

**CAPITAL FINANCIAL GLOBAL, INC.
AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

**CAPITAL FINANCIAL GLOBAL, INC.
AND SUBSIDIARY
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HANSEN, BARNETT & MAXWELL, P.C.
Certified Public Accountants

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and the Stockholders
Capital Financial Global, Inc.

We have audited the consolidated balance sheets of Capital Financial Global, Inc. and subsidiary (the "Company") as of December 31, 2012 and 2011, and the related consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows for the years 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 audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits 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 audits 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 Capital Financial Global, Inc. and subsidiary as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company has incurred losses from operations and has used cash in its operating activities. As of December 31, 2012, the Company had an accumulated deficit totaling \$4,359,485. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Hansen, Barnett & Maxwell, P.C.
HANSEN, BARNETT & MAXWELL, P.C.

Salt Lake City, Utah
July 3, 2013



Registered with the Public Company
Accounting Oversight Board

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**CAPITAL FINANCIAL GLOBAL, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS**

	December 31,	
	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	\$ 7,425	\$ 111,194
Investment in fixed maturity trading securities	509,273	708,719
Note held for sale	708,403	-
Accrued interest receivable	18,335	11,648
Prepaid expenses	-	15,000
Total Current Assets	1,243,436	846,561
Property and equipment, net	15,939	12,598
Investment in mining property	548,835	548,835
Total Assets	\$1,808,210	\$1,407,994
 Liabilities and Stockholders' Equity (Deficit)		
Current Liabilities		
Accounts payable	\$ 40,849	\$ 39,926
Accrued interest payable	83,641	3,508
Accrued compensation and payroll taxes	205,628	133,810
Credit facilities	431,694	610,566
Convertible notes payable	200,000	200,000
Notes payable, current portion	-	80,000
Other current liabilities	683	-
Total Current Liabilities	962,495	1,067,810
Long-term notes payable	630,007	528,835
Total Liabilities	1,592,502	1,596,645
Stockholders' Equity (Deficit)		
Preferred stock		
Series A, \$0.001 par value; 100 shares authorized; 100 shares outstanding; no liquidation preference	2,261,337	1,888,125
Series B, \$0.001 par value; 20,000,000 shares authorized; 1,270,000 shares and 500,000 shares outstanding, respectively; liquidation preference of \$1,270,000	1,270,000	500,000
Undesignated, \$0.001 par value; 30,000,000 shares authorized; no shares outstanding	-	-
Common stock, \$0.001 par value; 500,000,000 shares authorized; 175,187,260 shares and 96,037,260 shares outstanding, respectively	175,187	96,037
Additional paid-in capital	868,669	622,379
Accumulated deficit	(4,359,485)	(3,295,192)
Total Stockholders' Equity (Deficit)	215,708	(188,651)
Total Liabilities and Stockholders' Equity (Deficit)	\$1,808,210	\$1,407,994

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

CAPITAL FINANCIAL GLOBAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended	
	December 31,	
	2012	2011
Revenues		
Interest and fees on loans	\$ 14,631	\$ 7,953
Interest on fixed maturity trading securities	31,441	40,294
Interest expense	(15,897)	(15,386)
Net interest income	30,175	32,861
Net trading gains (losses)	15,915	(16,300)
Net unrealized trading gains	18,761	62,603
Unrealized loss on value of note held for sale	(61,597)	-
Loan servicing fees	590	-
Total non-interest income (loss)	(26,331)	46,303
Net Revenue	3,844	79,164
Operating Expenses		
Compensation and benefits	171,929	210,598
Corporate development	3,368	55,601
Marketing	16,313	4,672
Communications and technology	11,510	3,937
Occupancy	10,225	2,345
Professional fees	161,933	128,963
Other general and administrative	18,035	20,291
Depreciation and amortization	10,307	1,158
Total operating expense	403,620	427,565
Loss from Operations	(399,776)	(348,401)
Other Expenses		
Non-operating interest expense	(181,305)	(113,508)
Loss on extinguishment of notes payable	(110,000)	(169,692)
Net Loss	(691,081)	(631,601)
Series A preferred dividends	(373,212)	(454,825)
Series B preferred dividends paid	-	(13,096)
Series B preferred dividends accumulated and unpaid	(26,900)	(11,507)
Net Loss Applicable to Common Shareholders	\$(1,091,193)	\$(1,111,029)
Basic and Diluted Loss per Common Share:	\$ (0.01)	\$ (0.01)
Weighted-average shares outstanding:	132,840,947	81,986,940

