MUSTANG GEOTHERMAL CORP
Form 10-Q/A
February 03, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q/A

Amendment No. 3

[(Mark One)

X .

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **December 31, 2010**

Or

. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to ____________

Commission file number **000-50191**

MUSTANG GEOTHERMAL CORP.

(Exact name of registrant as specified in its charter)

UREX ENERGY CORP.
(If there is a name change, the Former Name of registrant)

Nevada	**98-0201259**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

10580 N. McCarran Blvd., Building 115 208, Reno, Nevada 89503
(Address of principal executive offices) (zip code)

775.747.0667
(Registrant s telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X . No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer .	Accelerated filer .
Non-accelerated filer . (Do not check if a smaller reporting company)	Smaller reporting company X .

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes . No X .

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date:

33,417,057 common shares issued and outstanding as of December 31, 2010

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

It is the opinion of management that the interim financial statements for the quarter ended December 31, 2010, include all adjustments necessary in order to ensure that the interim financial statements are not misleading.

The interim financial statements are stated in United States dollars and are prepared in accordance with United States generally accepted accounting principles.

MUSTANG GEOTHERMAL CORP

Formerly UREX ENERGY CORP

(An Exploration Stage Company)

CONSOLIDATED BALANCE SHEETS

	December 31, 2010 (Unaudited)	March 31, 2010
ASSETS		
Current Assets		
Cash	$ 6,068	$ 73,721
Prepaids	333,000	-
Total current assets	339,068	73,721
Geothermal Leases	2,955,000	1,000,000
Property and equipment	232	929
Total Assets	$ 3,294,300	$ 1,074,650
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable and accrued liabilities	$ 415,684	$ 268,838
Line of credit	17,676	-
Accrued interest	86,210	70,880
Due to related party	22,500	22,500
Note payable to related party	405,550	405,500
Total current liabilities	947,620	767,768
Total liabilities	947,620	767,768
Stockholders' Equity (Deficit)		
Common stock, $0.001 par value 300,000,000 shares authorized 33,417,057 and 1,022,028 shares issued and outstanding, respectively	33,417	1,022
Additional paid-in capital	13,721,583	9,520,978
Deficit accumulated during the exploration stage	(11,408,320)	(9,215,118)
Total stockholders' equity (deficit)	2,346,680	306,882

Total Liabilities and Stockholders' Equity (Deficit)	$	3,294,300	$	1,074,650

See accompanying notes to the financial statements.

MUSTANG GEOTHERMAL CORP

Formerly UREX ENERGY CORP

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS

For the three and nine months ended December 31, 2010 and 2009 and

For the period from February 6, 2002 (Date of Inception) to December 31, 2010

	For the three months ended		For the nine months ended		For the Period from February 2, 2002 (inception) to
	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010	Dec 31, 2009	Dec 31, 2010
REVENUES	$ -	$ -	$ -	$ -	$ -
OPERATING EXPENSES					
Depreciation	232	233	697	698	2,554
Depreciation geothermal leases	77,500	-	145,000	-	145,000
Management fees	38,778	30,000	98,778	90,000	563,778
Professional fees	10,658	7,000	27,009	18,500	399,325
Consulting fees	16,988	30,000	16,988	100,000	605,158
Exploration costs	6,501	598	42,093	19,778	219,747
Interest on loans	5,129	11,591	15,330	32,701	113,182
Investor relation fees	-	-	-	50,000	415,097
Travel	-	-	20,216	6,205	66,938
General and administrative	9,267	6,060	23,559	17,282	209,247
Recovery of expenses	-	-	-	(4,402)	(5,575)
Impairment of intangible asset	1,803,532	-	1,803,532	-	7,539,285
Total operating expenses	1,968,585	85,482	2,193,202	330,762	10,273,736
Operating loss	(1,968,585)	(85,482)	(2,193,202)	(330,762)	(10,273,736)
OTHER INCOME					

