

**TEXAS WYOMING DRILLING, INC.**

**FINANCIAL STATEMENTS**

**December 31, 2012  
and  
December 31, 2011**

**(Unaudited)**

**TEXAS WYOMING DRILLING, INC. AND SUBSIDIARIES**

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**TEXAS WYMOING DRILLING, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

	December 31,	
	2012	2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 14,777	\$ 48,964
Trade accounts receivable, net	1,268	42,069
Inventories	150,000	150,000
Investment in Joint Venture	215,500	215,500
<b>Total Current Assets</b>	<b>381,545</b>	<b>456,533</b>
<b>Property and Equipment</b>		
Property, plant and equipment, net of \$385,579 and 3,333,612 in accumulated depreciation, respectively	83,869	340,274
Prepays and other assets	314,524	312,324
<b>Total Assets</b>	<b>\$ 779,938</b>	<b>\$ 1,109,131</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
<b>Current Liabilities</b>		
Trade accounts payable	\$ 79,937	\$ 75,187
Accrued liabilities	662,235	574,777
Due to shareholders	112,121	133,681
Short-term portion of long-term notes payable	15,074	15,074
Line of credit	-	1,178,822
<b>Total Current Liabilities</b>	<b>869,367</b>	<b>1,977,541</b>
<b>Shareholders' Deficit</b>		
Common stock, \$0.001 par value; 699,999,999 shares authorized; 264,769,590 and 221,516,812 shares issued and outstand	264,770	221,517
Additional paid-in capital	5,873,866	5,613,848
Accumulated deficit	(6,228,065)	(6,703,775)
<b>Total Shareholders' Deficit</b>	<b>(89,429)</b>	<b>(868,410)</b>
<b>Total Liabilities and Shareholders' Deficit</b>	<b>\$ 779,938</b>	<b>\$ 1,109,131</b>

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

**TEXAS WYMOING DRILLING, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Revenues</b>	\$ 432,426	\$ 645,124
<b>Expenses</b>		
Cost of sales	543,314	579,090
General and Administrative	486,852	1,659,997
<b>Total Expenses</b>	1,030,167	2,239,087
<b>Loss from Operations</b>	(597,741)	(1,593,962)
Interest Expense	(3,854)	(3,854)
Other Income (expense)	-	82,936
<b>Income (Loss) before Extraordinary Income</b>	\$ (601,595)	\$ (1,514,880)
Extraordinary Gain from sale of assets	1,077,305	-
<b>Net Income (Loss)</b>	\$ 475,710	\$ (1,514,880)
<b>Basic Earnings (Loss) Per Share</b>	\$ (0.00)	\$ (0.01)
<b>Diluted Earnings (Loss) Per Share</b>	(0.00)	(0.01)

**TEXAS WYMOING DRILLING, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Unaudited)

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Net Income (Loss)</b>	\$ 475,710	\$ (1,514,880)
<b>Other Comprehensive Income (Loss)</b>	-	-
<b>Total Comprehensive Income (Loss)</b>	\$ 475,710	\$ (1,514,880)

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

**TEXAS WYMOING DRILLING, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF EQUITY**  
(Unaudited)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Shareholders' Equity
	Shares	Amount			
<b>Balance, December 31, 2010</b>	128,193,812	\$ 128,194	4,165,081	\$ (5,188,895)	\$ (895,620)
Common stock issued for cash	33,244,000	33,244	553,623	-	586,867
Common stock issued for services	60,078,000	60,078	1,069,167	-	1,129,245
Net Income (loss)	-	-	-	(1,514,880)	(1,514,880)
<b>Balance, December 31, 2011</b>	221,515,812	221,517	5,613,848	(6,703,775)	(694,388)
Common stock issued upon conversion of debt	20,000,000	20,000	55,000	-	75,000
Common stock issued for cash	5,600,000	5,600	20,800	-	26,400
Common stock issued for services	17,653,778	17,654	184,218	-	201,872
Net Income (loss)	-	-	-	475,710	475,710
<b>Balance, December 31, 2012</b>	264,769,590	\$ 264,771	\$ 5,873,866	\$ (6,228,065)	84,594