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

**CAPITAL FINANCIAL GLOBAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2012**

	Series A		Series B		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance, December 31, 2010	100	\$ 1,433,300	1,000,000	\$ 1,000,000	70,987	\$ 70,987	\$ 252,202	\$ (2,195,670)	\$ 560,819
Issuance for services; \$0.01 per share; February 2011	-	-	-	-	5,850,000	5,850	52,650	-	58,500
Redemption for cash; \$1.00 per Series B preferred share; February 2011	-	-	(500,000)	(500,000)	-	-	-	-	(500,000)
Dividends paid on Series B preferred shares redeemed; February 2011	-	-	-	-	-	-	-	(13,096)	(13,096)
Issuance for extinguishment of debt; \$0.01 per share; February 2011	-	-	-	-	850,000	850	7,310	-	8,160
Issuance for extinguishment of debt; \$0.02 per share; July 2011	-	-	-	-	7,850,000	7,850	106,050	-	113,900
Issuance for extinguishment of debt; \$0.02 per share; October 2011	-	-	-	-	1,333,333	1,333	25,333	-	26,666
Issuance for cash; \$0.01 per share; October 2011	-	-	-	-	1,500,000	1,500	18,500	-	20,000
Issuance for extinguishment of debt; \$0.02 per share; November 2011	-	-	-	-	7,666,667	7,667	160,334	-	168,001
Series A preferred dividends	-	454,825	-	-	-	-	-	(454,825)	-
Net loss	-	-	-	-	-	-	-	(631,601)	(631,601)
Balance, December 31, 2011	100	1,888,125	500,000	500,000	96,037	96,037	622,379	(3,295,192)	(188,651)
Issuance for extinguishment of debt; \$0.01 per share; February 2012	-	-	-	-	20,000,000	20,000	160,000	-	180,000
Issuance for cash; \$0.00 per share; July 2012	-	-	-	-	13,750,000	13,750	11,250	-	25,000
Issuance for services; \$0.00 per share; July 2012	-	-	-	-	14,000,000	14,000	35,000	-	49,000
Issuance for extinguishment of debt; \$0.00 per share; August 2012	-	-	-	-	5,000,000	5,000	5,000	-	10,000
Issuance for services; \$0.00 per share; September 2012	-	-	-	-	12,800,000	12,800	5,120	-	17,920
Issuance for services; \$0.00 per share; October 2012	-	-	-	-	13,600,000	13,600	29,920	-	43,520
Issuance for cash; \$1.00 per Series B preferred share; October 2012	-	-	770,000	770,000	-	-	-	(373,212)	770,000
Series A preferred dividends	-	373,212	-	-	-	-	-	(691,081)	-
Net loss	-	-	-	-	-	-	-	(691,081)	(691,081)
Balance, December 31, 2012	100	2,261,337	1,270,000	1,270,000	175,187	175,187	\$ 868,669	\$ (4,359,485)	\$ 215,708

