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Financial Statements

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US NATURAL GAS CORP
(Formerly Adventure Energy, Inc.)
(A Development Stage Enterprise)
CONSOLIDATED BALANCE SHEETS

	December 31, 2011	December 31, 2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 106	$ 1
Accounts receivable:		
Joint interest billing	128,949	227,036
Other	70,772	17,432
Marketable equity securities	-	6,793
Prepaid expenses	4,468	33,008
Notes receivable, current	15,660	115,474
Notes receivable, stockholder	353,016	110,597
Total current assets	572,971	510,341
PROPERTY AND EQUIPMENT		
Oil and gas properties and equipment, net	4,611,885	4,557,661
OTHER ASSETS		
Notes receivable, net of current portion	555,654	557,726
Debenture escrow	-	99,190
Miscellaneous	91,270	150,910
TOTAL ASSETS	$ 5.831.730	$ 5.875.828
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,121,239	$ 1,030,505
Accounts payable, revenue distribution	5,685	7,924
Notes payable, current	1,249,500	1,224,870
Loans payable, other	2,456	5,986
Convertible debentures payable	255,500	280,000
Total current liabilities	2,634,380	2,549,285
LONG-TERM LIABILITIES		
Notes payable, net of current portion	250,000	550,000
STOCKHOLDERS' EQUITY		
Preferred stock:		
Series A	1,000	1,000
Series B	300	300
Series C	829	-
Common stock	455,080	148,947
Additional paid in capital	5,927,866	5,356,187
Deficit accumulated during the development stage	(3,431,915)	(2,729,891)
Treasury stock, at cost	(5,810)	-
Total stockholders' equity	2,947,350	2,776,543
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 5,831,730	$ 5,875,828

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

US NATURAL GAS CORP
(Formerly Adventure Energy, Inc.)
(A Development Stage Enterprise)
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2011 and 2010 and from Inception (March 28, 2008) through December 31, 2011

	2011	2010	Inception through December 31, 2011
Revenue earned			
Oil and gas production sales	$ 5,100	$ 25,291	$ 101,091
Net gain on sale of oil and gas properties and equipment	63,483	155,598	552,264
Well management Fees	48,823	14,070	79,190
Other	35,419	6,070	55,209
Total revenue earned	198,725	201,029	787,754
Cost of oil and gas operations	95,185	121,174	286,332
Gross profit (loss)	103,540	79,855	501,422
Operating Expenses			
Selling, general and administrative	724,011	485,548	1,726,225
Stock issued for legal services	-	170,547	699,031
Stock issued for consulting and other services	137,632	94,000	1,722,883
Depreciation, depletion and amortization	284,845	79,527	$ 450,763
Total operating expenses	1,146,488	829,622	4,598,902
Loss from operations	(1,042,948)	(749,767)	(4,097,480)
Other Income (expenses)			
Net gain from sale of marketable equity securities and investments	235,932	295,212	463,932
Forgiveness of debt	352	-	376,220
Interest income	35,732	50	50,137
Refund of payroll taxes	124,285	-	124,285
Interest expense	(55,377)	(19,120)	(349,009)
Loss before provision for income taxes	(702,024)	(473,625)	(3,431,915)
Provision for income taxes	-	-	-
Net loss	$ (702,024)	$ (473,625)	$ (3,431,915)
Basic loss per common share	$ (0.00)	$ (0.01)	
Diluted loss per common share	$ (0.00)	$ (0.01)	
Weighted average common shares outstanding - basic	269,617,276	53,505,552	
Weighted average common shares outstanding - diluted (see Note A)	-	-	

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

US NATURAL GAS CORP
(Formerly Adventure Energy)
(A Development Stage Enterprise)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
From Inception (March 28, 2008) through December 31, 2011

	Preferred stock		Common Stock		Additional Paid in	Accumulated During	Treasury stock		
	Shares	Amount	Shares	Amount	Capital	Development	Shares	Amount	Total
Issuance of common stock for cash on March 28, 2008 at $.001 per share		$ -	10,000,000	$ 10,000	$ -	$ -		$ -	$ 10,000
Issuance of common stock for consulting and other services at $.25 to $.35 per share			854,236	854	290,445				291,299
Issuance of common stock for legal services valued at $.35 per share			1,250,000	1,250	436,250				437,500
Issuance of common stock and warrants for cash at $.25 to $.35 per share			135,715	136	43,364				43,500
Net loss for the period March 28, 2008 to December 31, 2008						(749,550)			(749,550)
Balance at December 31, 2008, Restated-Note S	-	-	12,239,951	12,240	770,059	(749,550)	-	-	32,749
Issuance of Series A and B shares at par value	1,300,000	1,300			299,700				301,000
Issuance of common stock for consulting and other services at $.07 thru $.66 per share			9,565,959	9,566	1,428,209				1,437,775
Issuance of common stock for legal services at $.11 and $.35 per share			380,000	380	125,471				125,851
Net loss for the year ended December 31, 2009						(1,638,715)			(1,638,715)

US NATURAL GAS CORP
(Formerly Adventure Energy)
(A Development Stage Enterprise)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (continued)
From Inception (March 28, 2008) through December 31, 2011

l statements.

	Preferred stock		Common Stock		Additional Paid in	Deficit Accumulated During	Treasury stock		
	Shares	Amount	Shares	Amount	Capital	Development	Shares	Amount	Total
Balances at December 31, 2009	1,300,000	1,300	22,185,910	22,186	2,623,439	(2,388,265)	-	-	258,660
Issuance of common stock for consulting and other services at $.01 thru $.09 per share			5,450,000	5,450	150,100				155,550
Issuance of common stock for cash at $.01 thru $.25 per share			7,882,096	7,882	148,274				156,156
Issuance of common stock for debt reduction at $.01 thru $.10 per share			63,234,114	63,234	661,610				724,844
Issuance of common stock and warrants for acquisition of Wilon Resources, Inc. at $.035 per share			48,207,973	48,208	1,639,071				1,687,279
Issuance of common stock for legal services at $.05 thru $.10 per share			1,987,285	1,987	133,693				135,680
Net loss for the year ended December 31, 2010						(341,626)			(341,626)
Balances at December 31, 2010	1,300,000	1,300	148,947,378	148,947	5,356,187	(2,729,891)	-	-	2,776,543
Issuance of Series C shares in exchange for cancel of common stock	787,740	788	(31,509,597)	(31,509)	30,721				-
Issuance of Series C shares for director's salaries at $.244 per share	40,909	41			9,959				10,000
Cancel common stock held in escrow upon satisfaction of debenture			(1,209,628)	(1,210)	(97,980)				(99,190)

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

US NATURAL GAS CORP
(Formerly Adventure Energy)
(A Development Stage Enterprise)
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (continued)
From Inception (March 28, 2008) through December 31, 2011

	Preferred stock		Common Stock		Additional Paid in	Deficit Accumulated During	Treasury Stock		
	Shares	Amount	Shares	Amount	Capital	Development	Shares	Amount	Total
Issuance of common stock for consulting and other services at $.002 thru $.012 per share			30,371,788	30,372	98,190				128,562
Issuance of common stock for cash at $.008 thru $.015 per share			3,631,313	3,631	36,369				40,000
Issuance of common stock for debt reduction at $.0001 thru $.01 per share			304,848,939	304,849	494,420				799,269
Purchase of common stock at $.001 thru $.017 per share							632,866	(5,810)	(5,810)
Net loss for the year ended December 31, 2011						(702-024)			-702024)
Balances at December 31, 2011	2,128,649	$ 2,129	455,080,193	$ 455,080	$ 5,927,866	$ (3,431,915)	632,866	$ (5,810)	$ 2,947,350

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

US NATURAL GAS CORP
(Formerly Adventure Energy, Inc.)
(A Development Stage Enterprise)
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010 and from Inception (March 28, 2008) through December 31, 2011

	2011	2010	Inception through December 31, 2011
OPERATING ACTIVITIES:			
Net loss	$ (702,024)	$ (473,625)	$ (3,431,915)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation, depletion and amortization	284,845	79,527	450,763
Bad debt expenses	6,856	-	6,856
Forgiveness of debt	(352)	-	(376,220)
Gain from sale of marketable equity securities and investments, net	(235,932)	(295,212)	(463,932)
Gain from sale of oil and gas properties and equipment, net	(63,483)	(155,598)	(552,264)
Loss from abandonment of oil and gas properties	22,637	-	22,637
Issuance of stock for consulting and other services	137,632	316,929	2,292,330
Changes in operating assets and liabilities:			
Accounts receivable, joint interest billing	(68,769)	(8,716)	(109,430)
Accounts receivable, other	(8,341)	75,139	330,382
Materials and supplies	-	15,000	-
Prepaid expenses	28,540	14,764	34,319
Other assets	(3,947)	(81,050)	(86,721)
Accounts payable and accrued expenses	198,018	(15,699)	980,355
Accounts payable, revenue distribution	(2,239)	8,531	5,685
Net cash flows from operating activities	(406,559)	(520,010)	(1,197,155)
INVESTING ACTIVITIES:			
Purchase of investments	-	(26,500)	(296,240)
Proceeds from sale of investments	-	48,730	60,230
Purchases of marketable equity securities	(31,045)	(2,333,761)	(2,359,898)
Proceeds from sale of marketable equity securities	273,772	2,666,378	2,970,101
Collections on notes receivable	101,886	98,755	203,641
Collections on notes receivable, stockholders	14,069	-	14,069
Lending on notes receivable, stockholder	(40,788)	-	(151,385)
Purchase of oil and gas properties and equipment	(332,161)	(367,863)	(1,036,087)
Proceeds from sale of oil and gas properties and equipment	42,800	158,600	497,350
Net cash flows from investing activities	28,533	244,339	(98,219)
FINANCING ACTIVITIES:			
Issuance of common stock and warrants for cash	40,000	94,306	267,156
Purchase of treasury stock	(5,810)	-	(5,810)
Borrowings from notes payable	32,500	-	174,568
Payments on notes payable	(6,000)	(20,000)	(36,000)
Borrowings from loans payable - stockholders, net	-	13,323	119,506
Borrowings from loans payable - other, net	2,441	21,015	61,670
Borrowing from related entity, net	-	(44,201)	94,390
Borrowings from convertible debentures	315,000	190,000	620,000
Net cash flows from financing activities	378,131	254,443	1,295,480
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	105	(21,288)	106
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1	26,488	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 106	$ 5,260	$ 106

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

US NATURAL GAS CORP
(Formerly Adventure Energy, Inc.)
(A Development Stage Enterprise)
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010 and from Inception (March 28, 2008) through December 31, 2011

