



StarMountain

QUARTERLY FINANCIAL STATEMENTS WITH
COMPANY INFORMATION AND DISCLOSURE STATEMENT

March 31, 2017

STAR MOUNTAIN RESOURCES, INC.

Star Mountain Resources, Inc.
Quarterly Financial Statements With
Company Information and Disclosure Statement
March 31, 2017

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
Class A Common Stock
Class B 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
Class A Common Stock, par value \$0.001
Class B 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: March 31, 2017
Total shares outstanding: 5,000 as of: March 31, 2017

STAR MOUNTAIN RESOURCES, INC. SERIES C PREFERRED STOCK

Total shares authorized: 5,000,000 as of: March 31, 2017
Total shares outstanding: 3,130,000 as of: March 31, 2017

STAR MOUNTAIN RESOURCES, INC. COMMON STOCK

Total shares authorized: 400,000,000 as of: March 31, 2017
Total shares outstanding: 38,230,384 as of: March 31, 2017

STAR MOUNTAIN RESOURCES, INC. CLASS A COMMON STOCK

Total shares authorized: 10,000,000 as of: March 31, 2017
Total shares outstanding: 0 as of: March 31, 2017

STAR MOUNTAIN RESOURCES, INC. CLASS B COMMON STOCK

Total shares authorized: 40,000,000 as of: March 31, 2017
Total shares outstanding: 0 as of: March 31, 2017

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**

The following is a description of events that resulted in changes in total shares outstanding by the Company in the past two fiscal years and any interim period:

Overview

	<u>Three Months Ended</u>	
	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Number of Shares Authorized		
Preferred Stock		
Class B	100,000	100,000
Class C	5,000,000	5,000,000
Common Stock	400,000,000	400,000,000
Number of Shares Outstanding		
Preferred Stock		
Class B	5,000	500
Class C	3,130,000	3,130,000
Common Stock	38,230,384	38,301,229
Free Trading Shares		
Preferred Stock		
Class B	0	0
Class C	0	0
Common Stock	9,154,042	8,862,189
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	92

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 (Series B Preferred)	5,000	\$ 1.10	Unregistered	Yes
October 31, 2015	Private Placement (Series C Preferred)	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				

The shares of Preferred Stock and Common Stock referenced above were issued in reliance upon the exemption from securities registration afforded by the provisions of Sections 4(a)(2) of the Securities Act of 1933, as amended, (“Securities Act”).

5) Financial Statements

The Condensed Consolidated Financial Statements for the three months ended March 31, 2017 and 2016 are included in this Quarterly Report on pages F-1 through F-22, and are incorporated herein by reference.

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

A. Description of the issuer’s business operations.

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.

Since the Company's acquisition of the Balmat Assets (defined below) 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 its convertible and 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 filed a Form 15 with the Securities and Exchange Commission (the "SEC") on November 10, 2016 to voluntarily deregister its common stock under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

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.

History of the Balmat Assets

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 Company received a sale price of the Balmat Shares of approximately \$39,775,120 in cash, assumption of debt and the 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.

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

certain preemptive rights to participate in certain future financing transactions entered into by Titan and limited piggy-back registration rights.

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.

B. Date and State (or Jurisdiction) of Incorporation: Nevada September 2, 2009

C. The Company's primary and secondary SIC Codes: - 1000 – Metal Mining

D. The Company's fiscal year end date: December 31.

E. Principal products or services, and their markets: See Item 6(A) above.

7) Describe the Issuer's Facilities

As of January 2017, the Company's headquarters are located at 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 which is recorded as imputed rent.

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, Chief Executive Officer and
Mark Osterberg	60	President and Chief Operating Officer
Donna S Moore	71	Interim Chief Financial 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 Mapttek's Vulcan modeling software.