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

CAPITAL FINANCIAL GLOBAL, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended	
	December 31,	
	2012	2011
Cash flows from operating activities		
Net loss	\$ (691,081)	\$ (631,601)
Adjustments to reconcile net loss to net cash provided		
by (used in) operating activities:		
Depreciation and amortization	10,307	1,158
Common stock issued for services	110,440	58,500
Net unrealized trading gains	(18,761)	(62,603)
Adjustment of notes payable to fair value	-	100,000
Loss on extinguishment of debt	110,000	169,692
Amortization of debt discount	101,172	10,000
Changes in operating assets and liabilities:		
Investment in fixed maturity trading securities	218,207	163,126
Net investment in notes held for sale	(708,403)	500,000
Accrued interest receivable and other	(5,081)	3,312
Prepaid expenses	15,000	(15,000)
Accrued interest payable	80,133	3,508
Accrued compensation and payroll taxes	71,818	69,220
Net cash provided by (used in) operating activities	(706,249)	369,312
Cash flows from investing activities		
Investment in mining property	-	(20,000)
Payments to purchase office equipment	(13,648)	(13,756)
Net cash provided by (used in) investing activities	(13,648)	(33,756)
Cash flows from financing activities		
Proceeds from issuance of Series B preferred stock	770,000	-
Proceeds from issuance of common stock	25,000	20,000
Redemption of Series B preferred stock	-	(500,000)
Payment of Series B preferred dividends	-	(13,096)
Net proceeds (payments) on credit facilities	(178,872)	82,208
Proceeds from issuance of notes payable	-	90,000
Net cash provided by (used in) financing activities	616,128	(320,888)
Net increase (decrease) in cash and cash equivalents	(103,769)	14,668
Cash and cash equivalents, beginning of year	111,194	96,526
Cash and cash equivalents, end of period	\$ 7,425	\$ 111,194
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	\$ -	\$ -
Noncash investing and financing activities:		
Common stock issued for settlement of notes payable	\$ 190,000	\$ 316,727
Asset purchased with note payable	\$ -	\$ 528,835
Series A preferred dividends	\$ 372,212	\$ 454,825

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

CAPITAL FINANCIAL GLOBAL, INC. AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS

Capital Financial Global, Inc., a Nevada corporation, together with Capital Global Financial, LLC, its consolidated subsidiary, (collectively, the “Company”) is a specialty finance company that provides asset-based financing and loan advisory services to insurance trusts, pension funds and owners of commercial and residential real estate, and mining and precious metals assets.

On May 24, 2010, Capital Financial Global, Inc. issued 100 Series A preferred shares and 5,000,000 common shares in exchange for all of the assets of Capital Financial Services, Inc., a Utah corporation (“CFS”). As a result of the CFS shareholder’s conversion rights, control of the CFS assets and operations before and after the transaction remained. Therefore the transaction was recognized as the reorganization of CFS into Capital Financial Global, Inc. The accompanying consolidated financial statements reflect the historical financial statements of CFS restated to reflect the Series A preferred shares and the common shares issued to the CFS shareholder as outstanding for all periods presented.

Capital Financial Global, Inc. was not considered a business under current accounting guidance at the date of the transaction and therefore the 26,321,260 common shares that remain outstanding were considered to have been issued on May 24, 2010 in exchange for \$432,035 of net liabilities in excess of assets.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The following are accounting policies determined to be significant relating to the Company.

Accounting Basis – The consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”).

Principles of Consolidation – The consolidated financial statements include Capital Financial Global, Inc. and its wholly owned subsidiary, Capital Financial, LLC, a Utah limited liability company. All material inter-company transactions and balances have been eliminated.

Use of Estimates – 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 and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant estimates are made in relation to the fair value of certain financial instruments. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents consists principally of currency on hand, demand deposits at commercial banks, and liquid investment funds having a maturity of three months or less at the time of purchase.

Trading Securities – Trading securities are reflected in the consolidated statements of financial condition at fair value. Related gains or losses are generally recognized in the consolidated statements of operations.

Note Held For Sale – The note held for sale consists of a promissory note receivable, is stated at fair value and is evaluated on a quarterly basis. During the year ended December 31, 2012, an unrealized loss of \$61,597 was recorded by the Company.