	2011	2010	Inception through December 31, 2011
Supplemental Disclosures of Cash Flow Information:			
Taxes paid	$ -	$ -	$ -
Interest paid	$ 160	$ -	$ 160
Issuance of common stock for reduction of convertible debenture	$ 339,500	$ 25,000	$ 364,500
Issuance of common stock in A/R other	$ 45,000	$ 1,000	$ 45,000
Issuance of common stock for purchase of oil and gas properties and equipment	$ 930	$ -	$ 6,515
Issuance of common stock for acquisition of SLMI Options, LLC	$ -	$ -	$ 99,600
Issuance of preferred stock for acquisition of SLMI Options, LLC	$ -	$ -	$ 1,300
Retirement of common stock for funding of debenture escrow	$ (99,190)	$ -	$ -
Issuance of common stock for funding of prepaid expenses	$ -	$ -	$ 39,000
Issuance of common stock for funding of other assets	$ -	$ -	$ 169,683
Issuance of common stock for reduction of accounts payable and accrued expenses	$ 106,928	$ -	$ 197,028
Issuance of common stock for reduction of loans payable, shareholder	$ -	$ 25,000	$ 88,370
Issuance of common stock for reduction of loans payable, other	$ -	$ 31,300	$ 31,300
Issuance of common stock for reduction of notes payable	$ 307,840	$ 270,699	$ 797,914
Issuance of common stock for acquisition of Wilon Resources, Inc.	$ -	$ 1,687,279	$ 1,687,279
Company financed sale of oil and gas properties with a note receivable	$ -	$ -	$ 300,000
Note receivable for Series B convertible preferred stock	$ -	$ -	$ 300,000
Company financed sale of oil and gas properties with notes receivable, stockholder	$ 215,700	$ -	$ 215,700
Acquisition of oil and gas properties from default on joint interest billing receivables	$ 160,000	$ -	$ 160,000

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

US NATURAL GAS CORP
(Formerly Adventure Energy, Inc.)
(A Development Stage Enterprise)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
From Inception (March 28, 2008) through December 31, 2011 (Unaudited)

NOTE A – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

US Natural Gas Corp (the "Company") (formerly "Adventure Energy, Inc.") was incorporated in the state of Florida on March 28, 2008. The Company is an independent oil and natural gas operator engaged in exploration, development and production activities in the Appalachian Basin, particularly in Kentucky and West Virginia. The Company's business strategy focuses primarily on the drilling and acquisition of proven developed and undeveloped properties and on the enhancement and development of those properties.

On July 20, 2009, the Company formed E 2 Investments, LLC ("E 2") to actively make equity investments in private and publically owned companies and to acquire energy related holdings.

On August 25, 2009, the Company formed Wilon Resources, Inc. in the state of Tennessee. On February 9, 2010, Wilon Resources, Inc. ("Wilon") merged with and into Wilon Resources of Tennessee, Inc. ("WRT"), a publically owned Tennessee Corporation. All of the stock of Wilon owned by the Company was acquired by WRT for consideration equal to 1,000 shares of WRT for every one share of Wilon held by the Company. Subsequent to the merger, Wilon approved the use of the name Wilon Resources, Inc. by WRT.

On September 4, 2009, the Company entered into a lender acquisition agreement with SLMI Holdings, LLC, a Nevada Limited Liability Company. Through this agreement, the Company acquired SLMI Options, LLC. The sole purpose of this acquisition of SLMI Options, LLC is to hold three commercial notes issued by Wilon Resources, Inc., (formerly "Wilon Resources of Tennessee, Inc.') in the years 2005 through 2007.

On February 1, 2010, the Company formed US Natural Gas Corp in the state of Florida. Subsequently, on March 22, 2010 the Company changed the name to US Natural Gas Corp KY. With this name change, all assets held in the state of Kentucky were transferred from US Natural Gas Corp to US Natural Gas Corp KY.

On February 2, 2010, the Company formed E 3 Petroleum Corp ("E 3") in the state of Florida. E 3 acts as the operator and bonding entity for the Company's wells in the states of Kentucky and West Virginia.

On March 19, 2010, the shareholders of Adventure Energy, Inc. (now US Natural Gas Corp) approved an amendment to its Articles of Incorporation changing the name of the Company to US Natural Gas Corp, and an amendment deleting Article 8 thereof to eliminate reference to a non-existent Shareholders' Restrictive Agreement. Wilon simultaneously completed a name change to US Natural Gas Corp WV. On April 13, 2010, the Company received approval from FINRA recognizing the name change and approving a corresponding change of the Company's trading symbol from "ADVE" to "UNGS".

On March 19, 2010, the Company's shareholders approved with 16,611,138 votes "for" and zero votes "against" to an exchange of shares between the Company and Wilon Resources, Inc. ("Wilon"), whereby the Company acquired all of the outstanding shares of Wilon. For each share of common stock of Wilon exchanged, the Company issued one share of the Company's common stock plus one warrant to purchase one additional share of common stock of the Company at an exercise price of $.25 (25 cents) per share to be exercisable for a period of 5 years from the date of issue. Wilon's shareholders approved the share exchange with 27,843,109 votes "for" and zero votes "against".

On June 3, 2010, the Financial Industry Regulatory Authority (FINRA) made the final approval of the share exchange. The Company accounted for the acquisition of Wilon using the purchase method on June 3, 2010.

On January 11, 2011, the Board of Directors of B.T.U. Pipeline, Inc. ("BTU"), a wholly owned subsidiary of the Company, elected to dissolve the corporation. BTU was organized under the state of Tennessee and was acquired in the Wilon Resources, Inc. acquisition in 2010. BTU's sole purpose of existence was to serve as the bonding company and operator of the Company's West Virginia natural gas wells. Any remaining assets of BTU were assigned to US Natural Gas Corp WV on January 11, 2011 and appropriate documentation filed with the County Clerk of Wayne County, West Virginia. The Articles of Dissolution and Articles of Termination were filed with the State of Tennessee Department of State on March 4, 2011 after the Company's Certificate of Tax Clearance was received from the Tennessee Department of Revenue. The corporation was effectively terminated and dissolved on March 15, 2011 with the Tennessee Secretary of State.

NOTE A – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Principles of Consolidation

The consolidated financial statements include the accounts of US Natural Gas Corp, and all of its wholly owned subsidiaries, US Natural Gas Corp WV, US Natural Gas Corp KY, SLMI Options, LLC, E2 Investments, LLC, E3 Petroleum Corp and B.T.U. Pipeline, Inc. All intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Company considers all liquid debt securities with an original maturity of 90 days or less that are readily convertible into cash to be cash equivalents.

Marketable Equity Securities

Marketable equity securities are stated at lower of cost or market value with unrealized gains and losses included in operations. The Company has classified its marketable equity securities as trading securities.

Recently Enacted Accounting Standards

In July 2010, the "Dodd-Frank Wall Street Reform and Consumer Protection Act" ("Wall Street Reform Act") was signed into law. The Wall Street Reform Act permanently exempts small public companies with less than $75 million in market capitalization (nonaccelerated filers) from the requirement to obtain an external audit on the effectiveness of internal financial reporting controls provided in Section 404(b) of the Sarbanes-Oxley Act of 2002. Section 404(b) requires a registrant to provide an attestation report on management's assessment of internal controls over financial reporting by the registrant's external auditor. Disclosure of management's attestation on internal controls over financial reporting under existing Section 404(a) is still required for nonaccelerated filers.

In February, 2010, the FASB issued Accounting Standards Update ("ASU") 2010-09, effective immediately, which amended ASC Topic 855, Subsequent Events. The amendment was made to address concerns about conflicts with SEC guidance and other practice issues. Among the provisions of the amendment, the FASB defined a new type of entity, termed an "SEC filer," which is an entity required to file with or furnish its financial statements to the SEC. Entities other than registrants whose financial statements are included in SEC filings (e.g., businesses or real estate operations acquired or to be acquired, equity method investees, and entities whose securities collateralize registered securities) are not SEC filers. While an SEC filer is still required by U.S. GAAP to evaluate subsequent events through the date its financial statements are issued, it is no longer required to disclose in the financial statements that it has done so or the date through which subsequent events have been evaluated. The Company does not believe the changes have a material impact on its results of operations or financial position.

In January 2010, the FASB issued ASU 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements". This update requires more robust disclosures about valuation techniques and inputs to fair value measurements. The update is effective for interim and annual reporting periods beginning after December 15, 2009. This update had no material effect on the Company's consolidated financial statements.

In July 2009, the FASB issued ASC 855-10-50, "Subsequent Events", which requires an entity to recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the preparation of the financial statements. The final rules were effective for interim and annual reports issued after June 15, 2009. The Company has adopted the policy effective September, 2009. There was no material effect on the Company's consolidated financial statements as a result of adoption.

NOTE A – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In June 2009, the FASB issued ASC 105, Codification which establishes FASB Codification as the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. The final rule was effective for interim and annual reports issued after September 15, 2009. The Company has adopted the policy effective September 30, 2009. There was no material effect on the presentation of the Company's consolidated financial statements as a result of the adoption of ASC 105.

On December 31, 2008, the SEC published the final rules and interpretations updating its oil and gas reporting requirements ("Modernization of Oil and Gas Reporting"). In January 2010, the FASB released ASU 2010-03, Extractive Activities - Oil and Gas ("Topic 932"); Oil and Gas Reserve Estimation and Disclosures, aligning U.S. GAAP standards with the SEC's new rules. Many of the revisions were updates to definitions in the existing oil and gas rules to make them consistent with the petroleum resource management system, which is a widely accepted standard for the management of petroleum resources that was developed by several industry organizations. Key revisions include: (a) changes to the pricing used to estimate reserves utilizing a 12-month average price rather than a single day spot price which eliminates the ability to utilize subsequent prices to the end of a reporting period when the full cost ceiling was exceeded and subsequent pricing exceeds pricing at the end of a reporting period; (b) the ability to include nontraditional resources in reserves; (c) the use of new technology for determining reserves; and (d) permitting disclosure of probable and possible reserves. The SEC requires companies to comply with the amended disclosure requirements for registration statements filed after January 1, 2010, and for annual reports on Form 10-K for fiscal years ending on or after December 15, 2009. ASU 2010-03 is effective for annual periods ending on or after December 31, 2009. Adoption of Topic 932 did not have a material impact on the Company's results of operations or financial position. In April 2010, the FASB issued ASU 2010-14, Accounting for Extractive Activities-Oil & Gas: Amendments to Paragraph 932-10-S99-1. This ASU amends terminology as defined in Topic 932-10-S99-1.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. (See Note B - Acquisition of Wilon Resources, Inc.)