Interest income	-	-	-	-	10,126
Total other income	-	-	-	-	10,126
Net loss from continuing operations	$(1,968,585)	$(85,482)	$(2,193,202)	$(330,762)	$(10,263,610)
DISCONTINUED OPERATIONS					
Gain (Loss) from disposal of subsidiary	-	31,142	-	(210,910)	(1,144,710)
NET INCOME (LOSS)	$(1,968,585)	$(54,340)	$(2,193,202)	$(541,672)	$(11,408,320)
Net loss per share for continuing operations					
basic and diluted	$ (0.07)	$ (0.16)	$ (0.18)	$ (0.63)	
Net loss per share for discontinued operations					
basic and diluted	$ -	$ 0.06	$ -	$ (0.40)	
Weighted average common shares outstanding					
- Basic and diluted	27,364,883	522,128	11,952,330	522,128	

See accompanying notes to the financial statements.

MUSTANG GEOTHERMAL CORP

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(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER S EQUITY

For the period from February 6, 2002 (Date of Inception) to December 31, 2010

	Common Stock 300,000,000 shares authorized Shares Issued	Par Value $.001 per share	Additional Paid-In Capital	Accumulated Deficit	Deferred Consulting Fees	Accumulated Comprehensive Losses	Total Shareholders' Equity
BALANCE, MARCH 31, 2008	422,128	$ 422	8,141,578	$ (7,950,369)	$ -	$ (512)	$ 191,119
Shares issued for services	20,000	20	119,980	-	-	-	120,000
Shares issued for services	5,000	5	29,995	-	-	-	30,000
Shares issued for services	20,000	20	119,980	-	-	-	120,000
Shares issued for services	55,000	55	109,945	-	-	-	110,000
Net loss	-	-	-	(1,404,241)	-	-	(1,404,241)
Deferred consulting fees	-	-	-	-	(106,400)	-	(106,400)
Net change in foreign currency translation	-	-	-	-	-	(24,715)	(24,715)
BALANCE, MARCH 31, 2009	522,128	522	8,521,478	(9,354,610)	(106,400)	(25,227)	(964,237)
Shares issued for asset	500,000	500	999,500	-	-	-	1,000,000
Currency translation expensed upon sale of subsidiary	-	-	-	-	-	25,227	25,227
Net income	-	-	-	139,492	-	-	139,492
Deferred consulting fees	-	-	-	-	106,400	-	106,400
	494,929	495	(495)	-	-	-	-

Adjustment for reverse stock split							
BALANCE, MARCH 31, 2010	1,517,057	1,517	9,520,483	(9,215,118)	-	-	306,882
BALANCE, MARCH 31, 2010	1,517,057	1,517	9,520,483	(9,215,118)	-	-	306,882
Shares issued for asset @ $0.15	14,000,000	14,000	2,086,000	-	-	-	2,100,000
Shares issued for services @ $0.25	100,000	100	24,900	-	-	-	25,000
Shares issued for services @ $0.11	2,800,000	2,800	305,200	-	-	-	308,000
Shares issued for asset @ $0.12	15,000,000	15,000	1,785,000	-	-	-	1,800,000
Net income	-	-	-	(2,193,202)	-	-	(2,193,202)
BALANCE, DECEMBER 31, 2010	33,417,057	$ 30,417	$13,721,583	$(11,408,320)	$ -	$ -	$ 2,346,680

See accompanying notes to the financial statements.

MUSTANG GEOTHERMAL CORP

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(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine months ended December 31, 2010 and 2009, and

For the period from February 6, 2002 (Date of Inception) to December 31, 2010

	For the nine months ended Dec 31, 2010	For the nine months ended Dec 31, 2009	For the Period from February 6, 2002 (inception) to Dec 31, 2010
Adjustments to reconcile net income to net cash			
Net income (loss)	$ (2,193,202)	$ (541,672)	$ (11,408,320)
Depreciation and amortization	697	698	6,449
Depreciation Geothermal leases	145,000		170,000
Shares issued for services	-	-	380,000
Deferred consulting fees	-	100,000	-
Impairment of intangible asset	1,803,532	-	7,539,285
Decrease in assets held for sale	-	-	
Decrease in liabilities held for sale	-	-	
Changes in current assets and current liabilities:			
Accounts receivable	-	-	-
Prepaid expense	-	-	-
Accounts payable	162,176	131,737	501,894
Net cash used by continuing operating activities	(81,797)	(309,237)	(2,810,692)
Discontinued operations:			
Loss from discontinued operations	-	(60,566)	(1,838,766)
Loss on sale of discontinued operations	-	-	1,226,091
Operating activities from discontinued operations	-	275,208	450,529
Net cash used by discontinued operations	-	214,642	(162,146)
Net cash used in operating activities	(81,797)	(94,595)	(2,972,838)
Cash Flows From Investing Activities			
Purchase of assets	(25,000)	-	(25,000)
Purchase of fixed assets	-	-	(2,788)

