash used in operating activities	<u>(2,881,323)</u>	<u>(1,296,318)</u>
Cash flows from investing activities		
Acquisition of Balmat	-	(927,000)
Disposition of operation	469,806	-
Sale (Purchase) of equipment	(290,925)	(2,000)
Net cash used in investing activities	<u>178,881</u>	<u>(929,000)</u>
Cash flows from financing activities		
Proceeds from issuance of convertible debt - related party	-	748,000
Proceeds from loans	2,453,484	-
Proceeds from loans - related party	10,500	270,000
Loans repayments - related party	(250,000)	(194,938)
Loan repayments	(711,740)	(119,108)
Proceeds from issuance of stock	-	2,676,000
Net cash provided by financing activities	<u>1,502,244</u>	<u>3,379,954</u>
Net increase in cash	<u>(1,200,198)</u>	<u>1,154,636</u>
Cash, beginning of period	<u>1,200,626</u>	<u>45,990</u>
Cash, end of period	<u>\$ 428</u>	<u>\$ 1,200,626</u>
Supplemental Information:		
Cash paid for:		
Taxes	<u>-</u>	<u>-</u>
Interest Expense	<u>-</u>	<u>-</u>
Non-cash investing and financing activities		
Stock and warrants issued for settlement of related party debt	<u>-</u>	<u>391,000</u>
Stock and warrants issued for settlement of accounts payable	<u>-</u>	<u>27,500</u>
Stock and warrants issued for investment in acquisition	<u>-</u>	<u>3,078,446</u>
Debt issued for prepaid expense	<u>-</u>	<u>109,392</u>
Debt issued for investment in acquisition	<u>-</u>	<u>14,748,211</u>

The accompanying notes are an integral part of these consolidated financial statements

STAR MOUNTAIN RESOURCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS

Star Mountain Resources, Inc. and subsidiaries (the “Company”, “we”, “us”, “our”) is a minerals exploration company focused on acquiring and consolidating mining claims, mineral leases, producing mines, and historic mines with production and future growth potential identified through our exploration efforts.

The Company was incorporated on September 2, 2009 in Nevada initially as MyOtherCountryClub.com for the purpose of developing a website that would offer reciprocal golf privileges, and other related services, to members of private country clubs throughout the United States. On October 29, 2012, Jameson Stanford Resources Corporation merged with Bolcán Mining Corporation (the “Merger”). Prior to the Merger, the Company was a publicly traded shell company with no business operations.

Effective December 15, 2014, the name of the Company was changed to Star Mountain Resources, Inc. to better reflect its primary focus to explore and conduct pre-extraction activities for mineral rights it holds in the Star Mining District. In addition, the Company increased its authorized capital stock from 350,000,000 shares to 400,000,000 shares, of which 350,000,000 shares are common stock and 50,000,000 shares are preferred stock.

On November 2, 2015, the Company acquired a 100% interest in Northern Zinc, LLC, a Nevada limited liability company (“Northern Zinc”) pursuant to an October 13, 2015 purchase agreement the Company entered into with Northern Zinc and its sole member, Aviano Financial Group, LLC, a Delaware limited liability company (“Aviano”) (the “Northern Zinc Purchase Agreement”). Northern Zinc and Aviano are unrelated third parties. Concurrent with the Company’s purchase of Northern Zinc, Northern Zinc acquired (a) 100% of the issued and outstanding common stock of Balmat Holding Corporation (“Balmat”) and its wholly owned subsidiary, St. Lawrence Zinc Company, LLC, (“SLZ”) the owner of the mining property known as the Balmat Zinc Mine and (b) certain mining and processing equipment pursuant to an October 13, 2015 purchase agreement the Company entered into with Northern Zinc, HudBay Minerals Inc. (“Hudbay”), Balmat and SLZ (the “Balmat Purchase Agreement”). Balmat, SLZ and Hudbay are unrelated third parties. The Balmat Mine is located in upstate New York. See Footnote No. 3 for further details.

On December 30, 2016, (the “Closing Date”) the Company entered into and completed the transactions set forth in a Purchase Agreement with the Company, Titan Mining (US) Corporation, a Delaware corporation (“Purchaser” or “Titan (US)”), Titan Mining Corporation, a British Columbia corporation (“Titan”), Northern Zinc LLC (“Seller” or “Northern Zinc”), Balmat Holding Corporation (“Balmat”) and St. Lawrence Zinc Company, LLC (“St. Lawrence Zinc”) (the “Purchase Agreement”). Titan (US) and Titan are privately held unrelated parties and Northern Zinc, Balmat and St. Lawrence Zinc are wholly-owned subsidiaries of the Company. Pursuant to the terms of the Purchase Agreement, the Company sold 100% of the issued and outstanding shares of common stock of Balmat (the “Balmat Shares”) which, through its wholly owned subsidiary, St. Lawrence Zinc, is the owner of the mining property known as the Balmat Zinc Mine and certain mining and processing equipment located in St. Lawrence County, New York (the “Balmat Assets”). See Footnote No. ___ for further details.