Concentration of Credit Risk

Financial instruments which potentially subject the Company to a concentration of credit risk consists primarily of trade accounts receivable from a variety of local, national, and international oil and natural gas companies. Such credit risk is considered by management to be limited due to the financial resources of those oil and natural gas companies.

Risk Factors

The Company operates in an environment with many financial risks including, but not limited to, the ability to acquire additional economically recoverable gas reserves, the continued ability to market drilling programs, the inherent risks of the search for, development of and production of gas, the ability to sell natural gas at prices which will provide attractive rates of return, the volatility and seasonality of gas production and prices, and the highly competitive nature of the industry as well as worldwide economic conditions.

Fair Value of Financial Instruments

The Company defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. Financial instruments included in the Company's financial statements include cash and cash equivalents, short-term investments, accounts receivable, other receivables, other assets, accounts payable, notes payable and due to affiliates. Unless otherwise disclosed in the notes to the financial statements, the carrying value of financial instruments is considered to approximate fair value due to the short maturity and characteristics of those instruments. The carrying value of debt approximates fair value as terms approximate those currently available for similar debt instruments.

NOTE A – BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Oil and Gas Properties

The Company has adopted the successful efforts method of accounting for gas producing activities. Under the successful efforts method, costs to acquire mineral interests in gas properties, to drill and equip exploratory wells that find proved reserves, and to drill and equip developmental wells are capitalized. Costs to drill exploratory wells that do not find proved reserves, costs of developmental wells on properties the Company has no further interest in, geological and geophysical costs, and costs of carrying and retaining unproved properties are expensed. Unproved gas properties that are significant are periodically assessed for impairment of value, if any, and a loss is recognized at the time of impairment by providing an impairment allowance. Other unproven properties are expensed when surrendered or expired.

When a property is determined to contain proved reserves, the capitalized costs of such properties are transferred from unproved properties to proved properties and are amortized by the unit-of-production method based upon estimated proved developed reserves. To the extent that capitalized costs of groups of proved properties having similar characteristics exceed the estimated future net cash flows, the excess, if any, of capitalized costs are written down to the present value of such amounts. Estimated future net cash flows are determined based primarily upon the estimated future proved reserves related to the Company's current proved properties and, to a lesser extent, certain future net cash flows related to operating and related fees due the Company related to its management of various partnerships. The Company follows U.S. GAAP in Accounting for Impairments.

On sale or abandonment of an entire interest in an unproved property, gain or loss is recognized, taking into consideration the amount of any recorded impairment. If a partial interest in an unproved property is sold, the amount received is treated as a reduction of the cost of the interest retained.

Revenue Recognition

Revenue from product sales is recognized when all of the following criteria are met: (1) persuasive evidence of an arrangement exists, (2) the price is fixed or determinable, (3) collectability is reasonably assured, and (4) delivery has occurred.

Stock-Based Compensation

Stock-based compensation is accounted for at fair value in accordance with U.S. GAAP.

Income Taxes

Income taxes are accounted for under the assets and liability method. Current income taxes are provided in accordance with the laws of the respective taxing authorities. Deferred income taxes are provided for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is not more likely than not that some portion or all of the deferred tax assets will be realized.

Net Income (Loss) per Common Share

Basic net income (loss) per common share is computed based on the weighted average number of common shares outstanding during the period.

Diluted net income (loss) per common share is computed based on the weighted average number of common shares and dilutive securities (such as stock options, warrants, and convertible securities) outstanding. Dilutive securities having an anti-dilutive effect on diluted net income (loss) per share and are excluded from the calculation.

At December 31, 2011, diluted weighted average common shares outstanding exclude 64,613,415 shares issuable on exercise of the 64,613,415 warrants outstanding at December 31, 2011.

NOTE B - ACQUISITION OF WILON RESOURCES, INC.

On May 28, 2010, the Company received notification from the appropriate state agencies that the acquisition of Wilon Resources by the Company was effective. On June 3, 2010, final approval was given by FINRA for the share exchange between the Company and Wilon Resources. The Company issued one share of common stock for each share of Wilon stock outstanding (49,207,973 shares) plus one warrant to purchase an additional share exercisable for a period of 5 years from the issue date. In July 2010, the Company canceled 1,000,000 shares of common stock relating to the Wilon acquisition. These shares were owned by the Company. The Company's common stock at June 3, 2010 had a value of $.035 per share making the acquisition price $1,687,279.

The Company accounted for the business combination using the purchase method. The estimated fair market value of Wilon's net assets (assets less liabilities) was recorded at the value of the acquisition price of $1,687,279. Management reduced its original estimate of the fair market value. This reduction in the estimate had no effect on the recorded amount of the transaction as the excess fair market value over the acquisition price reduced the recorded value of oil and gas properties and equipment. The oil and gas properties consist of 115 natural gas wells, 12,000 acres of mineral rights leases and the gathering system interconnecting the wells. The Company intends to retain a third party to complete a Reserve Report covering the 12,000 acres located in Wayne County, West Virginia substantiating proven and unproven wells. The estimates used by the Company in recording the acquisition could change significantly pending the valuation results of the third party.

NOTE C - GOING CONCERN

The Company is a development stage enterprise and although it has commenced planned principal business operations, there are insignificant revenues there from. The Company has incurred losses of $3,431,915 for the period March 28, 2008 (inception) through December 31, 2011 and has negative working capital balance aggregating $2,061,409. These factors raise substantial doubt about the Company’s ability to continue as a going concern.

There can be no assurance that sufficient funds required during the next year, or thereafter, will be generated from operations or that funds will be available from external sources such as debt or equity financings or other potential sources. The lack of additional capital resulting from the inability to generate cash flow from operations or to raise capital from external sources would force the Company to substantially curtail or cease operations and therefore would have a material adverse effect on its business. Furthermore, there can be no assurance that any such required funds, if available, will be available on attractive terms or that they will not have a significant dilutive effect on the Company’s existing stockholders.

The Company intends to overcome the circumstances that affect its ability to remain a going concern through a combination of the commencement of revenues, with interim cash flow deficiencies being addressed through additional equity and debt financing. The Company anticipates raising additional funds through public or private financing, strategic relationships or other arrangements in the near future to support its business operations; however the Company may not have commitments from third parties for a sufficient amount of additional capital. The Company cannot be certain that any such financing will be available on acceptable terms, or at all, and its failure to raise capital when needed could limit its ability to continue its operations. The Company’s ability to obtain additional funding will determine its ability to continue as a going concern. Failure to secure additional financing in a timely manner and on favorable terms would have a material adverse effect on the Company’s financial performance, results of operations and stock price and require it to curtail or cease operations, sell off its assets, seek protection from its creditors through bankruptcy proceedings, or otherwise. Furthermore, additional equity financing may be dilutive to the holders of the Company’s common stock, and debt financing, if available, may involve restrictive covenants, and strategic relationships, if necessary to raise additional funds, and may require that the Company relinquish valuable rights.

The accompanying financial statements do not include any adjustments related to the recoverability or classification of asset-carrying amounts or the amounts and classification of liabilities that may result should the Company be unable to continue as a going concern.

NOTE D - MARKETABLE EQUITY SECURITIES

At December 31, 2011 and December 31, 2010, marketable equity securities consisted of equity securities held with a cost and fair market value of $ - and $6,793, respectively. From inception (March 28, 2008) to December 31, 2011, the net gain from the sale of marketable equity securities was $579,932.

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at:

	12/31/2011	12/31/2010
Land and mineral rights	$ 206,772	$ 180,602
Computer Software	33,000	13,000
Field Equipment	35,260	22,660
Transportation Equipment	138,791	111,290
Oil and Gas Properties	4,475,770	4,289,658
Accumulated depreciation and depletion	(227,708)	(59,549)
Net property and equipment	$ 4,611,885	$ 4,557,661

The Company uses the straight-line method of depreciation for computer software and field and transportation equipment with an estimated useful life ranging from three to twenty years. The Company uses the straight-line method of depletion for oil and gas properties with an estimated useful life ranging from seven to twenty-five years. Included in the December 31, 2011 balances are the estimated fair market values of property and equipment acquired from Wilon Resources during 2010. These estimates could change significantly pending a valuation by third parties. (See Note B - Acquisition of Wilon Resources, Inc.)

NOTE F - NOTES RECEIVABLE

Notes receivable consist of the following at:

	12/31/2011	12/31/2010
Note receivable, interest at 1%, , balance to be deducted from gas revenue distributions	$ 200,000	$ 300,000
Note receivable, interest at 3%, due September 2014, collateralized by Series B preferred stock	300,000	300,000
Non-interest bearing note due on demand	13,500	13,500
Note receivable, interest at 9%, $605 due monthly through December 2025	57,814	59,700
Less current portion	(15,660)	(115,474)
Notes receivable long-term	$ 555,654	$ 557,726

Current maturities of notes receivable at December 31, 2011 are $15,660 in 2011, $2,360 in 2013, $302,580 in 2014, $2,825 in 2015, $3,090 in 2016, and $244,799 thereafter.

NOTE G - MISCELLANEOUS

Miscellaneous assets consist of the following at:

	12/31/2011	12/31/2010
Loan commitment fee	$ 169,683	$ 169,683
Accumulated amortization	(169,683)	(106,052)
Deposits	6,212	-
Operating bonds	85,008	87,279
Total Other Assets	$ 91,220	150,910

Loan commitment fee is amortized over the life of the agreement using a straight line method.

NOTE H – LOANS PAYABLE-OTHER

Loans payable, due on demand, with no interest to potential investors aggregated $2,456 and $5,985 at December 31, 2011 and December 31, 2010, respectively.

NOTE I - CONVERTIBLE DEBENTURE PAYABLE

Convertible debentures payable consist of the following at:

	12/31/2011	12/31/2010
Caesar Capital	$ 49,000	$ 100,000
ARRG	-	25,000
Asher	100,000	130,000
Tangiers	106,500	25,000
Total convertible debenture payable	$ 255,500	$ 280,000

On December 1, 2011, the Company entered into a Convertible Promissory Note ("Promissory Note") with Asher Enterprises, Inc. ("Asher") in the amount of Thirty Thousand Dollars ($30,000) and a Securities Purchase Agreement. The Promissory Note was fully funded on December 12, 2011. The Promissory Note is convertible, in whole or in part, at any time from time to time before maturity at the option of the holder at the Variable Conversion Price which shall mean 58% of the Market Price. The Market Price is defined as the average of the three (3) lowest Trading Prices for the common stock during the ten (10) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Promissory Note has a term of nine (9) months and accrues interest at a rate equal to eight percent (8%) per year. The balance owed at December 31, 2011 is $30,000.