Property and Equipment – Property and equipment is recorded at cost less accumulated depreciation and amortization. Depreciation and amortization is calculated using the straight-line method over the expected

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useful life of the asset, after the asset is placed in service. The Company generally uses the following depreciable and amortizable lives for its major classifications of property and equipment:

Description	Useful Lives
Office Equipment and Computers	5 years
Computer Software	5 years

Impairment of Long-Lived Assets – Long-lived assets, including property and equipment and mining properties, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the long-lived asset may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. If it is determined that an impairment loss has occurred, the loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value. The Company determined that there was no impairment of long-lived assets during the years ended December 31, 2012 and 2011.

Revenue and Cost Recognition – Loan related revenues and fees from originating, servicing, processing, and other loan services are recognized when the services related to the underlying transaction are completed under the terms of the arrangement. Expenses associated with such transactions are recognized when they are incurred.

Fair Value Measurements – The fair value of a financial instrument is the amount that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price). Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs.

Quantitative and Qualitative Disclosures about Market Risk – The potential for changes in the market value of our trading and investing positions is referred to as market risk. Such positions result from the Company's stated business activities. Substantially all of our investment positions are marked-to-market on a quarterly basis and changes are recorded in net revenues.

Categories of market risk include exposures to interest rate risks which primarily result from exposures to changes in the level, slope and curvature of the yield curve, the volatility of interest rates, mortgage prepayment speeds and credit spreads.

Stock-Based Compensation – The Company accounts for stock-based compensation under the provisions of FASB ASC 718, which requires the Company to measure the stock-based compensation costs of share-based compensation arrangements based on the grant date fair value and generally recognizes the costs in the financial statements over the employee's requisite service period. Stock-based compensation expense for all stock-based compensation awards granted was based on the grant date fair value estimated in accordance with the provisions of FASB ASC 718.

The Company measures compensation expense for its non-employee stock-based compensation under FASB ASC 505-10 and 50, *Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services*. The fair value of the common stock issued is used to measure the transaction, as this is more reliable than the fair value of the services received. The fair value is measured at the value of the Company's common stock on the date that the commitment for performance by the counterparty has been reached or the counterparty's performance is complete. The fair value of the equity instrument is charged directly to compensation expense and additional paid-in capital.

Advertising Expenses – The Company expenses advertising costs in the period in which they are incurred.

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Advertising expenses were \$16,313 and \$4,672 for the years ended December 31, 2012 and 2011, respectively, and were classified as marketing expense.

Loss Per Share – Basic loss per common share is computed by dividing net loss attributable to common stockholders by the weighted-average common shares outstanding for the period. Net loss attributable to common stockholders includes Series A preferred stock dividends deemed paid in the amount of \$373,212 and \$454,825 for the years ended December 31, 2012 and 2011, respectively, Series B preferred stock dividends paid in the amount of \$13,096 for the year ended December 31, 2011 and cumulative but undeclared and unpaid Series B preferred stock dividends in the amount of \$26,900 and \$11,507 for the years ended December 31, 2012 and 2011, respectively. The Series A and Series B preferred stocks are not participating securities and were excluded from the calculation of basic loss per share.

Diluted loss per common share is computed giving effect to all dilutive common share equivalents outstanding during the period. During the years ended December 31, 2012 and 2011, there were \$200,000 of convertible notes payable, 100 shares of Series A preferred stock, and 1,270,000 shares and 500,000 shares of Series B preferred stock, respectively, that were excluded from the computation of diluted loss per common share because their effects would have been anti-dilutive.

Income Taxes – The Company accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. The charge for taxation is based on the results for the year as adjusted for items, which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

The Company recognizes the financial statement benefit of a tax position only after determining that a position would more likely than not be sustained. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon settlement with the relevant tax authority. The Company has not recognized any interest or penalty from uncertain tax position.

The Company files income tax returns in the U.S. federal tax jurisdiction and various state tax jurisdictions. The tax years for 2010 to 2012 remain open for federal and/or state tax jurisdictions. The Company is currently not under examination by any tax jurisdictions for any tax years.

Recent Accounting Pronouncements – Management has considered all recent accounting pronouncements issued during the periods presented in the accompanying consolidated financial statements. The Company's management believes that these recent pronouncements will not have a material effect on the Company's consolidated financial statements.