NOTE 2– GOING CONCERN

The financial statements have been prepared on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. At the year ended December 31, 2016, the Company had total losses of \$18,595,171. The Company’s had total current assets of \$3,363,975 and total current liabilities of \$3,395,788, resulting in a negative working capital balance of \$31,813 as of December 31, 2016. Further losses are anticipated in the development of its business. In view of these matters, there is substantial doubt about the Company’s ability to continue as a going concern.

The Company’s ability to continue as a going concern is dependent upon obtaining the necessary financing to meet its obligations and repay its liabilities arising from normal business operations. Management plans to finance the Company’s operating costs over the next twelve months with loans from significant shareholders and directors, debt financing, and/or the issuance of the Company’s securities. There can be no assurance that we will be able to raise the necessary financing on acceptable terms or at all. If management is unsuccessful in these efforts, discontinuance of operations is possible. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Principles of Consolidation

The accompanying financial statements have been prepared to reflect the financial position, results of operations and cash flows of the Company and have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Recent Accounting Pronouncements

The Company has reviewed all recently issued, but not yet adopted, accounting standards in order to determine their effects, if any, on its results of operations, financial position or cash flows. Based on that review, the Company believes that none of these pronouncements will have a significant effect on its financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP 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 expenses during the reporting period. The amounts which involve significant estimates include (i) Balmat Acquisition purchase price estimates including land, PP&E, mineral reserves, mineral rights and the deferred purchase price obligation (ii) property, plant and equipment estimated salvage values and assessment of impairment, (ii) fair value of certain assets and liabilities, (iii) contingent liabilities and (iv) asset retirement obligations. These estimates are reviewed and, as adjustments become necessary, they are reported in earnings in the period in which they became known. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of all cash balances and liquid investments with an original maturity of three months or less.

Concentration of Credit Risk

The Company maintains cash in bank deposit accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk with its cash and cash equivalents.

Property and Equipment

Expenditures for PP&E additions, major replacements and improvements are capitalized at cost. PP&E is depreciated using the straight-line method and is depreciated over the estimated useful lives of the assets. Productive/useful lives range from 5 to 10 years, but do not exceed the useful life of the individual asset. Determination of expected useful lives for depreciation calculations are made on a property-by-property or asset-by-asset basis. Our estimates for reserves, mineralized material, and other resources are a key component in determining our units of production depreciation rates.

The Company reviews and evaluates the carrying value of its assets when events or circumstances indicate that the carrying amounts of related assets or groups of assets may not be recoverable, or at least annually. If the estimated future economic benefit is less than the carrying amount of the asset, an impairment charge is recorded based on the difference between the carrying amount and its estimated fair value (less costs to sell for assets to be disposed of by sale) as a charge to operations. For the years ended December 31, 2016 and 2015, impairment charges of \$4,667 and \$0 were recorded, respectively.

Business Combinations

We account for business combinations using the purchase method of accounting. The purchase method requires us to determine the fair value of all acquired assets, including identifiable intangible assets and all assumed liabilities. The total cost of acquisitions is allocated to the underlying identifiable net assets, based on their respective estimated fair values. Determining the fair value of assets acquired and liabilities assumed requires management’s judgment and the utilization of independent valuation experts, and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates and asset lives, among other items.

Income Taxes

The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and

liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under the asset and liability method, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recognized if it is more likely than not that the entire or some portion of the deferred tax asset will not be recognized.

The Company's policy is to recognize potential accrued interest and penalties related to unrecognized tax benefits within income tax expense. For the years ended December 31, 2016 and 2015, the Company did not recognize any interest or penalties, nor did we have any interest or penalties accrued as of December 31, 2016 and 2015, related to unrecognized benefits.

Investment in Titan

As part of the sale of Balmat operations (see Note 4), the Company received an equity investment in a privately held company, representing 5% of the outstanding shares of the entity. This is being accounted for as a nonmarketable equity security carried at cost, which was determined based on its estimated fair value at the date the securities were received. The Company will evaluate this asset for impairment whenever facts and circumstances indicate that an impairment may exist.