On November 22, 2011, the Company entered into a Convertible Promissory Note ("Promissory Note") with Tangiers Investors, LP ("Tangiers") in the amount of Seventeen Thousand Five Hundred Dollars ($17,500) and a Security Agreement. The Promissory Note was fully funded on November 22, 2011. The Promissory Note is convertible, in whole or in part, at any time from time to time before maturity at the option of the holder at the Variable Conversion Price which shall mean 60% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the five (5) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Promissory Note has a term of one (1) year and accrues interest at a rate equal to nine percent (9%) per year. The balance owed at December 31, 2011 is $17,500.

On September 8, 2011, the Company entered into a Convertible Promissory Note ("Promissory Note") with Asher Enterprises, Inc. ("Asher") in the amount of Forty Thousand Dollars ($40,000) and a Securities Purchase Agreement. The Promissory Note was fully funded on September 14, 2011. The Promissory Note is convertible, in whole or in part, at any time from time to time before maturity at the option of the holder at the Variable Conversion Price which shall mean 58% of the Market Price. The Market Price is defined as the average of the three (3) lowest Trading Prices for the common stock during the ten (10) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Promissory Note has a term of nine (9) months and accrues interest at a rate equal to eight percent (8%) per year. The balance owed at December 31, 2011 is $40,000.

NOTE I - CONVERTIBLE DEBENTURE PAYABLE (continued)

On August 23, 2011, the Company entered into a Convertible Promissory Note ("Promissory Note") with Tangiers Investors, LP ("Tangiers") in the amount of Twenty Five Thousand Dollars ($25,000) and a Security Agreement. The Promissory Note was fully funded on August 24, 2011. The Promissory Note is convertible, in whole or in part, at any time from time to time before maturity at the option of the holder at the Variable Conversion Price which shall mean 60% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the five (5) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Promissory Note has a term of one (1) year and accrues interest at a rate equal to nine percent (9%) per year. The balance owed at December 31, 2011 is $25,000.

On August 5, 2011, the Company entered into a Convertible Promissory Note ("Promissory Note") with Asher Enterprises, Inc. ("Asher") in the amount of Thirty Thousand Dollars ($30,000) and a Securities Purchase Agreement. The Promissory Note was fully funded on August 12, 2011 The Promissory Note is convertible, in whole or in part, at any time from time to time before maturity at the option of the holder at the Variable Conversion Price which shall mean 58% of the Market Price. The Market Price is defined as the average of the three (3) lowest Trading Prices for the common stock during the ten (10) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Promissory Note has a term of nine (9) months and accrues interest at a rate equal to eight percent (8%) per year. The balance owed at December 31, 2011is $30,000.

On August 4, 2011, the Company entered into a Convertible Promissory Note ("Promissory Note") with Tangiers Investors, LP ("Tangiers") in the amount of Fifteen Thousand Dollars ($15,000) and a Security Agreement. The Promissory Note was fully funded on August 4, 2011. The Promissory Note is convertible, in whole or in part, at any time from time to time before maturity at the option of the holder at the Variable Conversion Price which shall mean 60% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the five (5) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Promissory Note has a term of one (1) year and accrues interest at a rate equal to nine percent (9%) per year. The balance owed at December 31, 2011 is $15,000.

On July 21, 2011, the Company entered into a Convertible Promissory Note ("Promissory Note") with Tangiers Investors, LP ("Tangiers") in the amount of Fifteen Thousand Dollars ($15,000) and a Security Agreement. The Promissory Note was fully funded on July 21, 2011. The Promissory Note is convertible, in whole or in part, at any time from time to time before maturity at the option of the holder at the Variable Conversion Price which shall mean 60% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the five (5) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Promissory Note has a term of one (1) year and accrues interest at a rate equal to nine percent (9%) per year. The balance owed at December 31, 2011 is $15,000.

On July 11, 2011, the Company entered into a Convertible Promissory Note ("Promissory Note") with Tangiers Investors, LP ("Tangiers") in the amount of Ten Thousand Dollars ($10,000) and a Security Agreement. The Promissory Note was fully funded on July 11, 2011. The Promissory Note is convertible, in whole or in part, at any time from time to time before maturity at the option of the holder at the Variable Conversion Price which shall mean 60% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the five (5) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Promissory Note has a term of one (1) year and accrues interest at a rate equal to nine percent (9%) per year. The balance owed at December 31, 2011 is $10,000.

On May 3, 2011, the Company entered into a Convertible Promissory Note ("Promissory Note") with Tangiers Investors, LP ("Tangiers") in the amount of Fifty Two Thousand Five Hundred Dollars ($52,500) and a Security Agreement. The Promissory Note was fully funded on May 3, 2011. The Promissory Note is convertible, in whole or in part, at any time from time to time before maturity at the option of the holder at the Variable Conversion Price which shall mean 60% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the five (5) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Promissory Note has a term of one (1) year and accrues interest at a rate equal to nine percent (9%) per year. The balance owed at December 31, 2011 is $24.000.

On November 16, 2010, the Company entered into a Convertible Promissory Note ("Promissory Note") with Caesar Capital Group, LLC, ("Caesar Capital") in the amount of Twenty Five Thousand Dollars ($25,000) and a Securities Purchase Agreement. The Promissory Note was fully funded on November 19, 2010. The Promissory Note is convertible, in whole or in part, at any time from time to time before maturity at the option of the holder at a per share price equal to Sixty Percent (60%) of the average of the last Five (5) trading days closing volume weighted average price. The Promissory Note has a term of six (6) months and accrues interest at a rate equal to twelve percent (12%) per year. The balance owed at December 31, 2011 and December 31, 2010 is $25,000.

NOTE I - CONVERTIBLE DEBENTURE PAYABLE (continued)

On October 8, 2010, the Company entered into a Convertible Promissory Note ("Promissory Note") with Asher Enterprises, ("Asher") in the amount of Forty Thousand Dollars ($40,000) and a Securities Purchase Agreement. The Promissory Note was fully funded on October 14, 2010. The Promissory Note is convertible, in whole or in part, at any time from time to time before maturity at the option of the holder at the Variable Conversion Price which shall mean 58% of the Market Price. The Market Price is defined as the average of the three (3) lowest Trading Prices for the common stock during the ten (10) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Promissory Note has a term of nine (9) months and accrues interest at a rate equal to eight percent (8%) per year. In May 2011, the convertible debenture was paid in full through the issuance of common stock of the Company. The balance owed at December 31, 2010 was $40,000.

On September 7, 2010, the Company entered into a Convertible Promissory Note ("Promissory Note") with Caesar Capital Group, LLC, ("Caesar Capital") in the amount of Fifty Thousand Dollars ($50,000) and a Securities Purchase Agreement. The Promissory Note was fully funded on September 10, 2010. The Promissory Note is convertible, in whole or in part, at any time from time to time before maturity at the option of the holder at a per share price equal to Sixty Percent (60%) of the average of the last Five (5) trading days closing volume weighted average price. The Promissory Note has a term of six (6) months and accrues interest at a rate equal to twelve percent (12%) per year. The balance owed at December 31, 2011 and December 31, 2010 is $24,000 and $50,000, respectively.

On August 6, 2010, the Company entered into a Convertible Promissory Note (“Promissory Note”) with Caesar Capital Group, LLC, (“Caesar”) in the amount of Twenty Five Thousand Dollars ($25,000). The Promissory Note was fully funded on August 10, 2010. The Promissory Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at a price per share equal to Sixty Percent (60%) of the average of the last Five (5) trading days closing volume weighted average price ("VWAP"). The Promissory Note has a term of six (6) months and accrues interest at a rate equal to twelve percent (12%) per year. In addition, the Company issued to Caesar a Common Stock Purchase Warrant Agreement granting the holder the right to purchase up to 500,000 shares of the Company's common stock at an Exercise price of Five cents ($0.05). The warrant is exercisable at anytime commencing six months after the date of issuance until February 6, 2014. In February 2011, the convertible debenture was paid in full through the issuance of common stock of the Company. The balance owed at December 31, 2010 was $25,000.

On August 6, 2010, the Company entered into a Convertible Promissory Note (“Promissory Note”) with ARRG Corp, (“ARRG”) in the amount of Twenty Five Thousand Dollars ($25,000). The Promissory Note was fully funded on August 10, 2010. The Promissory Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at a price per share equal to Sixty Percent (60%) of the average of the last Five (5) trading days closing volume weighted average price ("VWAP"). The Promissory Note has a term of six (6) months and accrues interest at a rate equal to twelve percent (12%) per year. In addition, the Company issued to ARRG a Common Stock Purchase Warrant Agreement granting the holder the right to purchase up to 500,000 shares of the Company's common stock at an Exercise price of Five cents ($0.05). The warrant is exercisable at anytime commencing six months after the date of issuance until February 6, 2014. In February 2011, the convertible debenture was paid in full through the issuance of common stock of the Company. The balance owed at December 31, 2010 was $25,000.

On July 30, 2010, the Company entered into a Convertible Promissory Note ("Promissory Note") with Asher Enterprises, ("Asher") in the amount of Forty Thousand Dollars ($40,000) and a Securities Purchase Agreement. The Promissory Note was fully funded on August 6, 2010. The Promissory Note is convertible, in whole or in part, at any time from time to time before maturity at the option of the holder at the Variable Conversion Price which shall mean 58% of the Market Price. The Market Price is defined as the average of the three (3) lowest Trading Prices for the common stock during the ten (10) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Promissory Note has a term of nine (9) months and accrues interest at a rate equal to eight percent (8%) per year. In March 2011, the convertible debenture was paid in full through the issuance of common stock of the Company. The balance owed at December 31, 2010 was $40,000.

NOTE I - CONVERTIBLE DEBENTURE PAYABLE (continued)

On June 18, 2010, the Company entered into a Convertible Promissory Note ("Promissory Note") with Asher Enterprises, ("Asher") in the amount of Fifty Thousand Dollars ($50,000) and a Securities Purchase Agreement. The Promissory Note was fully funded on June 18, 2010. The Promissory Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 58% of the Market Price. The Market Price is defined as the average of the three (3) lowest Trading Prices for the common stock during the 10 (ten) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Promissory Note has a term of nine (9) months and accrues interest at a rate equal to eight percent (8%) per year. In January 2011, the convertible debenture was paid in full through the issuance of common stock of the Company. The balance owed at December 31, 2010 was $50,000.