Donna Moore. Ms. Moore has serviced as the Company's Interim Chief Financial Officer since May 1, 2017 replacing Mr. Marchal. Ms. Moore has previously served as our Interim Chief Financial Officer and Secretary/Treasurer from May 2014 until November 20, 2015 when we completed the acquisition of Northern Zinc, LLC and Balmat Holding Corporation. Since October 2010 to present, she is also serving as Chief Financial Officer for Summit Capital USA, Inc. in Tempe, AZ. Between 2008 and 2010, Ms. Moore served as part-time Controller for Skye International, Inc., a tankless water heater company. Prior to Skye International, Ms. Moore was the Controller/Secretary Treasurer for Monarch Brass & Copper Corp. from 1984 through 2007. Ms. Moore is a business financial professional with over 33 years of hands-on business experience. Ms. Moore has held positions as chief financial officer, controller, and secretary/treasurer of both public and private corporations. Her experience includes general accounting, financial reporting, systems implementation and management, treasury functions, and cost accounting. Ms. Moore specializes in executing uniform financial controls so as to improve productivity, reduce costs, and maximize profitability. Ms. Moore holds a Bachelor of Science degree in Business Management, and an MBA in finance and accounting from Brigham Young University.

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%
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(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 and Donna Moore certify that:

1. We have reviewed this quarterly disclosure statement for the period ended March 31, 2017 of Star Mountain Resources, Inc.;
2. Based on our 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 our 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.

May 10, 2017

/s/ Joseph Marchal

Joseph Marchal
Chief Executive Officer

/s/ Donna Moore

Donna Moore
Interim Chief Financial Officer

STAR MOUNTAIN RESOURCES, INC. AND SUBSIDIARIES
INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Quarter Ended March 31, 2017
(unaudited)

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STAR MOUNTAIN RESOURCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2017	December 31, 2016
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 529,428	\$ 427
Prepaid and other	43,750	62,500
Note receivable - Titan Mining	1,500,000	3,050,000
Investment in Titan Mining	250,000	250,000
Deposits	-	1,048
	2,323,178	3,363,975
Land	-	21,120
Property & equipment, net	-	45,505
Surety Bond	24,325	24,325
	2,347,503	3,454,925
TOTAL ASSETS	\$ 2,347,503	\$ 3,454,925
<u>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 643,467	\$ 1,637,660
Accounts payable and accrued liabilities- related party	152,459	143,356
Notes payable - net of unamortized debt issuance costs	650,000	650,000
Notes payable - related parties	-	10,500
Convertible notes payable- related parties, net of discounts	875,000	875,000
Stipulated agreement liability - related party	79,272	79,272
	2,400,199	3,395,788
Total current liabilities	2,400,199	3,395,788
Total Liabilities	2,400,199	3,395,788
Commitments and Contingencie (Note 12)		
STOCKHOLDERS' EQUITY (DEFICIT)		
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 400,000,000 shares, \$.001 par value 38,230,384 and 38,230,384 issued and outstanding, respectively	38,230	38,230
Additional paid in capital	18,612,943	18,612,943
Accumulated deficit	(18,707,004)	(18,595,171)
	(52,696)	59,137
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 2,347,502	\$ 3,454,925

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

STAR MOUNTAIN RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	For Three Months Ended	
	March 31, 2017	March 31, 2016
REVENUE	\$ -	\$ -
OPERATING EXPENSES		
Compensation	72,843	120,000
Exploration and development costs	100	48,850
Depreciation and amortization	770	1,571
General and administrative	37,768	568,049
General and administrative - related party	10,000	-
Total operating expenses	<u>121,481</u>	<u>738,470</u>
Operating loss	(121,481)	(738,470)
OTHER INCOME (EXPENSES)		
Interest income	-	35
Gain on extinguishment of debt	53,996	-
Interest expense - related party	(21,575)	-
Interest expense	(16,916)	(76,907)
Loss on sale of assets	(5,855)	-
Total other income (expense)	<u>9,649</u>	<u>(76,872)</u>
Income tax provision	<u>-</u>	<u>-</u>
Loss from continuing operations	(111,832)	(815,342)
Loss from discontinued operations	<u>-</u>	<u>(1,959,378)</u>
	<u>-</u>	<u>(1,959,378)</u>
NET LOSS	<u>\$ (111,832)</u>	<u>\$ (2,774,720)</u>
Basic loss per share for continuing operations	<u>\$ 0.01</u>	<u>\$ (0.02)</u>
Basic loss per share discontinued operations	<u>\$ --</u>	<u>\$ (0.05)</u>
Basic loss per share net loss	<u>\$ 0.01</u>	<u>\$ (0.07)</u>
Weighted average number of common shares outstanding	<u>38,230,384</u>	<u>38,180,673</u>