NOTE 4 – SALE OF BALMAT OPERATIONS (DISCONTINUED OPERATION)

Purchase Agreement with Titan Mining

On December 30, 2016, (the "Closing Date") the Company entered into and completed the transactions set forth in a Purchase Agreement with the Company, Titan Mining (US) Corporation, a Delaware corporation ("Purchaser" or "Titan (US)"), Titan Mining Corporation, a British Columbia corporation ("Titan"), Northern Zinc LLC ("Seller" or "Northern Zinc"), Balmat Holding Corporation ("Balmat") and St. Lawrence Zinc Company, LLC ("St. Lawrence Zinc") (the "Purchase Agreement"). Titan (US) and Titan are privately held unrelated parties and Northern Zinc, Balmat and St. Lawrence Zinc are wholly-owned subsidiaries of the Company.

Pursuant to the terms of the Purchase Agreement, the Company sold 100% of the issued and outstanding shares of common stock of Balmat (the "Balmat Shares") which, through its wholly owned subsidiary, St. Lawrence Zinc, is the owner of the mining property known as the Balmat Zinc Mine and certain mining and processing equipment located in St. Lawrence County, New York (the "Balmat Assets").

The sale price of the Balmat Shares was approximately \$39,775,120 in cash and assumption of debt plus issuance of 2,968,900 shares of Titan common stock representing 5% of its issued and outstanding common stock. The cash and debt assumption portion of the purchase price was payable, subject to certain adjustments, as follows: (a) a promissory note in the principal amount of \$3,000,000 (the "Promissory Note") payable in cash as follows (i) \$1,000,000 on the Closing Date, \$500,000 three months after the Closing Date, (ii) \$500,000 six months after the Closing Date, \$500,000 nine months after the Closing Date and \$500,000 twelve months after the Closing Date; (b) assumption of pre-closing liabilities related to the operations of the Balmat Mine in the amount of \$50,000; (c) assumption and release of debts of the Company in the amount of \$3,318,794; (d) assumption of reclamation liabilities (Asset Retirement Obligation ("ARO") related to the Balmat Mine in the amount of \$17,906,326 and (e) assumption of post-closing payment obligations to HudBay Minerals, Inc. as provided for in the previously reported October 13, 2015 purchase agreement entered into among the Northern Zinc, the Company, HudBay Minerals Inc. Balmat and St. Lawrence Zinc. The initial \$1,000,000 cash payment was used to pay-off the Development Authority of the North Country loan and accrued interest of \$501,031, outstanding pre-closing liabilities prior to November 30, 2016 of \$60,083, outstanding pre-closing liabilities from December 1, 2016 to December 30, 2016 of \$50,000, increased by \$31,421 reflecting 50% of pre-closing liabilities from December 1, 2016 to December 30, 2016 assumed by Titan (US), leaving an approximate balance due at closing of \$414,898. This amount was further reduced by certain legal fees of Titan incurred in connection with the previously reported November 3, 2016 assumption of the TCA Global Master Fund, LP debenture (the "TCA Debenture") and additional operating Balmat mine operating expenses totaling approximately \$36,175.

The Purchase Agreement includes mutual indemnification provisions for the breach of any representations, warranties or breach of covenants as provided for in the Purchase Agreement in addition to any potential claims that may arise in connection with the Purchase Agreement and the transactions provided for in that agreement. In particular, Titan (US) has certain set-off rights which permit it to withhold payment under the Promissory Note in the event of certain claims or damages it may incur as a result of the transactions provided for in the Purchase Agreement.

Additional Agreements with Titan Mining

In connection with the Purchase Agreement, the Company and Titan entered into an Investor Rights Agreement dated December 30, 2016 (the "Investor Rights Agreement") pursuant to which the Company has certain limited pre-emptive rights to participate in offerings of Titan's securities and piggy-back registration rights related to the Titan Shares in an underwritten offering of Titan's common stock.

NOTE 5 – DISCONTINUED OPERATIONS

On December 30, 2016, the Company completed the transactions set forth in a Purchase Agreement whereby the Company sold 100% of the issued and outstanding shares of common stock of Balmat (the “Balmat Shares”) which, through its wholly owned subsidiary, St. Lawrence Zinc, is the owner of the mining property known as the Balmat Zinc Mine and certain mining and processing equipment located in St. Lawrence County, New York (the “Balmat Assets”). All historical information regarding the Balmat Assets are treated as the discontinued operations and have been removed (the “discontinued operations”).

In conjunction with the discontinued operations, the Company recognized that all assets carrying amounts are recorded at their fair values. The assets and liabilities of the discontinued operations are presented below and in the accompanying Balance Sheets with the captions “Assets of discontinued operations” and “Liabilities of discontinued operations,” respectively.