NOTE J - NOTES PAYABLE

Notes payable consist of the following at:

	12/31/2011	12/31/2010
Note payable, interest at 1% per annum, due in 2011	$ 100,000	$ 100,000
Note payable, interest at 3% per annum, due in annual installments of $250,000 through September 2013	980,000	980,000
Notes payable, non-interest bearing, due in January 2011	10,000	10,000
Notes payable, interest at 100% through maturity date, interest at maximum rate allowable by law thereafter, due July 2010	325,000	400,000
Note payable, interest at 3%, due on demand	47,000	262,926
Note payable, interest at 4%, due on demand	-	21,944
Note payable, principle plus $1,500 interest due October 2011	11,500	-
Note payable, interest at 4%, effective May 2011 payable in monthly installments based upon 1.5% of gas revenues received	26,000	-
Less current portion	(1,249,500)	(1,224,870)
Notes payable long term	$ 250,000	$ 550,000

Current maturities of long-term debt at December 31, 2011 are $1,249,500 in 2012, $250,000 in 2013.

NOTE K - INCOME TAXES

The Company accounts for income taxes using the asset and liability method described in SFAS No. 109, "Accounting For Income Taxes", the objective of which is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting and the tax basis of the Company's assets and liabilities at the enacted tax rates expected to be in effect when such amounts are realized or settled. A valuation allowance related to deferred tax assets is recorded when it is more likely than not that some portion or all of the deferred tax assets will not be realized. In recognition of the uncertainty regarding the ultimate amount of income tax benefits to be derived, the Company has recorded a full valuation allowance at December 31, 2011 and December 31, 2010.

NOTE K - INCOME TAXES (continued)

The provision (benefit) for income taxes includes income taxes currently payable and those deferred because of temporary differences between the financial statement and tax bases of assets and liabilities. The provision (benefit) for income taxes consists of the following at:

	12/30/2011	12/31/2010
Federal income taxes:		
Current	$ (100,389)	$ (511,745)
Deferred	100,389	511,745
	-	-
State income taxes:		
Current	$ (40,156)	$ (204,698)
Deferred	40,156	204,698
	-	-
Total	$ -	$ -

Significant components of the Company's deferred tax assets and liabilities calculated at an estimated effective tax rate of 21% are as follows:

	12/31/2011	12/31/2010
Noncurrent deferred tax assets (liabilities):		
Accrued wages deducted for financial purposes not deducted for tax purposes	$ 67,525	$ 54,600
Capital losses deducted for financial purposes carried over to future years for tax purposes (expiring in years through 2014)	-	39,416
Well costs deducted for financial purposes capitalized for tax purposes	2,520	2,520
Excess depletion on oil and gas properties taken for tax purposes over financial purposes	(2,950)	(4,342)
Excess depreciation on oil and gas properties taken for tax purposes over financial purposes	(42,250)	-
Excess loss on sale of investments taken for tax purposes over financial purposes over financial purposes	-	(86,960)
NOL from the acquisition of Wilon Resources (subject to potential I.R.C. Section 382 limitations)	601,000	588,000
NOL remaining not attributable to timing differences (expiring in years through 2020)	345,142	237,208
Deferred noncurrent tax asset, net	970,987	830,442
Valuation allowance	(970,987)	(830,442)
	$ -	$ -

NOTE L - COMMON STOCK ISSUANCES/WARRANTS

During the past four years, the Company had the following unregistered sale of its securities:

On March 28, 2008, the Company sold a total of 10,000,000 post split shares (6,000,000 shares to Around the Clock Partners, LP ("ACP"), 3,000,000 shares to Jim Anderson, and 1,000,000 shares to Around the Clock Trading & Capital Management, LLC ("ACT")) at a price of $.001 per share, or $10,000 total. Wayne Anderson, a director and chief executive officer of the Company, owns ACT and ACT is the general partner of ACP. Jim Anderson is a director and secretary of the Company.

On April 1, 2008, the Company amended its certificate of incorporation to increase the authorized number of shares to 50,000,000 shares of common stock at $0.001 par value and 5,000,000 shares of preferred stock at $0.001 par value and also affected a 1,000:1 forward stock split. All shares and per share amounts have been revised to retroactively reflect this stock split.

In June 2008, the Company issued a total of 900 shares of common stock to nine landowners in exchange for seven leases for mineral rights and two rights of way for a pipeline.

In July 2008, the Company sold 40,000 shares of common stock to Jim Anderson at a price of $.25 per share, or $10,000.

In July 2008, the Company issued a total of 76,837 shares of common stock (52,473 shares to Wayne Anderson and 24,364 shares to Jim Anderson) valued at $.25 per share in reimbursement of expenses totaling $19,209.

From June 2008 to December 2008, the Company issued a total of 776,499 shares of common stock to a number of consultants and service providers (including 10,000 shares to Wayne Anderson and 10,000 shares to Jim Anderson for director services) for services rendered. The 776,499 shares were valued at $.35 per share, or $271,775 total.

In July 2008, the Company issued 1,250,000 shares of common stock to its law firm for legal services rendered. The 1,250,000 shares were valued at $.35 per share, or $437,500 total.

In June and July 2008, the Company sold a total of 28,572 shares of common stock to four investors at a price of $.35 per share, or $10,000 total. In October 2008, the Company sold a total of 30,000 shares to three investors at a price of $.35 per share, or $10,500 total. In December 2008, the Company sold 37,143 shares of common stock at a price of $.35 per share and a warrant to purchase 15,000 shares exercisable at $.50 per share with an expiration date of December 2, 2013 to an investor, or $13,000.

In April 2009, the Company issued an aggregate of 170,100 shares for consulting services.

In April 2009, the Company issued warrants to Wayne Anderson to purchase 1,250,000 at an average price of $.55 as per the executed employment agreement.

In April 2009, the Company issued warrants to Jim Anderson to purchase 625,000 at an average price of $.55 as per the executed employment agreement.

In May 2009, the Company issued 162,400 shares to an accredited investor at a price of $0.25 per share.

In May 2009, the Company issued an aggregate of 2,005,000 to its President and 1,005,000 shares to its Vice-President as compensation pursuant to the employment agreements and for board service. The stock was $.30 per share upon issuance.

In August, 2009 the Company issued 50,000 shares of our common stock at $.11 per share to John Richardson for the purchase of a generator.

In August 2009, the Company issued an aggregate of 30,000 shares of common stock at a per share price of $0.11 to two participants who purchased a working interest in one of the Company's wells.

NOTE L - COMMON STOCK ISSUANCES/WARRANTS (continued)

In August, 2009 the Company issued 25,000 shares of our common stock of $0.11 to Republic Exploration in exchange for consulting services

In September, 2009 the Company issued 1,500,000 shares of our common stock of $0.06 to SLMI Holdings, LLC in connection with the acquisition of SLMI Options, LLC

In September 2009, the Company issued an aggregate of 950,000 shares of common stock at an average per share price of $0.12 in exchange for consulting services.

In September 2009, the Company issued 1,209,628 shares of common stock at a per share price of $0.08 to Tangiers, LP as collateral for the Debenture

In September 2009, the Company issued 1,696,833 shares of common stock at a per share price of $0.10 to Tangiers, LP as a commitment fee for a financing transaction.

In September 2009, the Company issued warrants to Del Mar Corporate Consulting to purchase 300,000 at an average price of $.18 with an expiration date of September 23, 2012.

In December 2009, the Company issued 300,000 shares of common stock at a per share price of $0.07 to SLMI Holdings, LLC for a financing transaction.

In December 2009, the Company issued 200,000 shares of common stock at $.07 per share to White Oak Land and Minerals Development, LLC in exchange for consulting services.

In December 2009, the Company issued 100,000 shares of common stock at $.07 per share to Valvasone Trust in exchange for consulting services.

In January 2010, the Company issued 453,000 shares of common stock at $.06 per share to Chris Davies on behalf of Atlas Capital Holdings in exchange for legal services.

In January 2010, the Company issued 900,000 shares of common stock at $.06 per share to Around the Clock Partners, LP for reimbursement of expenses paid on behalf of the company.

In January 2010, the Company issued 350,000 shares of common stock at $.05 per share to Chris Davies on behalf of Atlas Capital Holdings in exchange for legal services.

In February 2010, the Company issued 200,000 shares of common stock at $.04 per share to Around the Clock Partners, LP for reimbursement of expenses paid on behalf of the company.

In March 2010, the Company issued 350,000 shares of common stock at $.10 per share to Chris Davies on behalf of Atlas Capital Holdings in exchange for legal services.

In April 2010, the Company issued 175,000 shares of common stock at $.05 per share to Ron Ferlisi in exchange for satisfaction of notes payable.

In April 2010, the Company issued 825,000 shares of common stock at $.05 per share to BuzzBahn in exchange for satisfaction of notes payable.

NOTE L - COMMON STOCK ISSUANCES/WARRANTS (continued)

In April 2010, the Company issued 250,000 shares of common stock at $.05 per share to BuzzBahn in exchange for investor relation services.

In April 2010, the Company issued 120,000 shares of common stock at $.05 per share to Jody Samuels in exchange for legal services.

In April 2010, the Company issued 98,766 shares of common stock at $.069 per share to Tangiers Investors LP for equity funding.

In April 2010, the Company issued 100,000 shares of common stock at $.04 per share to KYTX, LLC in exchange for an extension on a note payment.

In May 2010, the Company issued 300,926 shares of common stock at $.04 per share and 169,263 shares of common stock at $.033 per share to Tangiers Investors LP for equity funding.

In May 2010, the Company issued 300,000 shares of common stock at $.04 per share to SLMI Holdings, LLC in exchange for an extension on a note payment.

In May 2010, the Company issued 412,698 shares of common stock at $.04 per share to Cassel Family Trust as per the stock purchase agreement.

In May 2010, the Company issued 100,000 shares of common stock at $.04 per share to White Oak Land and Minerals Development, LLC for consulting services.

In May 2010, the Company issued 800,000 shares of common stock at $.01 per share to Ron Ferlisi in exchange for satisfaction of notes payable.

In May 2010, the Company issued 500,000 shares of common stock at $.01 per share to Rui Figueiredo in exchange for satisfaction of notes payable.

In May 2010, the Company issued 500,000 shares of common stock at $.01 per share to Maria Rothman in exchange for satisfaction of notes payable.

In May 2010, the Company issued 200,000 shares of common stock at $.01 per share to Jody Samuels in exchange for satisfaction of notes payable.

In May 2010, the Company issued 500,000 shares of common stock at $.01 per share to Faith Capital NY LLC in exchange for satisfaction of notes payable.

In May 2010, the Company issued 1,000,000 shares of common stock at $.01 per share to Jeff Schwartz in exchange for satisfaction of notes payable.

In May 2010, the Company issued 500,000 shares of common stock at $.01 per share to Steven Reiss in exchange for satisfaction of notes payable.

In May 2010, the Company issued 333,333 shares of common stock at $.03 per share to Charles and Mary Crum as per the stock purchase agreement.