Option agreement	-	-	(2,500)
Net cash used in investing activities	(25,000)	-	(30,288)
Cash Flows From Financing Activities:			
Proceeds from purchase of assets	21,468	-	21,468
Proceeds from the issuance of common stock	-	-	2,542,000
Proceeds from line of credit	17,676	-	17,676
Proceeds from (repayment of) notes payable	-	139,723	405,550
Proceeds from (repayment of) line of credit	-	(28,147)	-
Notes payable to related party	-	-	22,500
Net cash provided by (used in) financing activities	39,144	111,576	3,009,194
Effect of Exchange Rate Changes on Cash	-	-	-
Cash held in trust	-	-	(1,665,773)
Cash released from trust during current period	-	-	1,665,773
	-	-	-
Increase in cash and cash equivalents	(65,653)	16,981	6,068
Cash and Cash Equivalents, Beginning of Period	73,721	1,975	-
Cash and Cash Equivalents, End of Period	$ 6,068	$ 18,956	$ 6,068
Supplemental Disclosure of Non-Cash Transactions:			
Common stock issued for assets	$ (3,900,000)	$ -	$ (4,900,000)
Supplemental Disclosure of Cash Flow Information:			
Cash paid for:			
Interest	$ -	$ -	$ -
Income taxes	$ -	$ -	$ -

See accompanying notes to the financial statements.

MUSTANG GEOTHERMAL CORP

Formerly UREX ENERGY CORP**.**

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

December 31, 2010

Note 1

Summary of Significant Accounting Policies

Interim Reporting

While the information presented in the accompanying interim nine months financial statements is unaudited, it includes all adjustments, which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented in accordance with accounting principles generally accepted in the United States of America. These interim financial statements follow the same accounting policies and methods of their application as the Company s March 31, 2010 annual financial statements. All adjustments are of a normal recurring nature. It is suggested that these interim financial statements be read in conjunction with the Company s March 31, 2010 annual financial statements.

Operating results for the nine months ended December 31, 2010 are not necessarily indicative of the results that can be expected for the year ended March 31, 2011.

Principles of Consolidation and Presentation

The consolidated financial statements include the accounts of Mustang Geothermal Corp. and Andean Geothermic Energy, S.A.C. All significant intercompany balances and transactions have been eliminated in consolidation.

Note 2

Nature and Continuance of Operations

Mustang Geothermal Corp., formerly Urex Energy Corp (the Company) was incorporated in the State of Nevada on February 6, 2002 and changed its fiscal year end from September 30 to March 31. In July 2006, the Company changed its name from Lakefield Ventures, Inc. to Urex Energy Corp. Additionally, on July 22, 2010 the Company changed its name from Urex Energy Corp to Mustang Geothermal Corp reflecting a change in business. The Company has been in the exploration stage since its formation and has not realized any revenues from its planned operations. The Company is primarily engaged in the acquisition, exploration, and development of geothermal properties. Upon location of a commercial geothermal energy resource, the Company expects to actively prepare the site for the extraction of geothermal energy and the production of renewal electrical power.

The Company entered into an agreement with Enco Explorations Inc. on March 18, 2010 to purchase certain Geothermal Leases in exchange for 100,000,000 shares (500,000 shares post reverse split) of the Company s common stock, which was valued at $0.01 on the transaction date.

Effective July 22, 2010, the Financial Industry Regulatory Authority, Inc. or FINRA, approved the Company s name change from Urex Energy Corp to Mustang Geothermal Corp. and a reverse stock split of 200 to 1.