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

**TEXAS WYMOING DRILLING, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	<b>For the Years Ended</b>	
	<b>December 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Cash Flows from Operating Activities</b>		
Net income (loss)	\$ 475,710	\$ (1,514,880)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Common stock issued for services	201,871	836,090
Depreciation	-	396,773
Gain (Loss) on sale of equipment	1,077,305	-
Distinguishment of Line of Credit	(1,999,722)	
Changes in operating assets and liabilities:		
Trade accounts receivable	40,801	(24,123)
Trade accounts payable	4,750	9,015
Accrued liabilities	162,458	152,551
Other assets	-	(2,500)
<b>Net Cash Used in Operating Activities</b>	<b>(36,827)</b>	<b>(147,074)</b>
<b>Net Cash Used in Investing Activities</b>	-	-
<b>Cash Flows from Financing Activities</b>		
Proceeds from sale of common stock	26,400	704,000
Loans to shareholders	(23,760)	(279,358)
Payments on Line of Credit	-	(234,285)
<b>Net Cash Used in Financing Activities</b>	<b>2,640</b>	<b>190,357</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(34,187)</b>	<b>43,283</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>48,964</b>	<b>5,682</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 14,777</b>	<b>\$ 48,965</b>

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

**TEXAS WYOMING DRILLING, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

**NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS**

**Organization and Nature of Operations** – Texas Wyoming Drilling, Inc. (OTC MARKETS, PINK:TWDL) is incorporated under the laws of the State of Delaware and has two wholly owned subsidiaries, which, with Texas Wyoming Drilling, Inc., are referred to herein as the Company or TWDL.

The Company's main operations involve extracting, processing and selling decorative landscaping rock in the Greater Las Vegas area. The Company currently holds various mining claims for precious metals in Southern Nevada and is currently improving their gold leaching process and increasing production capacity for gold extraction. All current revenues are from decorative rock sales.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation** –The accompanying condensed consolidated financial statements have **not** been audited and are the representation of management. While an attempt has been made to prepare the statements in accordance with accounting principles generally accepted in the United States of America for and pursuant to the rules and regulations of the United States Securities and Exchange Commission ("SEC"), several disclosures have been omitted pending internal audits and disclosure completion. In the opinion of management, revenues and expenses are a fair and comparable representation of current operations. The accompanying financial statements should be read in conjunction with our future audited financial statements with will be contained in an SEC Form 10 which should be filed within the next six months.

**Reclassifications** – Certain amounts presented in the previous unaudited consolidated financial statements have been reclassified to conform to current-period presentation. These reclassifications have had an effect on net income and stockholders' equity.

**Principles of Consolidation** – The accompanying consolidated financial statements include the operations, transactions and balances of Texas Wyoming Drilling, Inc. and all of its wholly-owned subsidiaries. Intercompany balances and transactions have been eliminated in consolidation.

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Significant estimates include the recoverability of merchant reserves, revenue returns and refunds, share-based compensation forfeiture rates, and the potential outcome of future tax consequences of events that have been recognized for financial reporting purposes. Actual results and outcomes may differ from management's estimates and assumptions.

**Cash and Cash Equivalents** – The Company considers all highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents.

**Mineral Rights** – The Company has mining rights to three different sites in Nevada. The sites are currently undergoing appraisals by geologists are in the testing and assay phase. Production is expected to begin in 2012.

**Property and Equipment** – Property and equipment are recorded at cost less accumulated depreciation. Maintenance, repairs, and minor replacements are charged to expense as incurred. When depreciable assets are retired, sold, or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in operations.

**TEXAS WYMOING DRILLING, INC. AND SUBSIDIARIES**  
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Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, which are three to seven years.

**Revenue Recognition** – Revenue for the Company is primarily from the sale of decorative rock. Revenue is recorded when the rock is delivered to the customer, the price is fixed and determinable, collectability is reasonably assured and a delivery tag is signed.

**Earnings (Loss) Per Share** –The computations of basic earnings (loss) per share are based on net income (loss) divided by the weighted-average number of common shares outstanding during the period, adjusted for qualified participating securities, using the if-converted method, when the qualified participating securities are dilutive. Diluted earnings (loss) per share are calculated by dividing net income (loss) assuming dilution by the weighted-average number of common shares and potentially dilutive shares of common stock issuable upon conversion of non-participating shares. When dilutive, the potential common shares issuable upon exercise of warrants included in diluted earnings (loss) per share are determined by the treasury stock method.