In June 2010, the Company issued 150,000 shares of common stock at $.05 per share to Jeff Parker in exchange for consulting services.

In June 2010, the Company issued 500,000 shares of common stock at $.05 per share to Jim Anderson as a reduction of debt for expenses paid on behalf of the company.

NOTE L - COMMON STOCK ISSUANCES/WARRANTS (continued)

In June 2010, the Company issued 348,189 shares of common stock at $.03 per share to Tangiers Investors LP for equity funding.

In June 2010, the Company issued 833,333 shares of common stock at $.03 per share to Wayne Anderson as payment towards accrued wages.

In June 2010, the Company issued 666,667 shares of common stock at $.03 per share to Cassel Family Trust as per the stock purchase agreement.

In July 2010, the Company issued 25,000 shares of common stock at $.03 per share to James Crum for a lease bonus payment.

In July 2010, the Company issued 25,000 shares of common stock at $.03 per share to Charles and Mary Crum for a lease bonus payment.

In July 2010, the Company issued 500,000 shares of common stock at $.03 per share to Del Mar Corporate Consulting, LLC for consulting and marketing services.

In July 2010, the Company issued 625,000 shares of common stock at $.04 per share to Wayne Anderson as payment towards accrued wages.

In July 2010, the Company issued 476,191 shares of common stock at $.02 per share to Tangiers Investors LP as payment towards a convertible debenture.

In July 2010, the Company issued 714,285 shares of common stock at $.07 per share to Chris Davies on behalf of Atlas Capital Holdings for legal services.

In July 2010, the Company issued 710,901 shares of common stock at $.02 per share to Tangiers Investors LP as payment towards a convertible debenture.

In July 2010, the Company issued 170,940 shares of common stock at $.06 per share to Tangiers Investors LP for equity funding.

In July 2010, the Company issued 130,000 shares of common stock at $.09 per share to White Oak Land and Minerals Development, LLC for consulting services.

In July 2010, the Company issued 1,000,000 shares of common stock at $.001 per share to Bull In Advantage. The shares were returned to the Company and retired due to failure of the shareholder to satisfy the terms of the debt transaction.

In August 2010, the Company issued 395,061 shares of common stock at $.04 per share to Tangiers Investors LP for equity funding.

In August 2010, the Company issued 2,423,311 shares of common stock at $.015 per share to ARRG Corp as payment towards a note.

In August 2010, the Company issued 2,423,311 shares of common stock at $.015 per share to Caesar Capital Group, LLC as payment towards a note.

In August 2010, the Company issued 2,300,000 shares of common stock at $.01 per share to Mazuma Funding Corp as payment towards a note.

In August 2010, the Company issued 1,225 shares of common stock at $.25 per share to Horace Womack as per the Common Stock Purchase Warrant subscription agreement.

NOTE L - COMMON STOCK ISSUANCES/WARRANTS (continued)

In September 2010, the Company issued 4,500,000 shares of common stock at $.01 per share to Caesar Capital Group, LLC as payment towards a note.

In September 2010, the Company issued 100,000 shares of common stock at $.02 per share to Ron Ferlisi as per the stock purchase agreement.

In September 2010, the Company issued 800,000 shares of common stock at $.01 per share to Doug Miglino as payment towards a note.

In September 2010, the Company issued 200,000 shares of common stock at $.025 per share to Brian Feingold for financing services.

In September 2010, the Company issued 380,518 shares of common stock at $.02 per share to Tangiers Investors LP for equity funding.

In September 2010, the Company issued 765,000 shares of common stock at $.01 per share to Ron Ferlisi as payment towards a note.

In September 2010, the Company issued 765,000 shares of common stock at $.01 per share to Vincent Bardong as payment towards a note.

In September 2010, the Company issued 300,000 shares of common stock at $.01 per share to SLMI Holdings LLC for extending a note due date.

In September 2010, the Company issued 1,500,000 shares of common stock at $.015 per share to Rui Figueiredo as payment towards a note.

In September 2010, the Company issued 1,500,000 shares of common stock at $.015 per share to First Barrington Group as payment towards a note.

In October 2010, the Company issued 380,518 shares of common stock at $.02 per share to Tangiers Investors LP for equity funding.

In October 2010, the Company issued 1,100,000 shares of common stock at $.0135 per share to John R. Rogers as per the stock purchase agreement.

In October 2010, the Company issued 1,100,000 shares of common stock at $.0135 per share to John R. Rogers as per the stock purchase agreement.

In October 2010, the Company issued 750,000 shares of common stock at $.01 per share to First Barrington Group as payment towards a note.

In October 2010, the Company issued 750,000 shares of common stock at $.01 per share to Rui Figueiredo as payment towards a note.

In November 2010, the Company issued 1,190,476 shares of common stock at $.02 per share to Tangiers Investors LP for equity funding.

In November 2010, the Company issued 4,325,000 shares of common stock at $.01 per share to Mazuma Funding Corp as payment towards a note.

In November 2010, the Company issued 2,500 shares of common stock at $.02 per share to Matthew Holden for participation in drilling/re-work program.

NOTE L - COMMON STOCK ISSUANCES/WARRANTS (continued)

In November 2010, the Company issued 2,500 shares of common stock at $.02 per share to Adam Holden for participation in drilling/re-work program.

In November 2010, the Company issued 50,000 shares of common stock at $.02 per share to Brian Warshaw as per the terms of a promissory note dated January 2010.

In November 2010, the Company issued 50,000 shares of common stock at $.02 per share to Jim Gallucio as per the terms of a promissory note dated January 2010.

In November 2010, the Company issued 2,500,000 shares of common stock at $.01 per share to Rui Figueiredo as payment towards a note.

In November 2010, the Company issued 2,500,000 shares of common stock at $.01 per share to Dave Miller as payment towards a note.

In November 2010, the Company issued 600,000 shares of common stock at $.02 per share to Dave Matheny as per the Common Stock Purchase Warrant subscription agreement.

In November 2010, the Company issued 4,000,000 shares of common stock at $.01 per share to Dave Matheny as payment towards a note.

In November 2010, the Company issued 1,000,000 shares of common stock at $.01 per share to Howard Matheny as payment towards a note.

In November 2010, the Company issued 5,340,909 shares of common stock at $.015 per share to Caesar Capital Group, LLC as payment towards a note.

In November 2010, the Company issued 300,000 shares of common stock at $.01 per share to SLMI Holdings LLC for extending a note due date.

In November 2010, the Company issued 1,169,590 shares of common stock at $.02 per share to Tangiers Investors LP for equity funding.

In December 2010, the Company issued 35,000 shares of common stock at $.01 per share to Wayne Anderson as compensation as a Director.

In December 2010, the Company issued 35,000 shares of common stock at $.01 per share to Jim Anderson as compensation as a Director.

In December 2010, the Company issued 6,500,000 shares of common stock at $.01 per share to Mazuma Funding Corp as payment towards a note.

In December 2010, the Company issued 7,041,158 shares of common stock at $.01 per share to Jim Anderson as a reduction of debt for expenses paid on behalf of the company.

In December 2010, the Company issued 2,000,000 shares of common stock at $.01 per share to White Oak Land and Minerals Development, LLC for consulting services.

In January 2011, the Company issued 892,891 shares of common stock at $.009 per share to Wayne Anderson for compensation.

In January 2011, the Company issued 2,400,000 shares of common stock at $.005 per share to Asher Enterprises, Inc. for a partial reduction of a convertible debenture.

In January 2011, the Company issued 1,971,608 shares of common stock at $.006 per share to Tangiers Investors, LP for a partial reduction of a convertible debenture.

NOTE L - COMMON STOCK ISSUANCES/WARRANTS (continued)

In January 2011, the Company issued 2,222,222 shares of common stock at $.005 per share to Asher Enterprises, Inc. for a partial reduction of a convertible debenture.

In January 2011, the Company issued 1,000,000 shares of common stock at $.015 per share to Blair Scanlon as per the stock purchase agreement.

In January 2011, the Company issued 1,764,706 shares of common stock at $.007 per share to Asher Enterprises, Inc. for a partial reduction of a convertible debenture.

In January 2011, the Company issued 1,500,000 shares of common stock at $.01 per share to Rui Figueiredo for consulting services.

In January 2011, the Company issued 2,500,000 shares of common stock at $.006 per share to Asher Enterprises, Inc. for a final reduction of a convertible debenture plus accrued interest.

In January 2011, the Company issued 845,897 shares of common stock at $.01 per share to Wayne Anderson for compensation.

In February 2011, the Company issued 58,000 shares of common stock at $.01 per share to Deborah Crum for an extension on a lease.

In February 2011, the Company issued 25,000 shares of common stock at $.01 per share to James Crum for an extension on a lease.

In February 2011, the Company issued 50,000 shares of common stock at $.01 per share to Marshall Garland for an extension on a note agreement.

In February 2011, the Company issued 1,818,182 shares of common stock at $.006 per share to Asher Enterprises, Inc. for a partial reduction of a convertible debenture.

In February 2011, the Company issued 4,426,940 shares of common stock at $.006 per share to Caesar Capital Group, LLC for a full reduction of a convertible debenture and accrued interest.

In February 2011, the Company issued 4,426,940 shares of common stock at $.006 per share to ARRG Corp for a full reduction of a convertible debenture and accrued interest.

In February 2011, the Company issued 2,448,980 shares of common stock at $.005 per share to Asher Enterprises, Inc. for a partial reduction of a convertible debenture.

In February 2011, the Company issued 2,790,698 shares of common stock at $.004 per share to Asher Enterprises, Inc. for a partial reduction of a convertible debenture.

In March 2011, the Company issued 1,853,659 shares of common stock at $.004 per share to Asher Enterprises, Inc. for a final reduction of a convertible debenture and accrued interest.

In March 2011, the Company issued 3,000,000 shares of common stock @ $.008 per share to David Matheny as payment towards a note.

In March 2011, the Company issued 2,261,655 shares of common stock @ $.01 per share to J. Paxton Barnett as payment towards a note.

In March 2011, the Company issued 2,261,655 shares of common stock @ $.01 per share to Charlotte Van Ness Trust as payment towards a note.

NOTE L - COMMON STOCK ISSUANCES/WARRANTS (continued)

In March 2011, the Company issued 3,753,807 shares of common stock at $.004 per share to Tangiers Investors, LP for a final reduction of a convertible debenture and accrued interest.

In April 2011, the Company canceled 1,209,628 shares of common stock which were held in escrow upon repayment of a convertible debenture dated May 24, 2009.

In April 2011, the Company issued 9,815,849 shares of common stock at $.006 per share to Prolific Group LLC as payment towards a note.