Assets of discontinued operation:

Cash and cash equivalents	\$	-	\$	80,795
Prepaid expenses and other		-		171,827
Spare parts inventory		-		500,000
				<hr/>
Total current assets		-		752,622
Property and equipment, net		-		26,355,595
Restricted cash-environmental deposit		-		1,663,867
Mineral reserves		-		3,165,000
Mineral rights		-		3,660,000
				<hr/>
Total Assets	\$	-	\$	35,597,084

Liabilities of discontinued operations:

Accounts payable	\$	-	\$	39,193
Accrued expenses		-		11,707
Due to related party		-		18,300,534
				<hr/>
Total current liabilities		-		18,351,434
Asset recovery obligation		-		17,906,326
				<hr/>
Total Liabilities	\$	-	\$	36,257,760

Amounts presented for the years ended December 31, 2016 and 2015 have been reclassified to conform to the current presentation. The following table provides the amounts reclassified for those years.

	Years Ended	
	December 31, 2016	December 31, 2015
Amounts reclassified:		
Revenue	\$ 3,600	\$ -
Operating expenses		
Wages	571,062	100,082
Mine maintenance	1,609,166	263,514
General and administrative	228,124	44,796
Depreciation	1,518,666	253,763
Other income (expense)	(30,699)	1,479
Total amount reclassified as discontinued operations	3,957,717	660,676

NOTE 6 – PREPAID EXPENSES AND OTHER

At December 31, 2016, the Company had prepaid expenses totaling \$62,500 that represents insurance premiums being amortized over the time period associated with the policy.

NOTE 7 – MINERAL RIGHTS

At December 31, 2016, the Company had certain mining claims, mineral leases and excavation rights for its exploration properties in the Star Mining District in Beaver County, Utah.

NOTE 8– PROPERTY, PLANT AND EQUIPMENT

At December 31, 2016 and 2015, property, plant and equipment without the discontinued operation information (see Footnote No. 5) consisted of the following:

	December 31, 2016			December 31, 2015		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Buildings	\$ 42,880	\$ 3,276	\$ 39,604	\$ 42,880	\$ 1,846	\$ 41,034
Machinery & Equipment	17,567	11,667	5,900	17,567	8,739	8,828
Office Furniture & Equipment	-	-	-	4,869	3,391	1,478
	<u>\$ 60,447</u>	<u>\$ 14,943</u>	<u>\$ 45,504</u>	<u>\$ 65,316</u>	<u>\$ 13,976</u>	<u>\$ 51,340</u>

Please refer to Footnote No 5 for discussion on the discontinued operation.

Depreciation expense for the year ended December 31, 2016 and 2015 was \$6,164 and \$5,806, respectively.

NOTE 9– RELATED PARTY TRANSACTIONS

2015

Mr. Marchal loaned the Company an aggregate of \$270,000 in cash at various times during the year ended December 31, 2015. The Company made cash payments to Mr. Marchal during the year totaling \$194,937 and \$32,393, respectively, of principal and interest on these advances. In addition, Mr. Marchal agreed to convert \$141,000 of the amounts lent as part of the Unit Offering that closed on June 30, 2015. Mr. Marchal also agreed to convert the remaining \$250,000 of the amounts loans as part of the Unit Offering that closed on October 31, 2015. On November 10, 2015, Mr. Marchal purchased \$275,000 in convertible notes. As of December 31, 2015, the Company owed Mr. Marchal \$275,000 in principal and \$4,445 in accrued interest associated with these convertible notes.

Edward Brogan, one of the Company's Directors, purchased \$250,000 and \$750,000 worth of units in the June 30, 2015 and October 31, 2015 unit offerings, respectively. Additionally, on November 10, 2015, Mr. Brogan purchased \$600,000 in convertible notes. As of December 31, 2015, the Company owed Mr. Brogan \$600,000 in principal and \$9,699 in accrued interest associated with these convertible notes.

Donald Sutherland, one of the Company's Directors, purchased \$200,000 worth of units in the October 31, 2015 unit offering.

On March 1, 2015, Mark Osterberg, the Company's President and COO, was issued 50,000 shares as a one-time signing bonus as part of his employment agreement. The value of the shares was estimated at \$1.20 per share.

During the year ended December 31, 2015, related parties were issued shares of common stock for services rendered. These shares were issued at \$1.10 per share. The related party, date of issuance and number of shares are outlined below:

Related Party	Date of Issuance	Number of Shares Issued
Joseph Marchal, CEO and Executive Chairman	May 16, 2015	500,000
Edward Brogan, Director	May 16, 2015	250,000
Donna Moore, Interim CFO	May 16, 2015	50,000
Doug MacLellan, Director	May 16, 2015	50,000
Donald Sutherland, Director	May 16, 2015	50,000
Mark Osterberg, President and COO	May 16, 2015	50,000
Joseph Marchal, CEO and Executive Chairman	October 1, 2015	1,000,000
Edward Brogan, Director	October 1, 2015	1,000,000
Donna Moore, Interim CFO	October 1, 2015	50,000
Doug MacLellan, Director	October 1, 2015	50,000
Donald Sutherland, Director	October 1, 2015	50,000
TOTAL		3,100,000

As of December 31, 2015, the Company had an outstanding liability to Michael Christiansen, a former officer of the Company. See additional information in Note 10 – Debt.