On August 26, 2010, the Company entered into agreements with Minera Inc., Dakota Resource Holdings LLC., and Minera Cerro El Diablo Inc. to acquire certain geothermal leases totaling 9800 acres located in the State of Nevada for 14 million shares of the Company s common stock, which was valued at $0.10 on the transaction date.

Note 2

Nature and Continuance of Operations Continued

On November 5, 2010, the Company completed an agreement to acquire Andean Geothermic Energy S.A.C., a Peruvian Company, from Genoa Energy Resources Inc. for 15 million shares of the Company s common stock, which was valued at $0.12 on the transaction date and a US$25,000 cash payment. Andean Geothermic Energy S.A.C. has 4 geothermal applications totaling 3600 hectares (8896 acres) in the provinces of Arequipa, Ayacucho, and Cusco country of Peru. Please also see Notes 7 and 8.

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Formerly UREX ENERGY CORP**.**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

December 31, 2010

Note 3

Going Concern

These financial statements have been prepared assuming the Company will continue as a going concern. The Company has accumulated a deficit of $11,408,320 since inception and, has yet to achieve profitable operations and further losses are anticipated in the development of its business, which raises substantial doubt about the Company's ability to continue as a going concern. At December 31, 2010, the Company had a working capital deficiency of $608,552. Its ability to continue as a going concern is dependent upon the ability of the Company to generate profitable operations in the future and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that may be necessary should the Company be unable to continue as a going concern. The Company anticipates that additional funding will be in the form of equity financing from the sale of common stock and/or commercial borrowing. There can be no assurance that capital will be available, it will be on terms acceptable to the Company. The issuances of additional equity securities by the Company would result in a dilution in the equity interests of its current stockholders. The Company may also seek to obtain short-term loans from the directors of the Company. There are no current arrangements in place for equity funding or short-term loans as of December 31, 2010.

Note 4 Earnings per Share

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution that could occur if stock options and other commitments to issue common stock were exercised or equity awards vest resulting in the issuance of common stock that could increase the number of shares outstanding and lower the earnings per share of the Company s common stock. This calculation is not done for periods in a loss position as this would be anti-dilutive. As of December 31, 2010, there were no stock options and warrants issued.

Note 5

Recently Issued Accounting Standards

Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles

In August 2010, the FASB issued Accounting Standard Updates No. 2010-21 (ASU No. 2010-21) Accounting for Technical Amendments to Various SEC Rules and Schedules and No. 2010-22 (ASU No. 2010-22) Accounting for Various Topics Technical Corrections to SEC Paragraphs . ASU No 2010-21 amends various SEC paragraphs pursuant to the issuance of Release no. 33-9026: Technical Amendments to Rules, Forms, Schedules and Codification of Financial Reporting Policies. ASU No. 2010-22 amends various SEC paragraphs based on external comments received and the issuance of SAB 112, which amends or rescinds portions of certain SAB topics. Both ASU No. 2010-21 and ASU No. 2010-22 are effective upon issuance. The amendments in ASU No. 2010-21 and No. 2010-22 will not have a material impact on the Company s financial statements.

A variety of proposed or otherwise potential accounting standards are currently under study by standard-setting organizations and various regulatory agencies. Because of the tentative and preliminary nature of these proposed standards, management has not determined whether implementation of such proposed standards would be material to the Company s consolidated financial statements.

Note 6

Common Stock

On July 22, 2010, Financial Industry Regulatory Authority (FINRA) approved a 200 to 1 reverse stock split of the Company s common stock, and a name change to Mustang Geothermal Corp. The pre-split shares were 204,425,600 and the post split amount was 1,517,057 shares. There was an adjustment of 494,929 shares for the reverse stock split to adjust holdings so that no shareholders have less than 200 common stock of the Company post-split as a result of the split. As at December 31, 2010, the total issued and outstanding was 33,417,057.

During the period ended December 31, 2010, the Company issued 14,000,000 shares at $0.15 per share in exchange for certain geothermal leases.