In April 2011, the Company issued 2,000,000 shares of common stock at $.01 per share to David Miller for cash.

In April 2011, the Company issued 631,313 shares of common stock at $.008 per share to Tangiers Investors LP for equity funding.

In April 2011, the Company issued 4,166,666 shares of common stock at $.006 per share to Redwood Management LLC as payment towards a note.

In April 2011, the Company issued 2,000,000 shares of common stock at $.005 per share to Asher Enterprises, Inc. for a partial reduction of a convertible debenture.

In April 2011, the Company issued 5,294,118 shares of common stock at $.0085 per share to White Oak Land and Minerals Development, LLC as a payment towards a note. This transaction was canceled and the shares are to be returned.

In April 2011, the Company issued 2,564,103 shares of common stock at $.0039 per share to Asher Enterprises, Inc. for a partial reduction of a convertible debenture.

In May 2011, the Company issued 2,500,000 shares of common stock at $.006 per share to David Miller as payment towards a note.

In May 2011, the Company issued 2,857,143 shares of common stock at $.0035 per share to Asher Enterprises, Inc. for a partial reduction of a convertible debenture.

In May 2011, the Company issued 1,000,000 shares of common stock at $.007 per share to John Delladonna for tax services.

In May 2011, the Company issued 3,515,152 shares of common stock at $.0033 per share to Asher Enterprises, Inc. for a final reduction of a convertible debenture and accrued interest.

In May 2011, the Company issued 5,000,000 shares of common stock at $.005 per share to David Miller as payment towards a note.

In June 2011, the Company issued 5,000,000 shares of common stock at $.005 per share to David Matheny as payment towards a note.

In June 2011, the Company issued 5,000,000 shares of common stock at $.004 per share to Wayne Anderson as payment towards accrued wages.

In June 2011, the Company issued 4,832,594 shares of common stock at $.004 per share to Jim Anderson as payment towards accrued wages.

In June 2011, the Company issued 4,324,183 shares of common stock at $.0025 per share to Tangiers Investors LP as payment towards accounts payable.

In June 2011, the Company canceled 12,880,344 shares of common stock held by Wayne Anderson in exchange for 322,008.6 shares of Series C Preferred stock.

In June 2011, the Company canceled 18,629,253 shares of common stock held by Jim Anderson in exchange for 465,731.33 shares of Series C Preferred stock.

NOTE L - COMMON STOCK ISSUANCES/WARRANTS (continued)

In July 2011, the Company issued 8,000,000 shares of common stock at $.003 per share to Sarah Speno for consulting services.

In July 2011, the Company issued 17,857,143 shares of common stock at $.0025 per share to Tangiers Investors LP as payment towards a note.

In July 2011, the Company issued 2,000,000 shares of common stock at $.005 per share to White Oak Land and Minerals Development, LLC for consulting services.

In July 2011, the Company issued 4,166,667 shares of common stock at $.0024 per share to Asher Enterprises, Inc. for a partial reduction of a convertible debenture.

In July 2011, the Company issued 6,000,000 shares of common stock at $.0025 per share to Asher Enterprises, Inc. for a partial reduction of a convertible debenture.

In July 2011, the Company issued 12,224,071 shares of common stock at $.0028 per share to Caesar Capital Group, LLC for a partial reduction of a convertible debenture and accrued interest.

In July 2011, the Company issued 6,640,000 shares of common stock at $.0025 per share to Asher Enterprises, Inc. for a final reduction of a convertible debenture and accrued interest.

In August 2011, the Company issued 684,151 shares of common stock at $.006 per share to Prolific Group LLC as payment towards a note.

In August 2011, the Company issued 12,000,000 shares of common stock at $.003 per share to Sarah Speno for consulting services.

In August 2011, the Company issued 7,500,000 shares of common stock at $.0016 per share to Asher Enterprises, Inc. for a partial reduction of a convertible debenture.

In August 2011, the Company issued 12,464,308 shares of common stock at $.0018 per share to Around the Clock Partners, LP as payment towards a note and accrued interest.

In September 2011, the Company issued 11,428,572 shares of common stock at $.0013 per share to Tangiers Investors LP as payment towards accounts payable.

In September 2011, the Company issued 9,333,333 shares of common stock at $.0015 per share to Asher Enterprises, Inc. for a partial reduction of a convertible debenture.

In September 2011, the Company issued 11,142,857 shares of common stock at $.0014 per share to Asher Enterprises, Inc. for a partial reduction of a convertible debenture.

In September 2011, the Company issued 4,000,000 shares of common stock at $.002 per share to Sarah Speno for consulting services.

In September 2011, the Company issued 13,791,209 shares of common stock at $.0013 per share to Tangiers Investors LP as payment towards accounts payable.

In November 2011, the Company issued 38,000,000 shares of common stock at $.00075 per share to Tangiers Investors LP for a partial reduction of a convertible debenture.

In December 2011, the Company issued 7,272,728 shares of common stock at $.00055 per share and 8,888,889 shares of common stock at $.00045 per share to Magna Group LLC as payment towards a note.

In December 2011, the Company issued 20,000,000 shares of common stock at $.000125 per share to Authentic Capital Corp as payment towards a note.

NOTE L - COMMON STOCK ISSUANCES/WARRANTS (continued)

In December 2011, the Company issued 20,000,000 shares of common stock at $.0001133 per share to Steve Winick as payment towards a note.

Warrants outstanding at December 31, 2011 and December 31, 2010 are 64,613,415 and 61,113,415, respectively. Each warrant enables the holder to acquire one share of the Company's common stock at a specified exercise price for a term of three to five years. Warrants outstanding at December 31, 2011 have vesting dates through May 2012 and expiration dates through May 2017.

Warrants issued for the year and three months ending December 31, 2011 are 3,500,000 and 1,000,000, respectively

On June 3, 2010 in consideration for the acquisition of Wilon Resources, Inc. (see Note B) each Wilon shareholder received one share of the Company's common stock plus one warrant to purchase one additional share of common stock of the Company at an exercise price of $.25 per share to be exercisable for a period of 5 years from the date of issue. The total shares of common stock and warrants issued for the acquisition were 49,207,973 each. In July 2010, the Company canceled 1,000,000 shares of common stock and 1,000,000 warrants it obtained through the Wilon acquisition. The cancelation of common stock was accounted for as a reduction in the acquisition price for Wilon.

NOTE M – STOCKHOLDERS' EQUITY

On April 14, 2011, the Board of Directors unanimously approved the designation of a series of preferred stock to be known as "Series C Preferred Stock". The designations, powers, preferences and rights, and the qualifications, limitations or restrictions hereof, in respect of the Series C Preferred Stock shall be as hereinafter described. The holders of Series C Preferred Stock shall not be entitled to receive dividends nor shall dividends be paid on common stock or any other Series Preferred Stock while Series C Preferred shares are outstanding. The holders of Series C Preferred Stock shall be entitled to vote on all matters submitted to a vote of the Shareholders of the Company and shall have such number of votes equal to the number of shares of Series C Preferred Stock held on a forty votes per one share basis. Upon the availability of a sufficient number of authorized but unissued and unreserved shares of common stock, the holders of Series C Preferred Stock may at their election convert such shares in to fully paid and non-assessable shares of common stock at the rate of forty shares of common stock for each share of series C Preferred Stock. The Board of directors of the Company, pursuant to authority granted in the Articles of Incorporation, created a series of preferred stock designated as Series C Preferred Stock (the "Series C Preferred Stock") with a stated value of $0.001 per share. The number of authorized shares constituting the Series C Preferred Stock was One Million (1,000,000) shares. At December 31, 2011, there are 828,649 shares issued and outstanding.

On September 2, 2009, the Board of Directors unanimously approved the designation of a series of preferred stock to be known as “Series A Preferred Stock”. The designations, powers, preferences and rights, and the qualifications, limitations or restrictions hereof, in respect of the Series A Preferred Stock shall be as hereinafter described. The holders of Series A Preferred Stock shall not be entitled to receive dividends nor shall dividends be paid on common stock or any other Series Preferred Stock while Series A Preferred shares are outstanding. The holders of Series A Preferred Stock shall be entitled to vote on all matters submitted to a vote of the Shareholders of the Company and shall have such number of votes equal to the number of shares of Series A Preferred Stock held on a one per one share basis. Upon the availability of a sufficient number of authorized but unissued and unreserved shares of common stock, the holders of any Series A Preferred Stock shall be entitled to convert such shares in to fully paid and non-assessable shares of common stock at the rate of 7.8 shares of common stock for each share of Series A Preferred Stock only if the Company has failed to satisfy all financial obligations by the designated time inclusive of the cure period. The Board of Directors of the Company, pursuant to authority granted in the Articles of Incorporation, created a series of preferred stock designated as Series A Preferred Stock (the “Series A Preferred Stock”) with a stated value of $0.001 per share. The number of authorized shares constituting the Series A Preferred Stock was Three Million (3,000,000) shares. At December 31, 2011 and December 31, 2010, there are 1,000,000 shares issued and outstanding.

On September 2, 2009, the Board of Directors unanimously approved the designation of a series of preferred stock to be known as “Series B Preferred Stock”. The designations, powers, preferences and rights, and the qualifications, limitations or restrictions hereof, in respect of the Series B Preferred Stock shall be as hereinafter described. The holders of Series B Preferred Stock shall not be entitled to receive dividends. The holders of Series B Preferred Stock shall not be entitled to vote on any matters submitted to a vote of the Shareholders of the Company. Upon the availability of a sufficient number of authorized but unissued and unreserved shares of common stock, the holders of Series B Preferred Stock may at their election convert such shares in to fully paid and non-assessable shares of common stock at the rate of ten shares of common stock for each share of series B Preferred Stock. The Board of Directors of the Company, pursuant to authority granted in the Articles of Incorporation, created a series of preferred stock designated as Series B Preferred Stock (the “Series B Preferred Stock”) with a stated value of $0.001 per share. The number of authorized shares constituting the Series B Preferred Stock was Two Million (2,000,000) shares.

NOTE M – STOCKHOLDERS' EQUITY (continued)

At December 31, 2011 and December 31, 2010, there are 300,000 shares issued and outstanding.

The number of common shares authorized with a stated value of $0.001 per share at September 30, 2011 and December 31, 2010 is 500,000,000 and 200,000,000, respectively. At December 31, 2011 and December 31, 2010, there are 455,580,193 and 148,947,378 shares of common stock issued and outstanding, respectively.

NOTE N – RELATED PARTY TRANSACTIONS

Notes receivable, stockholder, due on demand with an interest rate of 4% totals $145,662 and 110,597 at December 31, 2011 and December 31, 2010, respectively. Interest receivable on the notes totals $2,773 and $2,832 at December 31, 2011 and December 31, 2010, respectively.