As of December 31, 2015, the Company had an outstanding receivable due from Balmat, a related party in the amount of \$18,300,514.

2016

On May 12, 2016, Joseph Marchal, the Company's CEO and Executive Chairman, and Edward Brogan, one of the Company's Directors, each loaned the Company \$125,000 bearing interest at 15% per annum. The principal and interest were repaid in full upon closing of the TCA Global debt on June 28, 2016. The Company had recorded \$4,929 accrued interest for these two loans.

For the convertible notes dated November 10, 2015, the Company owed Mr. Marchal and Mr. Brogan \$275,000 and \$600,000, respectively, as of the year ended December 31, 2016. The Company had recorded \$92,569 of accrued interest on these two notes as of the year ended December 31, 2016.

As of December 31, 2016, the related party receivable with Balmat was zero due to the sale of Balmat. (See Note 4 – Sale of Balmat (Discontinued Operations)).

NOTE 10 – DEBT

Stipulated Agreement Liability – Related Party

The Company entered into an agreement with Michael Christiansen ("Christiansen"), a former officer of the Company on August 13, 2013 (the "Stipulated Agreement") to pay Christiansen \$123,272 (the "Amount Due") relating to a promissory note, accrued compensation and out-of-pocket expenses incurred on behalf of the Company. The Amount Due was agreed to be paid as follows: \$11,000 on or before August 15, 2013; \$11,000 on or before September 15, 2013; \$11,000 on or before October 15, 2013; and the balance in installments of \$15,000 beginning on the earlier of (a) the first day of the month following the date on which the Company receives at least three million dollars of equity funding, or (b) December 31, 2014. The payment of this stipulated agreement is in default. Subject to completion of the payments due under the agreement, the parties agreed to release certain claims against each other related to or arising in connection with the matters that gave rise to our agreement to pay the Amount Due. During the years ended December 31, 2014 and 2013 the Company recorded \$62,000 in accrued compensation to the promissory note. The Company has made payments totaling \$106,000. At the year ended December 31, 2016, the remaining liability of \$79,272 is presented as Stipulated Agreement Liability in the accompanying financial statements.

Notes Payable

At the year ended December 31, 2016, the Company owed \$600,000 on the promissory note issued to Aviano on November 2, 2015. The original note was for \$850,000 bearing interest at 8% per annum as the Company had made payments of \$250,000. During the year ended December 31, 2016, the Company recorded \$49,337 of accrued interest.

At the year ended December 31, 2016, the Company owed \$50,000 on the promissory note issued to F&F on November 2, 2015. The original note was for \$540,000 bearing interest at 8% per annum for payment of legal fees. During the year ended December 31, 2016, the Company recorded \$16,504 of accrued interest.

Notes Payable – Related Party

On May 12, 2016, Joseph Marchal, the Company's CEO and Executive Chairman, and Edward Brogan, one of the Company's Directors, each loaned the Company \$125,000 bearing interest at 15% per annum. The principal and interest were repaid in full upon closing of the TCA Global debt on June 28, 2016. The Company had recorded \$4,929 accrued interest for these two loans.

For the convertible notes dated November 10, 2015, the Company owed Mr. Marchal and Mr. Brogan \$275,000 and \$600,000, respectively, as of the year ended December 31, 2016. The Company had recorded \$92,569 of accrued interest on these two notes as of the year ended December 31, 2016. During the year ended December 31, 2016, the Company amortized \$105,330 of debt discount relating to these notes.

NOTE 11 – INCOME TAXES

The provision for income taxes consisted of the following as of December 31, 2016 and 2015:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Current taxes	\$ -	\$ -
Deferred Tax Benefit	(1,825,400)	(5,288,100)
Benefits of Operating Loss Carryforwards	1,825,425	5,288,100
Actual provision	<u>\$ -</u>	<u>\$ -</u>

Any deferred tax asset has been fully offset by a valuation allowance because at this time the Company believes that it is more likely than not that the future tax benefit will not be realized as the Company cannot predict when or if it will have taxable income in the future.

