

**TEXAS WYOMING DRILLING, INC.**

**FINANCIAL STATEMENTS**

**December 31, 2011  
and  
December 31, 2010**

**(Unaudited)**

**TEXAS WYOMING DRILLING, INC. AND SUBSIDIARIES**  
**INDEX TO CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS**

	<b>Page</b>
Consolidated Balance Sheets, December 31, 2011 and December 31, 2010 (Unaudited) .....	F-3
Consolidated Statements of Operations for years ended December 31, 2011 and year ended December 31, 2010 (Unaudited) .....	F-4
Consolidated Statements of Cash Flows for the years December 31, 2011 and year ended December 31, 2010 (Unaudited) .....	F-5
Notes to Consolidated Financial Statements (Unaudited) .....	F-6

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

	December 31,	
	2011	2010
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 63,826	\$ 19,120
Trade accounts receivable, net	52,052	144,580
Inventories	150,000	150,000
Investment in Joint Venture	485,500	485,500
<b>Total Current Assets</b>	751,378	799,200
<b>Property and Equipment</b>		
Property, plant and equipment, net of \$3,089,727 and 3,087,647 in accumulated depreciation, respectively	731,342	735,047
Prepays and other	2,500	-
<b>Total Assets</b>	\$ 1,485,220	\$ 1,534,246
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
<b>Current Liabilities</b>		
Trade accounts payable	\$ 65,702	\$ 54,401
Accrued liabilities	130,394	126,462
Due to shareholders	538,523	435,518
Short-term portion of long-term notes payable	4,627	(16,014)
Line of credit	1,280,489	1,409,034
<b>Total Current Liabilities</b>	2,019,734	2,009,401
<b>Long-term notes payable</b>	11,387	16,014
<b>Shareholders' Deficit</b>		
Common stock, \$0.01 par value; 699,999,999 shares authorized; 221,516,800 and 128,193,800 shares issued and outstanding	2,215,168	1,281,938
Additional paid-in capital	4,419,005	3,641,785
Accumulated deficit	(7,180,073)	(5,414,891)
<b>Total Shareholders' Deficit</b>	(545,901)	(491,168)
<b>Total Liabilities and Shareholders' Deficit</b>	\$ 1,485,220	\$ 1,534,246

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

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

	For the Years Ended	
	December 31,	
	2011	2010
<b>Revenues</b>	\$ 625,971	\$ 1,027,450
<b>Expenses</b>		
Cost of sales	19,530	60,828
General and Administrative	2,310,883	3,635,475
<b>Total Expenses</b>	2,330,413	3,696,303
<b>Loss from Operations</b>	(1,704,442)	(2,668,853)
Interest Expense	(60,740)	(154,584)
Other Income	-	-
<b>Net Income (Loss)</b>	\$ (1,765,182)	\$ (2,823,437)
<b>Basic Earnings (Loss) Per Share</b>	\$ 1.00	\$ (0.05)
<b>Diluted Earnings (Loss) Per Share</b>	1.00	(0.05)

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

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

	Common Stock		Additional	Retained	Total
	Shares	Amount	Paid-in	Earnings	Shareholders'
			Capital		Equity
<b>Balance, December 31, 2009</b>	30,963,812	\$ 309,638	813,139	\$ (2,591,454)	\$ (1,468,677)
Common stock issued for cash	12,500	125	5,845	-	5,970
Common stock issued for services	97,217,500	972,175	2,822,801	-	3,794,976
Net loss	-	-	-	(2,823,437)	(2,823,437)
<b>Balance, December 31, 2010</b>	128,193,812	1,281,938	3,641,785	(5,414,891)	(491,168)
Common stock issued for cash	33,000,000	330,000	183,000	-	513,000
Common stock issued for services	60,323,000	603,230	594,220	-	1,197,450
Net loss	-	-	-	(1,765,182)	(1,765,182)
<b>Balance, December 31, 2010</b>	221,516,812	\$ 2,215,168	\$ 4,419,005	\$ (7,180,073)	(545,900)

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

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

	For the Years Ended December 31,	
	2011	2010
<b>Cash Flows from Operating Activities</b>		
Net loss	\$ (1,765,182)	\$ (2,694,687)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Common stock issued for services	1,197,450	2,460,096
Depreciation and amortization	6,580	750
Changes in operating assets and liabilities:		
Trade accounts receivable	92,528	(27,194)
Other assets	(2,500)	-
Trade accounts payable	11,301	39,378
Accrued liabilities	3,931	83,930
<b>Net Cash Used in Operating Activities</b>	(455,892)	(137,727)
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(2,876)	-
<b>Net Cash Used in Investing Activities</b>	(2,876)	-
<b>Cash Flows from Financing Activities</b>		
Proceeds from sale of common stock	513,000	-
Proceeds from loan from shareholders	103,005	276,548
Principal payments on Line of Credit	(128,545)	(132,781)
Payments on short-term note	16,014	-
<b>Net Cash Used in Financing Activities</b>	503,474	143,767
<b>Net Increase in Cash and Cash Equivalents</b>	44,706	6,040
<b>Cash and Cash Equivalents at Beginning of Period</b>	19,120	2,080
<b>Cash and Cash Equivalents at End of Period</b>	\$ 63,825	\$ 8,120