Notes receivable, stockholders, non-interest bearing due on demand, totals $207,354 at December 31, 2011.

Included within accounts payable and accrued expenses are wages due officers and shareholders of $321,548 and $260,000 as of December 31, 2011 and December 31, 2010, respectively.

NOTE O -COMMITMENTS AND CONTINGENCIES

On March 1, 2011, the Company entered into an operating lease for office space. The lease term is for two years with monthly rent totaling $888 in year one and $963 in year two.

Rent expense on all operating leases for the period of March 28, 2008 (inception) to December 31, 2011 was $64,000. Future minimum rental obligations at December 31, 2011 are $11,406 in 2012 and $1,926 in 2013.

On July 15, 2010 the Company entered into an employment agreement with Mr. Chuck Kretchman to serve as the Company's Chief Financial Officer upon the terms and provisions and, subject to the conditions set forth in the Agreement, for a term, commencing on July 15, 2010, and terminating on December 31, 2011. The Agreement included options to the Chief Financial Officer to purchase 600,000 shares of common stock at an average price of $.15 per share. The Executive agrees to accept compensation of $90,000 from January 1, to December 31, 2011. The Agreement contains a six month non-solicitation clause and a confidentiality clause.

On April 1, 2009, the Company executed employment agreements for the offices of President, Vice-President, Treasurer, and Secretary of the Company upon the terms and provisions and, subject to the conditions set forth in the Agreement, for a term of three (3) years, commencing on April 1, 2009, and terminating on March 31, 2012, unless earlier terminated as provided in the Agreement. The Agreement included options to the President to purchase 500,000 shares of common stock at an average price of $.75 per share and 250,000 shares to the Vice-President. In addition, the Vice-President can be issued annual grants of 125,000 options on May 1 of each year of employment throughout the duration of the term at an average price of $.75.

Executives agree to accept, for the first year of the Employment Term a salary at an annual rate of $120,000 for the President and $60,000 for the Vice-President, payable in accordance with the Company's regular payroll practices as from time to time in effect, less all withholdings and other deductions required to be deducted in accordance with any applicable federal, state, local or foreign law, rule or regulation. After the first year during the Employment Term, the annual salary for each successive year will be increased by the lesser of (i) 10% or (ii) the percentage increase, if any, in the CPI for each year just completed measured for the entire twelve (12) month period, plus three percent (3%).

NOTE P- LENDER ACQUISITION AGREEMENT

A lender acquisition agreement was entered into on September 4, 2009 by US Natural Gas Corp and SLMI Holdings, LLC. Through the agreement, US Natural Gas Corp acquired SLMI Options, LLC, a Nevada Limited Liability Company. SLMI Options, LLC is the secured lender of the three commercial notes defined below.

This Agreement is made with respect to loans made by SLMI Holdings, LLC to Harry Thompson ("Thompson"), Harlis Trust ("Trust"), Wilon Resources Inc. ("Wilon") and/or Wilon Gathering System Inc. Purchase Price**.** US Natural Gas Corp agrees to pay the following consideration herewith in return for conveyance of the Lender Units.

NOTE P- LENDER ACQUISITION AGREEMENT (continued)

$500,000 in financing given May 6, 2005 for construction of a natural gas gathering system in Kentucky (the "Gathering System Loan"), $300,000 mortgage on the Wilon business offices given October 13, 2005 (the "Office Loan"), $175,000 in financing given on October 24, 2006 to finance 176 acres of land in West Virginia and to finance the placement of a natural gas treatment station (the "WV Loan"); these loans include that certain Amendment to Loan Agreements dated August 2, 2006, that certain Receipt for Shares Pledged as Collateral dated December 8, 2007 and that certain Second Amendment to Loan Agreements dated January 27, 2009 (with 7.8 million Wilon shares attached and pledged as additional collateral). Further, the Borrowers and SLMI have agreed to special terms for assignment of loan rights by SLMI and subsequent holders of the loans pursuant to that Acknowledgment by Borrowers delivered Jan. 5, 2009. At December 31, 2010 the notes receivable balance was eliminated through consolidation.

$1,000,000 in financing was made payable by secured promissory note. By December 31, 2010, US Natural Gas Corp shall have paid at least $250,000 in cash toward the Secured Note. By December 31, 2011, US Natural Gas Corp shall have paid at least $250,000 more. By December 31, 2012, US Natural Gas Corp shall have paid at least $250,000 more. All unpaid principal and interest shall be due no later than December 31, 2013. To the extent, US Natural Gas Corp tenders proceeds from dispositions of real estate collateral on the SLMI Loans (which dispositions shall require the written consent of Owner), said payments shall be applied toward the Secured Note, but they shall not reduce the minimum installments required for years 2010 through 2012. From January 2010 to December 2013, a minimum monthly cash installment of $4,000 shall be paid by US Natural Gas Corp on the Secured Note until it is paid in full. Additional Security and Collateral for the Secured Note and the covenants hereunder: At December 31, 2011 and December 31, 2010 the notes payable balances were $980,000 (See Note J).

NOTE Q - SUBSEQUENT EVENTS

On May 8, 2012, the Board of Directors authorized and shareholders holding a majority of our outstanding voting capital stock (the "Majority Shareholders") of US Natural Gas Corp (the "Company") have approved an amendment to the Articles of Incorporation (the "Amendment") which was filed with the Secretary of State of Florida. Pursuant to the Amendment, the Company increased its authorized capital to authorize the issuance of 1,800,000,000 shares of common stock, par value $0.001.

On April 16, 2012, the Company filed a Form 15 with the Securities and Exchange Commission to immediately end the Company's requirements as a fully reporting entity. The Company's common stock will continue to be quoted on the OTC Markets. Upon filing the Company's financial information, the Company's status on the OTC Markets will be deemed as "Current Information". In the event the Company fails to file its financial information with the OTC Markets, it may be deemed as "Limited Information or "STOP".

On April 16, 2012, the Company entered into a Convertible Promissory Note ("Promissory Note") with Tangiers Investors, LP, ("Tangiers") in the amount of Fifteen Thousand Dollars ($15,000). The Convertible Note was fully funded on April 16, 2012. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 50% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 5 (five) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent.. The Convertible Note has a term of one (1) year and accrues interest at a rate equal to nine percent (9%) per year.

On April 9, 2012, the Company entered into a Convertible Promissory Note ("Promissory Note") with Tangiers Investors, LP, ("Tangiers") in the amount of Fifteen Thousand Dollars ($15,000). The Convertible Note was fully funded on April 9, 2012. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 50% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 5 (five) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent.. The Convertible Note has a term of one (1) year and accrues interest at a rate equal to nine percent (9%) per year.

On April 3, 2012, the Company entered into a Convertible Note ("Convertible Note") with Tangiers Investors, LP, ("Tangiers") in the amount of Nineteen Thousand Dollars ($19,000). The Convertible Note was funded on September 7, 2011. The Convertible Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 50% of the Market Price. The Market Price is defined as the lowest Trading Price for the common stock during the 5 (five) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Convertible Note has a term of one (1) year and accrues interest at a rate equal to nine percent (9%) per year.

On April 1, 2012, the Company entered into a new employment agreement with Wayne Anderson to serve as the President, Treasurer (Principal Financial Officer), and Secretary commencing on April 1, 2012 and terminating on March 31, 2015. In consideration of Mr. Anderson's execution and delivery of this agreement, the Company shall issue to Mr. Anderson options to purchase 100,000,000 shares of the Company's common stock at varying strike prices over the three year agreement term. Pursuant to the agreement, Mr. Anderson will receive an annual compensation of $197,000 in year one. After the first year during the employment term, the annual salary for each successive year will be increased by the lesser of 10% or the percentage increase, if any, in the CPI for each year just completed measured for the entire twelve month period, plus three percent. The Company shall pay Mr. Anderson a monthly stipend of $1,000 to cover automobile expenses. Mr. Anderson is entitled to participate in any and all benefit plans, from time to time, in effect for the Company's employees, along with vacation, sick and holiday pay in accordance with policies established and in effect from time to time. In the event that the employment agreement is ended due to Mr. Anderson's death, incapacity or termination, the Company shall pay any accrued and unpaid salary for a one year period from the date of the event plus any performance bonus that would be payable for the one year period and unreimbursed business expenses.

On April 1, 2012, the Company entered into an employment agreement with Jim Anderson to serve as the Vice President commencing on April 1, 2012 and terminating on March 31, 2015. In consideration of Mr. Anderson's execution and delivery of this agreement, the Company shall issue to Mr. Anderson options to purchase 50,000,000 shares of the Company's common stock at varying strike prices over the three year agreement term. Pursuant to the agreement, Mr. Anderson will receive an annual compensation of $110,000 in year one. After the first year during the employment term, the annual salary for each successive year will be increased by the lesser of 10% or the percentage increase, if any, in the CPI for each year just completed measured for the entire twelve month period, plus three percent. The Company shall pay Mr. Anderson a monthly stipend of $500 to cover automobile expenses. Mr. Anderson is entitled to participate in any and all benefit plans, from time to time, in effect for the Company's employees, along with vacation, sick and holiday pay in accordance with policies established and in effect from time to time. In the event that the employment agreement is ended due to Mr. Anderson's death, incapacity or termination, the Company shall pay any accrued and unpaid salary for a one year period from the date of the event plus any performance bonus that would be payable for the one year period and unreimbursed business expenses.

On March 8, 2012, the Company entered into a Convertible Promissory Note ("Promissory Note") with Hanover Holdings I, LLC, ("Hanover") in the amount of Eighteen Thousand Dollars ($18,000) and a Securities Purchase Agreement. The Promissory Note was fully funded on March 9, 2012. The Promissory Note is convertible, in whole or in part, at any time and from time to time before maturity at the option of the holder at the Variable Conversion Price, which shall mean 50% of the Market Price. The Market Price is defined as the average of the three (3) lowest Trading Prices for the common

stock during the 10 (ten) Trading Day period ending one Trading Day prior to the date the Conversion Notice is sent. The Promissory Note has a term of six (6) months and accrues interest at a rate equal to six percent (6%) per year.

NOTE R – PRIOR PERIOD ADJUSTMENT

In September 2009, the Company issued 300,000 shares of Series B Convertible Preferred Stock in exchange for a $300,000 note receivable due in September 2014, plus interest at three percent (3%) per annum. The note receivable has been included in the consolidated balance sheet at December 31, 2009 with an offsetting increase to additional paid in capital of $299,700. There was no affect to the consolidated statement of operations or cash flows for the year ended December 31, 2009.