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
DEFERRED TAX ASSETS		
Current	\$ -	\$ -
Noncurrent	-	-
Net operating losses	1,780,500	6,375,800
Total Deferred Tax Assets	<u>1,780,500</u>	<u>6,375,800</u>
DEFERRED TAX LIABILITIES		
Current	48,600	-
Noncurrent	(3,700)	(4,798,400)
Valuation Allowance	(1,825,400)	(1,577,400)
Net Deferred Taxes	<u>\$ -</u>	<u>\$ -</u>

The Company's provision for income taxes was \$0 for the year ended December 31, 2016 since the Company incurred net operating losses that have a full valuation allowance through December 31, 2016. The Company's net federal operating loss carry forward of approximately \$7,287,300 begins to expire in 2032.

Operating Losses	
Expires	Amount
2032	224,956
2033	1,815,979
2034	681,032
2035	593,836
2036	3,971,497
Total	\$ 7,287,300

ASC 740 requires the reduction of deferred tax assets by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The total deferred tax asset is calculated by multiplying a 39% marginal tax rate by the cumulative Net Operating Loss (“NOL”) of \$7,287,300. The total valuation allowance is equal to the total deferred tax asset of \$1,780,500, less the total deferred tax liability of (\$44,900), resulting in an increase of \$1,825,400 from the year ended December 31, 2015.

A reconciliation between income taxes at statutory tax rates (39%) and the actual income tax provision for continuing operations as of December 31, 2016 and 2015 follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Expected provision (based on statutory rate)	\$ (1,583,600)	\$ (2,611,700)
Effect of:		
Increase in valuation allowance	1,278,300	5,288,100
Non-deductible expenses	(305,300)	(2,676,400)
Actual provision	\$ -	\$ -

The Company has not made any adjustments to deferred tax assets or liabilities. The Company did not identify any material uncertain tax positions of the Company on returns that have been filed or that will be filed. The Company has not had income from operations and has deferred items consisting entirely of unused net operating losses as disclosed above. Since it is unknown whether this net operating loss will ever produce a tax benefit, or if examined by taxing authorities and disallowed entirely, there would be no effect on the financial statements.

The Company’s policy is to recognize potential interest and penalties accrued related to unrecognized tax benefits within income tax expense. For the years ended December 31, 2016 and 2015, the Company did not recognize any interest or penalties, nor did we have any interest or penalties accrued as of December 31, 2016 and 2015 related to unrecognized benefits.

The Company has not yet filed its U.S. federal income tax return for the year ended December 31, 2016 but has filed an extension. With the extension, our U.S. federal return will be due on or before September 15, 2017. The tax years ended December 31, 2016 and 2015 are open for examination for federal income tax purposes as well as other taxing jurisdictions to which we are subject.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Legal Matters

In connection with our litigation involving Michael Stanford in which the Fifth District Court of Beaver County (Civil Case No. 140500023) awarded us a judgment against Mr. Stanford as previously disclosed, the court issued a further order on February 2, 2015 authorizing us to cancel 910,000 shares of our common stock previously issued to Mr. Stanford. This cancellation of shares was in addition the 25,000,000 shares that Mr. Stanford returned to the Company and were cancelled by us on September 22, 2014. The 910,000 shares were cancelled on February 2, 2015.

We are evaluating what future legal proceedings we may pursue in order to collect money damages of approximately \$23,495,000 awarded to us pursuant to the judgment. Our ability to collect any further amounts on the judgment is, however, inherently unpredictable and is subject to significant uncertainties and, therefore, determining the likelihood of a recovery and/or the measurement of any recovery is complex. Consequently, we are unable to estimate the range of reasonably possible further recovery. Our assessment is based on estimates and assumptions deemed reasonable by management, but the assessment process relies heavily on estimates and assumptions that may prove to be incomplete or inaccurate, and unanticipated events and circumstances may occur that might cause us to change those estimates and assumptions.

On March 31, 2017, Aviano Financial Group, LLC (“Aviano”) filed a First Amended Complaint in the District Court, City and County of Denver Colorado (Cas No. 2017CV030605) (the “Aviano Complaint”) against the Company alleging breach of the Purchase Agreement dated October 13, 2015 entered into among Aviano, the Company and Northern Zinc LLC (“Northern Zinc”) whereby Aviano sold to the Company a 100% interest in Northern Zinc owned by Aviano (the “Purchase Agreement”). Pursuant to the terms of the Purchase Agreement, the Company, among other things, issued a promissory note dated November 2, 2015 to Aviano in the principal amount of \$850,000 (the “Aviano Note”), issued a promissory note dated November 2, 2015 to Fognani & Faught, PLLC (“F&F”) in the principal amount of \$540,000 (the “F&F Note”) and agreed to pay Aviano’s legal fees of \$51,930.00 for preparing, drafting and revising the Purchase Agreement (the “Legal Fee Commitment”). The Amended Complaint alleges that the Company breached the Purchase Agreement as a result of its failure to pay the Aviano Note, the F&F Note, the Legal Fee Commitment and a so-called oral agreement to provide Aviano with anti-dilution protection for the 10,000,000 shares of the Company’s common stock it issued as partial consideration of the purchase of Northern Zinc (the “Anti-Dilution Claim”) and other matters stemming from the Purchase Agreement.