NOTE 3 – BUSINESS CONDITION

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. During the years ended December 31, 2012 and 2011, the Company suffered losses of \$691,081 and \$631,601, respectively. During the year ended December 31, 2012, the Company used \$706,249 of cash in its operating activities. The Company has an accumulated deficit totaling \$4,359,485 as of December 31, 2012. These matters raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Management's plans concerning these matters are to obtain additional debt and equity financing and to expand lending to produce future revenues. There is no

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assurance that financing can be obtained on terms acceptable to the Company or that profitable operations will be obtained in the future.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments is determined as follows:

Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2 - Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3 - Inputs are unobservable inputs which reflect the reporting entity's own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

The Company's financial instruments include cash, notes and other receivables, accounts payable and notes payable. The carrying amounts of cash, notes and other receivables, and accounts payable approximate their fair value due to their short maturities.

The financial instrument assets and liabilities carried at fair value on a recurring basis at December 31, 2012 are as follows:

Description	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed maturity trading securities	\$ 509,273	\$ 509,273	\$ -	\$ -
Note held for sale	708,403	-	-	708,403
Derivative asset	-	-	-	-
Total	\$ 1,217,676	\$ 509,273	\$ -	\$ 708,403

The financial instrument assets and liabilities carried at fair value on a recurring basis at December 31, 2011 are as follows:

Description	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed maturity trading securities	708,719	708,719	-	-
Derivative asset	-	-	-	-
Total	\$ 708,719	\$ 708,719	\$ -	\$ -

NOTE 5 – INVESTMENT IN FIXED MATURITY TRADING SECURITIES

Investment in fixed maturity trading securities consisted of obligations of U.S. states, municipalities and political subdivisions, acquired for short-term appreciation and trading purposes. However, at acquisition the Company is not precluded from classifying as trading a security it plans to hold or may hold for a

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longer period. Trading securities are carried at fair value, with interest income and realized and unrealized gains and losses recorded in the statements of operations. Fair value measurement is based upon quoted prices in active markets. Investments in securities consisted entirely of fixed maturity securities from U.S. states, municipalities and political subdivisions at December 31, 2012 and 2011.

The portion of net trading gains for the years ended December 31, 2012 and 2011 that related to securities still held at December 31, 2012 and 2011 was \$18,290 and \$38,712, respectively. Although the remaining expected maturities will differ from contractual maturities because borrowers may have the right to prepay obligations before the underlying obligations mature, the fair value of the securities by contractual maturity dates at December 31, 2012 were as follows:

Due after five years through ten years	\$	50,156
Due after ten years		459,117
Fair value of fixed maturity trading securities		509,273

NOTE 6 – NOTE HELD FOR SALE

On October 9, 2012, the Company executed a secured promissory note with Benefits for Corporate America, Inc. (“Benefits”) for \$770,000. This Note bears interest at 6.00% per annum with a default interest rate of 18.00%. The Note is due on October 8, 2013. Security for the note consists of a security interest in certain general intangible assets, accounts receivable, inventory and equipment and fixtures and includes cash surrender values of life insurance policies valued at \$4,029,000. These policies are valued at the lower of cost or fair value which is the cash surrender value as of December 31, 2012. The security interest was granted by The BCA Deferred Compensation Trust (“Trust”) to the Company on October 9, 2012. Benefits and Trust are considered to be related parties with respect to each other. The note requires that monthly interest payments are made with the principal balance due in a lump sum on the due date. The Company is actively pursuing a sale of this note. The Company performed a fair value analysis of the note at December 31, 2012 that was based upon the estimated price the Company could receive from the sale of the note and estimated that a market participant would require and 18% return for this note. Accordingly, the fair value of the note was determined based upon an 18% discount rate. This analysis led the Company to record an unrealized loss of \$61,597.