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

STAR MOUNTAIN RESOURCES, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(unaudited)

	For Three Months Ended	
	March 31, 2017	March 31, 2016
Cash flows from operating activities		
Net loss	\$ (111,832)	\$ (2,774,320)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	770	382,261
Gain on extinguishment of debt	(53,996)	-
Loss on sale of assets	6,553	-
Shares and warrants issued for services	-	79,000
Contributed capital	-	500
Unrealized loss - purchase price obligation - Balmat acquisition	-	930,744
Amortization of debt discount	-	31,599
Changes in operating assets and liabilities		
Prepaid expense	19,798	66,390
Accounts payable and accrued liabilities	(929,019)	249,587
Accounts payable - related party	(36,472)	(4,655)
Accrued interest	12,822	20,787
Accrued interest - related party	21,575	21,816
Accrued compensation	-	30,000
Net cash used in operating activities	<u>(1,069,801)</u>	<u>(966,291)</u>
Cash flows from investing activities		
Disposition of operation	1,550,000	-
Sale (Purchase) of equipment/ property	59,302	(7,367)
Net cash used in investing activities	<u>1,609,302</u>	<u>(7,367)</u>
Cash flows from financing activities		
Proceeds from issuance of notes payable	-	490,172
Payments on notes payable	(10,500)	(438,541)
Net cash provided by financing activities	<u>(10,500)</u>	<u>51,631</u>
Net increase in cash	<u>529,001</u>	<u>(922,027)</u>
Cash, beginning of period	<u>427</u>	<u>1,200,626</u>
Cash, end of period	<u>\$ 529,428</u>	<u>\$ 278,599</u>
Supplemental Information:		
Cash paid for:		
Taxes	-	-
Interest Expense	-	-
Non-cash investing and financing activities		
Stock issued for future services	-	<u>208,500</u>

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

NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS

Star Mountain Resources, Inc. and subsidiaries (the “Company”, “we”, “us”, “our”) 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. Following the sale of the Balmat Assets (as defined below), the Company’s operations have been limited to exploration of the feasibility of pursuing other mining projects, in light of its available working capital.

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. 4 for further details. See Note 4 - Sale of Balmat Operations (Discontinued Operation).

NOTE 2 – GOING CONCERN

The unaudited 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 period ended March 31, 2017, the Company had total losses of \$18,707,004. The Company’s had total current assets of \$2,323,178 and total current liabilities of \$2,400,199, resulting in a negative working capital balance of \$77,021 as of March 31, 2017. 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 the proceeds from the Promissory Note it received upon the sale of the Balmat Assets as discussed in Note 4 below and to the extent such funds are insufficient from 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 Presentation

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.

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.

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.

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.

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, amounts presented for the three months ended March 31, 2017 and 2016 have been reclassified to conform to the current presentation. The following table provides the amounts reclassified for those periods.

	Three Months Ended	
	March 31, 2017	March 31, 2016
Amounts reclassified:		
Revenue	\$ -	\$ -
Operating expenses		
Wages	-	152,732
Mine maintenance	-	464,904
General and administrative	-	50,787
Depreciation	-	360,690
Other income (expense)	-	(930,265)
Total amount reclassified as discontinued operations	-	1,959,378

NOTE 6 – PREPAID EXPENSES AND OTHER

At the period ended March 31, 2017, the Company had prepaid expenses totaling \$43,750 that represents insurance premiums being amortized over term of the policy.

NOTE 7– PROPERTY, PLANT AND EQUIPMENT

During the three months ended March 31, 2017, the Company sold land, buildings and equipment not associated with the discontinued operations for \$59,301. The Company recorded a loss on the sale of \$5,855.

Depreciation expense for the three months ended March 31, 2016 and 2015 was \$770 and \$1,573, respectively.