At December 31, 2012, there were 3,629,500 participating common stock equivalents.

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

Included in property, plant and equipment on our consolidated financial statements are mineral interests, which are tangible assets that include acquired undeveloped mineral interests and royalty interests. Undeveloped mineral interests include: (i) other mineralized material which is measured, indicated or inferred with insufficient drill spacing or quality to qualify as proven and probable reserves; and (ii) inferred material not immediately adjacent to existing proven and probable reserves but accessible within the immediate mine infrastructure. Residual values for undeveloped mineral interests represents the expected fair value of the interests at the time we plan to convert, develop, further explore or dispose of the interests and are evaluated at least annually.

**Depreciation, Depletion and Amortization** – Capitalized costs are depreciated or depleted using the straight-line method or unit-of-production method at rates sufficient to depreciate such costs over the shorter of estimated productive lives of such facilities or the useful life of the individual assets. Productive lives range from 1 to 15 years, but do not exceed the useful life of the individual asset. Determination of expected useful lives for amortization calculations are made on a property-by-property or asset-by-asset basis at least annually. Our estimates for mineral reserves are a key component in determining our units of production depreciation rates. Our estimates of proven and probable ore reserves may change, possibly in the near term, resulting in changes to depreciation, depletion and amortization rates in future reporting periods.

Undeveloped mineral interests are not amortized until such time as they are converted to proven and probable reserves. At that time, the basis of the mineral interest is amortized on a units-of-production basis. Pursuant to our policy on impairment of long-lived assets (discussed further below), if it is

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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determined that an undeveloped mineral interest cannot be economically converted to proven and probable reserves, the basis of the mineral interest is reduced to its net realizable value and an impairment loss is recorded to expense in the period in which it is determined to be impaired.

**Impairment of Long-lived Assets** – Management reviews and evaluates the net carrying value of all facilities, including idle facilities, for impairment at least annually, or upon the occurrence of other events or changes in circumstances that indicate that the related carrying amounts may not be recoverable. We estimate the net realizable value of each property based on the estimated undiscounted future cash flows that will be generated from operations at each property, the estimated salvage value of the surface plant and equipment, and the value associated with property interests.

Although management has made a reasonable estimate of factors based on current conditions and information, assumptions underlying future cash flows are subject to significant risks and uncertainties. Estimates of undiscounted future cash flows are dependent upon estimates of metals to be recovered from proven and probable ore reserves, and to some extent, identified resources beyond proven and probable reserves, future production and capital costs and estimated metals prices (considering current and historical prices, forward pricing curves and related factors) over the estimated remaining mine life. It is reasonably possible that changes could occur in the near term that could adversely affect our estimate of future cash flows to be generated from our operating properties. If undiscounted cash flows including an asset's fair value are less than the carrying value of a property, an impairment loss is recognized.

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

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2012 and December 31, 2011:

	<b>December 31,</b>	
	<b>2012</b>	<b>2011</b>
Earth moving and crushing machinery	\$ 465,652	\$ 3,577,071
Vehicles and office equipment	3,796	96,815
Total Property and Equipment	469,448	3,673,886
Less: Accumulated depreciation	(385,579)	(3,333,612)
Net Property and Equipment	\$ 83,869	\$ 340,274

**TEXAS WYMOING DRILLING, INC. AND SUBSIDIARIES**  
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In the second quarter of 2012 and due to the downturn in construction and demand for decorative rock, the Company has sold the majority of its rock processing equipment in order to pay off the Line of Credit. As more focus is placed on rare metal extraction, equipment will be rented as needed until revenues support the purchasing of new equipment.

Total proceeds were used to pay off the Line of Credit. A gain of approximately \$1.0 million on the sale was recorded.

The company now rents machinery as needed for specific jobs and are expensed as part of cost of goods sold.