MUSTANG GEOTHERMAL CORP

Formerly UREX ENERGY CORP**.**

(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

December 31, 2010

Note 6

Common Stock (continued)

During the period ended December 31, 2010, the Company entered into an agreement and issued 15,000,000 shares at $0.12 per share plus $25,000 to acquire Andean Geothermic Energy SAC.

Non-cash Transactions

During the period ended December 31, 2011, the Company issued 14,000,000 common shares at $0.15 per share totalling $2,100,000 for the purchase of the geothermal leases. The Company issued 15,000,000 shares for the acquisition of its subsidiary, Andean Geothermic Energy SAC. The Company issued 2,900,000 common shares totaling $333,000 to consultants for consulting services, which is shown under prepaids.

Note 7

Geothermal Leases and Properties

On March 18, 2010, the Company acquired 100% interest of three geothermal leases located in the State of Nevada. These leases were purchased from ENCO Explorations, Inc. in exchange for 100,000,000 shares of Company s common stock, which was valued at $0.01 on the date of the transaction. The initial lease tenure is 10 years and is renewable up to 40 years, providing that geothermal production has been realized in the initial term. The annual lease payment is $3/acre for the first 10 years, approximately $16,386 for the 5462 acres noted here. The Leasing Act states that future electrical production sold from the leases would attract a gross royalty of 1.75% for the first ten years of lease and 3.50% for the remaining term of the lease.

Lease Serial Number	**County**	**Acres**

NVN 86858	Pershing	1920
NVN 86933	White Pine	1120
NVN 86930	White Pine	2422
		TOTAL5462 Acres

On August 26, 2010, the Company acquired 100% interest of three geothermal leases located in the State of Nevada. These leases were purchased from Minera Inc., Minera Cerro El Diablo Inc. and Dakota Resource Holdings LLC in exchange for the Company s common stock valued at $0.15 per share in the amount of 3,000,000 shares, 5,000,000 shares and 6,000,000 shares, respectively. The initial lease tenure is 10 years and is renewable up to 40 years, providing that geothermal production has been realized in the initial term. The annual lease payment is $3/acre for the first 10 years, approximately $29,400 for the 9800 acres noted here. The Leasing Act states that future electrical production sold from the leases would attract a gross royalty of 1.75% for the first ten years of lease and 3.50% for the remaining term of the lease.

Lease Serial Number	**County**	**Acres**
NVN 88490	Lander	3660
NVN 88475	Mineral	4420
NVN 88494	Nye	1720
		TOTAL9800 Acres

On November 5, 2010, the Company acquired 99.99% shares of Andean Geothermic Energy SAC, a Peruvian Corporation that has access to four geothermal applications consisting of 3,600 hectares (8896 acres) in the province of Arequipa. The Company paid 15 million shares of common stock valued at $0.12 per share with a $25,000 cash payment. The $25,000 cash payment has not been paid as at the date of this report.

Properties in Peru:

Properties	**Province**	**Area (Ha)**
Banos Del Inca	Arequipa	900
Condoroma	Cusco	900
Ninobamba	Ayacucho	900
Paclla	Arequipa	900
	TOTAL	3,600 Ha

MUSTANG GEOTHERMAL CORP

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(An Exploration Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

December 31, 2010

Note 8

Impairment of Goodwill

The Company entered into an agreement with Genoa Energy Resources to acquire Andean Geothermic Energy SAC (Andean), a Peruvian company that in turn, holds 4 geothermal applications totalling 3600 hectares in the provinces of Arequipa, Ayacucho, and Cusco in Peru as referenced in Notes 2 and 7 above. The Company issued Genoa Energy Resources Inc. 15 million common shares of the Company that was valued at $0.12 on the transaction date and $25,000 cash payment. This acquisition was recorded as a purchase of Andean. The value of Andean was initially determined as the consideration paid plus the fair market value of the shares issued and the cash payment. The purchase price was then allocated against the fair market value of the assets and liabilities assumed, with the residual balance recorded as goodwill. Because Andean has no proven mineral reserves, the amount allocated toward goodwill was reconsidered 100% impaired and written off at the date of the acquisition.