NOTE 8– RELATED PARTY TRANSACTIONS

As of the period ended March 31, 2017, the Company owed Mr. Marchal and Mr. Brogan \$275,000 and \$600,000, respectively, for convertible notes dated November 10, 2015. The Company had recorded accrued interest of \$21,575 and \$21,815 for the three months ended March 31, 2017 and 2016, respectively.

NOTE 9 –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 period ended March 31, 2017, the Company owed \$600,000 on the promissory note issued to Aviano on November 2, 2015 bearing interest at 8% per annum. During the three months ended March 31, 2017 and 2016, the Company recorded accrued interest of \$13,172 and \$11,836, respectively.

At the period ended March 31, 2017, the Company owed \$50,000 on the promissory note issued to F&F on November 2, 2015 bearing interest at 8% per annum for payment of legal fees. During the three months ended March 31, 2017 and 2016, the Company recorded accrued interest of \$986 and \$7,614, respectively.

NOTE 10 – 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 to 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.

Aviano Financial Group, LLC Litigation

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 & Faight, 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. On May 2, 2017 and in response to the Aviano Complaint, the Company filed an Answer to First Amended Complaint, Counterclaims and Third-Party Complaint With Jury Demand. The answer and counterclaim sets forth, among other things, the Company’s basis for excusing payment of the amounts sought by Aviano based on fraudulent inducement, breach of contract and violations of the Colorado Securities Act by Aviano and its principal managers, Bernard Guarnera and David Linsley. Furthermore, the third-party complaint seeks damages against Messrs. Guarnera and Mr. Linsley for fraudulent misrepresentation and concealment, breach of contract by Messrs. Linsley and Lanesborough, and against Messrs. Guarnera and Mr. Linsley for violations of the Colorado Securities Act all in relation to the events leading up to the Company’s entry into the Purchase Agreement and events which occurred after that date.

As of the period ended March 31, 2017, 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 has denied and is vigorously defending itself against and has asserted defenses and made counterclaims against Aviano, Messrs. Guarnera and Linsley and Lanesborough. The Company cannot predict, however, the ultimate outcome of the Aviano lawsuit and the Company’s claim. Consequently, in the event that the court ultimately awards Aviano the full amount it seeks, it will have an adverse effect on the Company’s 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 11 – STOCKHOLDERS' EQUITY

Common Stock

During the three months ended March 31, 2017, the Company did not issue any shares of common stock. The number of shares of common stock outstanding at the period ended March 31, 2017 is 38,230,384 shares.

Series B Preferred Stock

During the three months ended March 31, 2017, the Company did not issue any shares of Series B Preferred Stock. The number of Series B Preferred Stock outstanding at the period ended March 31, 2017 is 5,000 shares.

Series C Preferred Stock

During the three months ended March 31, 2017, the Company did not issue any shares of Series C Preferred Stock. The number of Series B Preferred Stock outstanding at the period ended March 31, 2017 is 3,130,000 shares.

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.

At the period ended March 31, 2017, there was no unrecognized compensation cost related to unvested stock options, as all outstanding options were fully vested. No options were exercised during the three months ended March 31, 2017.

The following is a summary of the status of the Company's stock options as of the three months ended March 31, 2017 and 2016 and changes through the periods ended on those dates:

	For Three Months Ended March 31			
	2017		2016	
	Number of Stock Options	Weighted Average Exercise Price	Number of Stock Options	Weighted Average Exercise Price
Outstanding, beginning of period	250,000	\$ 0.50	250,000	\$ 0.50
Granted	-	-	-	-
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 period ended March 31, 2017.

The following table summarizes our warrant activity for the three months ended March 31, 2017 and 2016:

	For the Three Months Ended			
	March 31, 2017		March 31, 2016	
	Number of Warrants	Weighted- Average Exercise Price	Number of Warrants	Weighted- Average Exercise Price
Outstanding, beginning of period	9,197,500	\$ 1.13	9,197,500	\$ 1.13
Granted	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding, end of period	<u>9,197,500</u>	<u>\$ 1.13</u>	<u>9,197,500</u>	<u>\$ 1.13</u>