NOTE 7 – PROPERTY AND EQUIPMENT

The Company’s property and equipment is comprised of the following as of December 31, 2012 and 2011:

	2012	2011
Office Equipment and Computers	\$ 15,238	\$ 17,310
Computer Software	12,510	-
Accumulated Depreciation and amortization	(11,809)	(4,712)
Property and Equipment, net	\$ 15,939	\$ 12,598

Depreciation expense for the years ended December 31, 2012 and 2011 was \$10,307 and \$1,158, respectively.

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NOTE 8 – DERIVATIVE ASSET

On August 13, 2010, the Company entered into a stock purchase agreement with National Gold, Inc. (“NGI”) as part of a secured financing arrangement wherein the Company exchanged 10,000,000 shares of its common stock for 100,000 shares of NGI’s Class B stock, which have a par value of \$1,000 per share and are redeemable after November 13, 2010 for one troy ounce of refined gold bullion per share. Based on guidance contained in APB-29 *Accounting for Nonmonetary Transactions* (ASC 845) and FAS-153 *Exchange of Nonmonetary Assets*, the NGI Class B stock was recorded using its book value as a derivative asset. There exists a certain level of counterparty risk in that NGI could default on its obligation to convert the shares.

In December of 2011, the Company attempted to convert 100 shares of its NGI Class B stock for 100 troy ounces of gold, as its rights provide, but National Gold was unable to make good on delivery. Accordingly, the Board of Directors of the Company evaluated whether or not National Gold will be able to deliver on future conversions, found the investment to be unconvertible and determined there was no value for this derivative asset at December 31, 2010. Management will continue to evaluate whether or not National Gold will be able to deliver on future conversions, and will further adjust the value as is necessary and appropriate based on its determined fair value. The asset is considered to be a level 3 fair value asset.

NOTE 9 – INVESTMENT IN MINING PROPERTY

On June 29, 2011, the Company executed an Asset Purchase and Sale Agreement that was consummated on December 22, 2011, wherein the Company acquired 100% interest in 85.5 acres of land containing 5 patented lode mining claims along with water rights and certain property and equipment and other assets composing the St. Louis Mine, in Clark County, Nevada. The purchase price consisted of \$20,000 cash, a secured note for \$250,000 and an unsecured note for \$730,000, both dated December 22, 2011, bearing interests at six (6%) percent and due and payable on December 31, 2014 (see Note 12). The Company determined that the acquisition value of the mining property discounting the notes payable at a 30% risk rate as of the date of acquisition, plus the cash consideration, was \$548,835. The mining property has not yet been put into operation since the date of acquisition. As of December 31, 2012 and 2011, the carrying value of the mining property was assessed for possible impairment and no impairment of the acquisition value of those assets was determined to be necessary.

NOTE 10 – CREDIT FACILITIES

The Company is holding the majority of its cash reserves in the form of cash, US treasury bonds, and investment grade municipal bonds. The Company employs leverage in its reserve strategy which uses these funds as collateral for a margin line of credit. The interest rate on the margin line of credit was 2.58% and 2.67% at December 31, 2012 and 2011, respectively. As of December 31, 2012 and 2011, there was an outstanding balance on this margin line in the amount of \$431,694 and \$610,566 respectively. This balance would need to be paid off in order to access the cash held in the account up to approximately 85% of the portfolio value. Any value above the 85% maintenance requirement is accessible to the Company at any time, without any restrictions. However, if the portfolio has a significant drop in value, it is possible that the Company will have a margin call.

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NOTE 11 – CONVERTIBLE NOTES PAYABLE

On October 28, 2011, the Company entered into a \$50,000 note payable (net of a \$5,000 discount which was fully amortized in 2011) which matured April 28, 2012. The note was convertible at 50% of the market value of the Company's common stock, which valued the note at \$100,000 with the additional \$50,000 expensed in full during the year ended December 31, 2011. The note provided for 12% interest per annum until maturity days after which the note would be in default and assume a rate of 24%. The note remained unpaid and in default as of December 31, 2012.