Note 9

Subsequent Events

On April 8, 2011, Mr Kevin Pikero was appointed Chief Financial Officer, Chief Accounting Officer and director of the Company.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

This quarterly report contains forward-looking statements as that term is defined in Section 27A of the United States Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as may , should , expects , plans , anticipates , believes , estimates , predicts , potential negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled Risk Factors , that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are stated in United States dollars and are prepared in accordance with United States generally accepted accounting principles.

In this quarterly report, unless otherwise specified, all dollar amounts are expressed in United States dollars.

As used in this quarterly report, the terms we , us , our , and Urex mean Mustang Geothermal Corp., formerly U Energy Corp., unless otherwise indicated.

Corporate History

We were incorporated in Nevada on February 6, 2002 under the name of Lakefield Ventures Inc. Effective June 2, 2006, we increased our authorized common stock from 50,000,000 shares, par value $0.001, to 150,000,000 shares, par value $0.001, and we effected a 11.4 for one (1) forward stock split of our issued and outstanding common stock. Effective July 3, 2006, we changed our name from Lakefield Ventures Inc. to Urex Energy Corp. as a result of a merger with Urex Energy Corp., our wholly-owned subsidiary that was incorporated solely to effect the name change. In addition, on July 3, 2006, we effected a two (2) for one (1) forward stock split of our authorized, issued and outstanding common stock.

We are authorized to issue up to 300,000,000 shares of common stock, par value $0.001and 10 million preferred shares.

Our principal executive office is located at 10580 N. McCarran Blvd., Building 115-208, Reno, Nevada. The telephone number of our principal executive office is 775.747.0667.

Our majority-owned subsidiary, United Energy Metals S.A., an Argentina company, of which we own 99.8% of the issued and outstanding capital stock was sold on February 10, 2010 to Patagonia Resources Ltd.

As a part of an on-going reorganization of the Company s business activity, the decision to diversify into the geothermal energy field is aligned with the Company s long-term strategy to add shareholder value. On March 18, 2010 the Company entered into an agreement with Enco Explorations Inc. to purchase certain Geothermal Leases in exchange for 100,000,000 shares (500,000 shares post reverse split) of the Company s common stock, which was valued at $0.01 on the transaction date.

The Company held a stockholders meeting on April 1, 2010 with a majority of stockholders voting to approve a name change for the Company and a 200 to 1 reverse stock split. Urex Energy Corp became Mustang Geothermal Corp on July 22, 2010 upon regulatory approval from the Financial Industry Regulatory Authority (FINRA). There was an adjustment of 494,929 shares for the reverse stock split to adjust holdings so that no shareholders have less than 200 common stock of the Company post-split as a result of the split.

The Company on August 26, 2010 entered into agreements with Minera Inc., Dakota Resource Holdings LLC., and Minera Cerro El Diablo Inc. to acquire certain geothermal leases totaling 9800 acres located in the State of Nevada for 14 million shares of the Company s common stock, which was valued at $0.10 on the transaction date.

The Company on November 5, 2010 completed an agreement to acquire Andean Geothermic Energy S.A.C., a Peruvian Company, from Genoa Energy Resources Inc. for 15 million shares of the Company s common stock, which was valued at $0.12 on the transaction date and a US$25,000 cash payment. Andean Geothermic Energy S.A.C. has 4 geothermal applications totaling 3600 hectares (8896 acres) in the provinces of Arequipa, Ayacucho, and Cusco in country of Peru. As of the date of this filing, the Company believes based upon its preliminary scientific review of the Andean Geothermic leases, that there may be exploitable geothermal energy reserves. However, any such reserves must be proven after exploratory drilling and the Company intends to move forward with this exploratory work as soon as is possible (See also Notes 2, 7 and 8 to the Consolidated Financial Statements).

Our Current Business

Since inception, we have been primarily engaged in the acquisition and exploration of uranium and geothermal properties, but have not yet realized any revenues from our planned operations. Currently, we have one uranium prospect, the La Jara Mesa Property located in Cibola County, New Mexico and six federal geothermal leases located in the State of Nevada and four geothermal applications in country of Peru.