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



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

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

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

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

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

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

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

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

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

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

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

*Property and Equipment* – Property and equipment are recorded at cost less accumulated depreciation. Maintenance, repairs, and minor replacements are charged to expense as incurred. When depreciable assets are retired, sold, or otherwise disposed of, the cost and related accumulated



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

depreciation are removed from the accounts and the resulting gain or loss is reflected in operations. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, which are three to seven years.

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

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

At December 31, 2011, there were 3,629,500 participating common stock equivalents.

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

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

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

Undeveloped mineral interests are not amortized until such time as they are converted to proven and probable reserves. At that time, the basis of the mineral interest is amortized on a units-of-production



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

basis. Pursuant to our policy on impairment of long-lived assets (discussed further below), if it is determined that an undeveloped mineral interest cannot be economically converted to proven and probable reserves, the basis of the mineral interest is reduced to its net realizable value and an impairment loss is recorded to expense in the period in which it is determined to be impaired.

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

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

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

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2011 and December 31, 2010:

	December 31, 2011	December 31, 2010
Earth moving and crushing machinery	\$ 3,627,439	\$ 3,632,124
Vehicles and office equipment	96,815	95,285
Total Property and Equipment	3,724,254	3,727,409
Less: Accumulated depreciation	(3,089,727)	(3,087,647)
Net Property and Equipment	\$ 634,527	\$ 639,762

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

**NOTE 4 – INVENTORY**

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

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

**NOTE 5 – JOINT VENTURE**

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

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

**NOTE 6 – MINE CLAIMS**

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

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

Mining has not yet commenced, but is expected to in 2012 once funding is secured.

**NOTE 7 – DEBT**

**Line of Credit**

The Company's subsidiary entered into a revolving line of credit with Caterpillar in order to purchase earth moving, crushing and transporting equipment. The line of credit has a balance of \$1,280,489 as of December 31, 2011 and carries an interest rate of 7% and is secured by the equipment, which has been appraised to be approximately equal in value to the balance of the line of credit.

**Due to Shareholders**

Various members of management, who are also shareholders, have loaned money to the Company over time in order to fund operations, special projects. Loans to the Company are accumulated and an interest rate of 7% is applied. The amount Due to Shareholders is \$538,523 as of December 31, 2011.

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



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

**Notes Payable**

In 2008, the Company entered into a commercial loan for an equipment purchase. The note carries an interest rate of 13% and was guaranteed by a shareholder. The balance as of December 31, 2011 was \$16,014.

**NOTE 8 – EQUITY**

**Common Stock** – During 2010, the Company issued 97,217,500 shares of common stock to consultants for services valued at \$3,794,976, or \$0.0390 per share. The common stock and the related services were valued based on the market value of the common stock at the date the shares were issued. The Company issued 12,500 shares of common stock for \$5,970 in cash to accredited investors in a private placement memorandum.

During 2011, the Company issued 33,000,000 shares of common stock for \$513,000 in cash to accredited investors in a private placement memorandum. In addition, 60,323,000 shares of common stock were issued to consultants for services valued at \$1,197,450, or \$0.199 per share.

**Warrants** – In 2008, the Company issued three year warrants to purchase 3,629,500 shares of common stock at exercise prices from \$0.25 per share. These warrants will expire in the first quarter of 2013 and were recorded in Additional Paid-In Capital. There was no activity in the warrants during the year ended December 31, 2011 or 2010. Warrants outstanding at December 31, 2011 were 3,629,500.

In January 2012, the Company enacted a 1:2 forward stock split. See Note 10 for more information.

**NOTE 9 – INCOME TAXES**

At December 31, 2011, the Company has operating loss carry forwards of approximately \$3,500,000 that will begin to expire in 2024 if not used by that date. The Company's 2007 through 2010 tax returns remain open to review by the tax authorities.

**NOTE 10 – SUBSEQUENT EVENTS**

**Stock Split** – On January 23, 2012, the board of directors approved a 1:2 split of the outstanding common shares. The Company has retrospectively applied the split for all periods presented. Following the stock split, the Company has 699,999,999 shares of authorized common stock with 233,619,590 common shares issued and outstanding as of April 2012.

**Line of Credit Dissolution** – In response to the nation-wide reduction in new home construction and a corresponding decline in the demand for decorative rock, the Company has determined to focus on extraction rather than quarrying and therefore dissolved the line of credit and auctioned all equipment held as collateral for the debt. By reducing the large interest and principle payments for the equipment, the company is now able to lease only equipment needed and is in a position to scale up operations as required.