On November 1, 2011, the Company entered into an additional \$50,000 note payable (net of a \$5,000 discount which was fully amortized in 2011) which matured on April 20, 2012. The note was convertible at 50% of the market value of the Company's common stock, which valued the note at \$100,000 with the additional \$50,000 expensed in full during the year ended December 31, 2011. The note provided for 12% interest per annum until maturity after which, the note would be in default and assume a rate of 24%. The note remained unpaid and in default as of December 31, 2012.

Since the notes are convertible into a variable number of shares based on a fixed monetary value, the Company followed the guidance in FASB ASC 480-10-25-14, which requires the notes to be classified as a liability and reported at their full fair value, which is the fixed monetary value of the shares into which the notes are convertible. The excess of the amount recognized for the convertible notes payable over the proceeds received upon issuance was recognized as interest expense on the date of issuance.

NOTE 12 – LONG-TERM NOTES PAYABLE

During 2008 through 2010, the Company issued three notes payable to the former owners of the Company. The cumulative balance of the three notes payable was \$80,000 at December 31, 2011. During the year ended December 31, 2012, \$190,000 of common stock was issued as full settlement of these notes.

On December 22, 2011, the Company executed a secured note for \$250,000 and an unsecured note for \$730,000 both bearing interest at six (6%) percent and due and payable on December 31, 2014. The \$250,000 note is secured by the mining property acquired in connection with the acquisition of mining property as further described in Note 9. A discount rate of 30% representing approximate market risk value was used to recognize an initial discount of \$451,165. As of December 31, 2012 and 2011, the unamortized discount on both loans was \$349,993 and \$451,165, respectively.

NOTE 13 – PREFERRED STOCK

The Company has a total of 50,000,100 shares of preferred stock authorized, 100 shares of which have been designated as Series A preferred stock and 20,000,000 as Series B preferred stock. The remaining 30,000,000 shares of preferred stock have not yet been designated.

Series A Preferred Stock – The 100 shares of Series A preferred stock are convertible into 105% of the common shares outstanding immediately prior to conversion. The 100 shares of Series A preferred stock were initially issued to the current Chairman of the Board, CEO and President of the Company as part of the acquisition of the assets of Capital Financial Services, Inc. in May 2010 (see Note 1). Conversion of the 100 Series A preferred shares was initially contingent upon certain milestones being met. All milestones were met on May 24, 2011 and on that date the Series A preferred shares became unconditionally convertible into common shares of the Company. Subsequent to initial issuance, as additional shares of common stock have been issued, the holder of the Series A preferred shares has the

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right to obtain additional shares of common stock upon conversion as a result of the 105% conversion provision. The value of the right to obtain those additional shares of common stock has been recognized as additional value of the Series A preferred shares and consideration to the holder of the Series A preferred shares in the form of Series A preferred dividends. For the years ended December 31, 2011 and 2012, the Company recognized \$454,825 and \$373,212 of Series A preferred dividends, respectively, related to the right to convert the Series A preferred stock into additional shares of common stock as a result of issuances of additional shares of common stock in those years.

No dividends are payable with respect to the Series A preferred stock. Upon liquidation, the Series A preferred stock shall receive its par value in preference to the amounts paid to the common shareholders. The Series A preferred stock has no voting rights.

Series B Preferred Stock – The Company's Series B preferred stock include terms that provide for a 4% cumulative dividend, payable quarterly when, as and if declared by the Company's Board of Directors.

Upon liquidation, the Series B preferred stock shall receive the amount originally paid in for the stock plus accrued but unpaid dividends in preference to the Series A preferred stock and the common stock. The Series B preferred stock is convertible into common stock at the rate of two common shares for each Series B preferred share. The Series B preferred stock shall be automatically converted (a) on the date the common stock trades over-the-counter with a closing bid or sales price of \$0.50 per share for ten consecutive trading days, or (b) upon the approval of at least 70% of the holders of Series B preferred stock. The Series B preferred stock has no voting rights.

Of the 1,000,000 Series B Preferred shares outstanding at December 31, 2010, 500,000 were redeemed for cash at \$1.00 per share in February 2011 along with a payment of accumulated dividends of \$13,096.