On June 8, 2006, we completed an assignment agreement, dated September 22, 2005, entered into between our company and International Mineral Resources Ltd., a company organized under the laws of the Turks & Caicos Islands, whereby International Mineral Resources agreed to assign its right, title and interest in and to an option agreement entered into between International Mineral Resources and United Energy Metals S.A. to our company.

On February 10, 2010 we completed the sale of our Argentine subsidiary, United Energy Metals SA (UEM), to UrAmerica Ltd. The Company signed a Letter of Intent with UrAmerica Ltd of London, U.K. for the sale of the Argentine subsidiary, United Energy Metals SA (UEM), which was reported in a news release dated December 1, 2009. The agreement provides for a US $500,000 cash payment to Urex with UrAmerica assuming a maximum liability of US $275,000 for the outstanding UEM debts. The Company intended to use the proceeds of the sale to pay down debt.

As a part of an on-going reorganization of the Company s business activity, the decision to diversify into the geothermal energy field is aligned with the Company s long-term strategy to add shareholder value. On March 18, 2010, the Company completed the purchase of three geothermal leases totalling 5462 acres located in the State of Nevada from Enco Explorations Inc. of Reno, Nevada. The Company issued 100,000,000 common shares (500,000 shares post reverse split) to Enco Explorations Inc. valued at $0.01for an aggregate market price of $1,000,000.

The Company held a stockholders meeting on April 1, 2010 with a majority of stockholders voting to approve a name change for the Company and a 200 to 1 reverse stock split. Urex Energy Corp became Mustang Geothermal Corp on July 22, 2010 upon regulatory approval from the Financial Industry Regulatory Authority (FINRA).

The Company on August 26, 2010 entered into agreements with Minera Inc., Dakota Resource Holdings LLC., and Minera Cerro El Diablo Inc. to acquire certain geothermal leases totalling 9800 acres located in the State of Nevada for 14 million shares of the Company s common stock, which was valued at $0.10 on the transaction date.

The Company on November 5, 2010 completed an agreement to acquire Andean Geothermic Energy S.A.C., a Peruvian Company, from Genoa Energy Resources Inc. for 15 million shares of the Company s common stock, which was valued at $0.12 on the transaction date and a US$25,000 cash payment. Andean Geothermic Energy S.A.C. has 4 geothermal applications totalling 3600 hectares (8896 acres) in the provinces of Arequipa, Ayacucho, and Cusco in country of Peru (See Notes 2, 7 and 8 to the Consolidated Financial Statements).

The Company is currently focusing its exploration and development efforts on its geothermal leases with the object of discovering geothermal electrical power resources.

Plan of Operations And Cash Requirements

Financing for necessary to undertake the initial evaluation of the Company s geothermal leases and maintenance of La Jara Mesa property will cost $2,085,000 as set forth below:

La Jara Mesa Extension: Proposed Exploration Expenditures ($USD)

Consulting and Technical Services	$	5,000
Property Costs	$	25,000
TOTAL	**$**	**30,000**

Black Rock, Monte Neva, Reese River, Warm Springs, and Hawthorne - Nevada ($USD)

Salaries & Wages	$	45,000
Consulting and Technical Services	$	540,000
Surface work	$	150,000
Environmental	$	30,000
Property Costs	$	60,000
Administrative & General	$	45,000
Machinery expense	$	210,000
TOTAL	**$**	**1,080,000**

Arequipa, Peru ($USD)

Salaries & Wages	$	30,000
Consulting and Technical Services	$	540,000
Surface work	$	150,000
Environmental	$	30,000
Property Costs	$	30,000
Administrative & General	$	45,000
Machinery expense	$	150,000
TOTAL	**$**	**975,000**

We anticipate incurring the following costs during the next twelve month period: $1,080,000 on consulting and technical service fees; $75,000 on salaries and wages; $360,000 on machinery costs; $90,000 on property expenses; $60,000 on environmental expenses; $90,000 on other administrative expenses; and an additional $300,000 in surface work and drilling. As a result, we anticipate that we will incur approximately $2,085,000 in operating expenses during the next twelve-month period.