As of December 31, 2016, the Company’s consolidated balance sheet reflects total liabilities related to the Aviano Note, the F&F Note and the Legal Fee Commitment. No amounts have been accrued or reserved as it relates to other costs and expenses associated with the Aviano Complaint or the Anti-Dilution Claim which the Company intends to deny and vigorously defend itself against and assert defenses and counterclaims it believes it has against Aviano. The Company cannot predict, however, the ultimate outcome of the Aviano Complaint. Consequently, in the event that the court ultimately awards Aviano the full amount it seeks, it will have an adverse effect on our financial and liquidity position in future periods.

Other than as set forth above, we are not presently a party to any material litigation that may have a material adverse effect on our consolidated financial position, results of operations or cash flows.

NOTE 13 – STOCKHOLDERS’ EQUITY

Common Stock

On January 1, 2016, the Company entered into a six-month consulting agreement for services relating to shareholder information and public relations. As compensation for these services, the consulting firm was issued 200,000 shares of the Company’s common stock valued at \$0.66 per share. On May 31, 2016, the Company cancelled 150,000 shares of these issued shares valued at \$0.66 per share because of contract non-compliance.

On February 24, 2016, the Company entered into a six-month consulting agreement for services relating to management consulting and business advisory. As compensation for these services, the consulting firm was issued 150,000 shares of the Company’s common stock valued at \$0.51 per share.

On October 31, 2016, the Company issued 79,951 shares of common stock at a value of \$.23 per share. These shares were previously recorded as Stock Subscribed at the end of December 3, 2015 as part of the Balmat acquisition which was completed in the year ended December 31, 2015.

Series B Preferred Stock

On September 30, 2015, the Company filed with the Secretary of State of Nevada a certificate of designation of preferences, rights and limitations creating the Company’s Series B preferred stock and designating the rights and preferences of the Series B preferred stock (the “Series B Certificate of Designation”). The Series B Certificate of Designation authorized the issuance of up to 100,000 shares of Series B preferred stock with a par value of \$0.001 per share. Holders of the Series B preferred stock are entitled to one hundred votes per share on matters submitted to a vote of the Company’s stockholders.

Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of the Series B preferred stock will be entitled to receive out of the assets of the Company an amount equal to the par value of the Series B Preferred and any other fees or liquidated damages then due and owing, for each share of Series B preferred stock before any distribution or payment is made to the holders of any junior securities, and if the assets of the Company are insufficient to pay in full such amounts, then the entire assets to be distributed to the holders of the Series B preferred stock will be ratably distributed among the holders in accordance with the respective amounts that would be payable on such shares if all amounts payable thereon were paid in full. The preference rights of the Series B Preferred Stock precedes the rights of the Series C Preferred Stock.

Subject to the terms of the Series B Certificate of Designation, the Series B preferred stock is convertible, at any time after six months after the date of issuance into that number of shares of common stock determined by multiplying the number of shares of Series B preferred stock by one hundred, subject to adjustment as provided in the Series B Certificate of Designation. The Company will not affect any conversion of Series B preferred stock, and the holder of Series B preferred stock will not have the right to convert any portion of the Series B preferred stock, to the extent that, after giving effect to the conversion, the holder and its affiliates and any person acting

as a group with the holder or any of its affiliates would beneficially own in excess of 4.99% of the Company's outstanding common stock.

On September 30, 2015, the Company issued 5,000 shares of its Series B preferred stock to an unrelated party for services rendered and to be rendered during the year ended December 31, 2016, for a value of \$550,000. Each share of the Series B preferred stock was valued at \$1.10 per share to reflect the value of the 500,000 shares of common stock issuable upon conversion of the Series B preferred stock.

Series C Preferred Stock

On September 30, 2015, the Company filed with the Secretary of State of Nevada a certificate of designation of preferences, rights and limitations creating the Company's Series C preferred stock and designating the rights and preferences of the Series C preferred stock (the "Series C Certificate of Designation"). The Series C Certificate of Designation authorized the issuance of up to 5,000,000 shares of Series C preferred stock with par value of \$0.001 per share, with a stated value equal to \$.50 per share, subject to increase as set forth in the Series C Certificate of Designation.

Holders of the Series C preferred stock are entitled to ten votes per share on matters submitted to a vote of the Company's stockholders.

Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, the holders of the Series C preferred stock will be entitled to receive out of the assets of the Company an amount equal to the par value of the Series C Preferred and any other fees or liquidated damages then due and owing, for each share of Series C preferred stock before any distribution or payment is made to the holders of any junior securities, and if the assets of the Company are insufficient to pay in full such amounts, then the entire assets to be distributed to the holders of the Series C preferred stock will be ratably distributed among the holders in accordance with the respective amounts that would be payable on such shares if all amounts payable thereon were paid in full. The preference rights of the Series C Preferred Stock are secondary to those of the Series B Preferred Stock.

Subject to the terms of the Series C Certificate of Designation, the Series C preferred stock is convertible, at any time after six months after the date of issuance into that number of shares of common stock determined by multiplying the number of shares of Series C preferred stock by one-half, subject to adjustment as provided in the Series C Certificate of Designation. The Company will not affect any conversion of Series C preferred stock, and the holder of Series C preferred stock will not have the right to convert any portion of the Series C preferred stock, to the extent that, after giving effect to the conversion, the holder and its affiliates and any person acting as a group with the holder or any of its affiliates would beneficially own in excess of 4.99% of the Company's outstanding common stock.

Stock Options

On March 1, 2015, as part of an employment agreement, the Company granted an option to purchase 250,000 shares of the Company's common stock with an exercise price of \$0.50 per share. The option vested as follows: 50,000 shares upon execution of the employment agreement; 50,000 shares each on March 31, 2015; June 30, 2015; September 30, 2015; and December 31, 2015. On the grant date, the Company estimated the fair value of the grant using the Black Scholes option pricing model using the closing price of our common shares on the grant date as quoted on the stock exchange where the majority of our trading volume and value of the shares occurs, assuming a maturity of 2.7 years, 0.896% risk free rate and an 88.83% volatility.

The stock-based compensation cost recognized in our consolidated statements of operations for the years ended December 31, 2016 and 2015 was \$0 and \$213,000, respectively, and is included within Compensation in the consolidated statements of operations. As of December 31, 2016, there was no unrecognized compensation cost related to unvested stock options, as all outstanding options were fully vested. No options were exercised during the years ended December 31, 2016 and 2015.

The following is a summary of the status of the Company's stock options as of the year ended December 31, 2016 and 2015 and changes through the periods ended on those dates:

	For the years ended December 31,			
	2016		2015	
	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
Outstanding, beginning of period	250,000	\$ 0.50	-	\$ -
Granted	-	-	250,000	0.50
Exercised	-	-	-	-
Cancelled/Expired	-	-	-	-
Outstanding, end of period	<u>250,000</u>	<u>\$ 0.50</u>	<u>250,000</u>	<u>\$ 0.50</u>
Exercisable, end of period	<u>250,000</u>	<u>\$ 0.50</u>	<u>250,000</u>	<u>\$ 0.50</u>
Weighted-average fair value per share of options granted during period	\$ 0.85		\$ 0.85	

Warrants

The Company issued warrants, each exercisable for one of the Company's common shares, to investors in connection with offerings of the Company that closed on June 30, 2015; October 31, 2015; and November 2, 2015. The exercise price and exercise period are outlined below:

	Total Warrants	Exercise Price	Expiration Date
June 30, 2015 Offering	2,500,000	\$ 1.00	6/30/2018
October 31, 2015 Offering - Series A Warrants	3,130,000	\$ 0.75	10/31/2017
October 31, 2015 Offering - Series B Warrants	3,130,000	\$ 1.50	10/31/2018
November 10, 2015 Offering	437,500	\$ 2.00	11/10/2018
	<u>9,197,500</u>		

The fair value of the warrants issued during the year ended December 31, 2015 was estimated using a Black-Scholes model with significant inputs including:

Risk-free interest rate	0.75%-0.896%
Expected volatility	70.0%-88.83%
Expected dividend yield	0
Expected term in years	2.0 – 3.0
Estimated forfeiture rate	0

Based on the above inputs, the value of these warrants was estimated at \$234,000 and was recorded in the year ended December 31, 2015. There were no further adjustments to the value of these warrants in the year ended December 31, 2016.

The following table summarizes our warrant activity for the years ended December 31, 2016 and 2015:

	For the year ended December 31, 2016		For the year ended December 31, 2015	
	Number of Warrants	Weighted- Average Exercise Price	Number of Warrants	Weighted- Average Exercise Price
Outstanding, beginning of period	9,197,500	\$ 1.13	-	\$ -
Granted	-	-	9,197,500	1.13
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding, end of period	<u>9,197,500</u>	<u>\$ 1.13</u>	<u>9,197,500</u>	<u>\$ 1.13</u>