In October 2012, the Company issued 770,000 shares of Series B Preferred Stock for \$770,000 in cash. As of December 31, 2012 and 2011, cumulative, undeclared and unpaid dividends on the Series B Preferred Stock total \$53,859 and \$26,959, respectively. These amounts have not been reflected in the accompanying balance sheets other than as reflected in determining net loss per common shareholder and related earnings per share with respect to cumulative dividends amounting to \$26,900 and \$11,507 for the years ended December 31, 2012 and 2011, respectively.

NOTE 14 – COMMON STOCK

Under the terms of the Series A preferred stock, no dividend can be declared on the Series A preferred stock or on the common stock as long as the Series A preferred stock is outstanding.

During the year ended December 31, 2011, the Company issued 1,500,000 shares of common stock for net cash proceeds of \$20,000. The Company also issued during the year ended December 31, 2011 5,850,000 shares of common stock valued at \$58,500 to non-employees in advance of services. The shares were valued based on fair value on the date of issuance of the shares. In addition, the Company issued 17,700,000 shares of common stock during the year ended December 31, 2011 in settlement of notes payable and accrued interest in the amount of \$147,036. The difference between the \$316,728 fair value of the common stock issued and the \$147,036 amount of the notes payable and related accrued interest resulted in a loss on extinguishment of debt of \$169,692.

During the year ended December 31, 2012 the Company issued 13,750,000 shares of common stock for net cash proceeds of \$25,000. The Company also issued 40,400,000 shares of common stock valued at

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\$110,440 to non-employees in advance of services. The shares of common stock were valued based on the fair value of the common shares on the date of issuance. In addition, the Company issued 25,000,000 shares of common stock to convert \$80,000 of notes payable for shares of common stock with a fair value at \$190,000 on the date of issuance. The difference between the fair market value of the common stock on the date of issuance and the \$80,000 amount of the notes payable converted resulted in a loss on extinguishment of debt of \$110,000.

NOTE 15 – INCOME TAXES

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Deferred tax assets and liabilities consist of the following components as of December 31, 2012 and 2011:

	2012	2011
Deferred tax assets:		
Net operating loss carryover	\$ 2,335,800	\$ 2,223,100
Contribution carry-forward	400	-
Related party accruals	80,200	52,200
Debt discount on convertible debt	39,000	-
Deferred tax liabilities:		
Accumulated unrealized gain on investment	(8,300)	(900)
Depreciation	(1,200)	(4,100)
Valuation allowance	(2,445,900)	(2,270,300)
Net deferred tax asset	\$ -	\$ -

The income tax provision differs from the amount of income tax determined by applying the U.S. federal income tax rate to net loss for the years ended December 31, 2012 and 2011 due to the following:

	2012	2011
Tax benefit at statutory rate	\$ (245,500)	\$ (246,300)
State income tax	(100)	-
Depreciation	(900)	(3,300)
Change in related party accruals	28,000	27,000
Unrealized gain on investment	(7,300)	(24,400)
Tax-exempt interest income	(12,300)	(15,700)
Stock for services	43,100	22,800
Loss on extinguishment of debt	42,900	66,200
Accretion of debt discounts	39,000	-
Change in valuation allowance	113,100	173,700
Total income tax (provision) benefit	\$ -	\$ -

At December 31, 2012, the Company had net operating loss carry-forwards of approximately \$5,999,000 that may be offset against future taxable income from the year 2013 through 2032. No tax benefit has

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been reported in the December 31, 2012 consolidated financial statements since the potential tax benefit is offset by a valuation allowance of the same amount.

Due to change in ownership provisions of the Tax Reform Act of 1986, net operating loss carry-forwards for Federal income tax reporting purposes are subject to annual limitations. Should a change in ownership occur, net operating loss carry-forwards may be limited as to use in future years.

NOTE 16 – COMMITMENTS AND CONTINGENCIES

The Company is currently leasing office space on a month-to-month basis. The total lease expense for the facilities was approximately \$825 per month.