**NOTE 4 – INVENTORY**

Inventory consists of reserves of calcium carbonate that has been measured and certified at 300,000 tons and an estimated whole-sale market value of over \$1,000,000 and is carried on our books at \$150,000, the current market value of the stock issued as payment. The primary customer for calcium carbonate is the State of Nevada utilities.

Decorative rock is processed on a per-order basis and not stock-piled and therefore has no value on the balance sheet.

**NOTE 5 – JOINT VENTURE**

In July 2009, the Company entered into a Joint Venture agreement with two individuals with patented mine claims. Under the agreement, a new entity would be formed with 50% ownership going to each party. The Company would use its machinery and know-how to process the rock, while the partners would provide the mine and patent. Once the joint venture commences operations, the Company will account for the investment under the equity method.

The Company accounts for business combinations with acquisition dates after January 3, 2009 under the acquisition method in accordance with the Accounting Standards Codification and contingent consideration is recorded at fair value on the acquisition date.

**NOTE 6 – MINE CLAIMS**

In October 2008, TWDL acquired the Yellow Jacket mine claim for the combined consideration of \$75,000 cash and 3,000,000 shares of unregistered common stock, valued at \$410,500.

In May 2010, TWDL entered into a joint venture with the Blue Jacket quarry and mine claim. The Blue Jacket property also has water rights for 28 million gallons a year.

Mining has not yet commenced, but is expected to in 2013 once funding and a bond is secured.

**TEXAS WYMOING DRILLING, INC. AND SUBSIDIARIES**  
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**NOTE 7 – DEBT**

**Line of Credit**

The Company's subsidiary entered into a revolving line of credit with Caterpillar in order to purchase earth moving, crushing and transporting equipment.

The majority of the equipment has been liquidated to pay the Line of Credit.

**Due to Shareholders**

Various members of management, who are also shareholders, have loaned money to the Company over time in order to fund operations, special projects. Loans to the Company are accumulated and an interest rate of 7% is applied. The amount Due to Shareholders is \$112K as of December 31, 2012.

In addition, in lieu of payroll, members of management have elected to defer payroll until production and cash flows increase. Salaries based on employment agreements are accrued at no interest and are contained in Accrued Liabilities.

In fiscal 2012, a shareholder was granted conversion rights for \$75K of the amount owed by the Company. The shareholder has sold some conversion rights to a third party for \$75K, which will convert to approximately 20 million shares. See Note 8 for more information.

**Notes Payable**

In 2008, the Company entered into a commercial loan for an equipment purchase. The note carries an interest rate of 13% and was guaranteed by a shareholder. The balance as of December 31, 2012 was \$30K.

**NOTE 8 – EQUITY**

**Common Stock** – During 2011, the Company issued 33,000,000 shares of common stock for \$513,000 in cash to accredited investors in a private placement memorandum. In addition, 60,323,000 shares of common stock were issued to consultants for services valued at \$599,193, or \$0.01 per share.

During 2012, the Company issued 5,600,000 shares of common stock for \$26,400 in cash to accredited investors in a private placement memorandum. In addition, 17,653,778 shares of common stock were issued to consultants for services valued at \$202K, or \$0.01 per share.

**Warrants** – In 2008, the Company issued three year warrants to purchase 3,629,500 shares of common stock at exercise prices from \$0.25 per share. These warrants will expire in the first quarter of 2013 and were recorded in Additional Paid-In Capital. There was no activity in the warrants during the years ended December 31, 2012 and 2011. Warrants outstanding at December 31, 2012 were 3,629,500.

**Stock Split** – On January 23, 2012, the board of directors approved a 1:2 split of the outstanding common shares. The Company has retrospectively applied the split for all periods presented. Following the stock split, the Company has 699,999,999 shares of authorized common stock with 246,369,590 common shares issued and outstanding as of August 2012.

**TEXAS WYMOING DRILLING, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(UNAUDITED)**

In August 2012, the Board authorized the conversion of \$75,000 of debt into 20,000,000 shares of common stock at a price of \$0.003 per share.

**NOTE 9 – INCOME TAXES**

At December 31, 2011, the Company has operating loss carry forwards of approximately \$1,500,000 that will begin to expire in 2024 if not used by that date. The Company's 2008 through 2011 tax returns remain open to review by the tax authorities.