As indicated above, our estimated working capital requirements and projected operating expenses for the next twelve-month period total $2,085,000. Our current working capital will likely not be sufficient to cover our estimated capital requirements during the next twelve-month period; however, we will be required to raise additional funds through the issuance of equity securities or through debt financing. There can be no assurance that we will be successful in raising the required capital or that actual cash requirements will not exceed our estimates. We intend to fulfil any additional cash requirement through the sale of our equity securities.

Given that we are an exploration stage company and have not generated revenues to date, our cash flow projections are subject to numerous contingencies and risk factors beyond our control, including exploration and development risks, competition from well-funded competitors, and our ability to manage growth. We can offer no assurance that our expenses will not exceed our projections. If our expenses exceed estimates, we will require additional monies during the next twelve months to execute our business plan.

There are no assurances that we will be able to obtain further funds required for our continued operation. There can be no assurance that additional financing will be available to us when needed or, if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain additional financing on a timely basis, we will not be able to meet our other obligations as they become due and we will be forced to scale down or perhaps even cease the operation of our business.

There is substantial doubt about our ability to continue as a going concern as the continuation of our business is dependent upon obtaining further long-term financing, successful exploration and development of our property interests and, finally, achieving a profitable level of operations. The issuance of additional equity securities by us could result in a significant dilution in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

Exploration and Development Costs

Our proposed work program recommendations are within the proposed budget of $2,085,000:

1. Envisaged work programs on the two properties would be similar in nature for each: broader coverage of the shallow-temperature gradient surveys, additional re-processing of existing data (magnetic, gravity, GETECH, and especially for the audio-magnetotelluric data), ground magnetic and vlf surveys to help detail map structure. The seimic method has also been used to good effect to help map pregnant geothermal structures at depth. Favorable results would by followed-up by the drilling of deeper, but still relatively shallow wells for the purposes of temperature test readings.

2. The geothermal wells portion of the recommended work for the Properties is contingent on the results of the preceding data reprocessing and new geophysical surveys.

During the next twelve-month period, we plan to put all exploration activities into our geothermal properties in Nevada with the New Mexico uranium property on hold. Given the current difficult financial and economic environment the Company is considering alternatives to conventional financing due to limited availability of financing at desirable terms.

RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with the unaudited interim financial statements and the notes to the unaudited interim financial statements included in this quarterly report. This discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results may differ materially from those anticipated in these forward-looking statements.

For the nine month periods ended December 31, 2010 and December 31, 2009

We did not generate any revenues for the nine months ended December 31, 2010 and December 31, 2009. Our operating activities during these periods consisted primarily of the acquisitions of geothermal leases in the State of Nevada and our research into other geothermal properties.

Operating expenses for the nine months ended December 31, 2010 were $2,193,202 compared to $330,762 for the nine months ended December 31, 2009. Operating expenses generally consist of depreciation, management fees, professional fees, consulting fees, exploration costs, interest on loans, investor relation fees and general and administrative expenses. There was an increase of $1,862,440 which was due to the impairment of goodwill being written off. Management fees for the nine months ended December 31, 2010 were $98,778 compared to $90,000 for the nine months ended December 31, 2009. Professional fees for the nine months ended December 31, 2010 were $27,009, compared to $18,500 for the nine months ended December 31, 2009, an increase of $8,509 due to increased professional fees. Exploration costs for the nine ended December 31, 2010 was $42,093 compared to $19,778 for December 31, 2009, an increase of $22,315 due to costs for the claims and leases. Interest on loans for the nine months ended December 31, 2010 was $15,330 compared to $32,701 for the nine months ended December 31, 2009. The decrease was due to the repayment of various loans. Investor relations fees for the nine months ended December 31, 2010 were $0 as compared to $50,000 for the nine months ended December 31, 2009. General and administrative expenses for the nine months ended December 31, 2010 were $23,559 as compared to $17,282 for the nine months ended December 31, 2009. The overall increase in operating expenses for the nine months ended December 31, 2010 compared to the nine months ended December 31, 2009 was primarily due to decreased corporate expenses and transactions.

Our net loss for the nine months period ended December 31, 2010 was $2,193,202 as compared to $330,762 for the nine month period ended December 31, 2009. This is primarily due to the impairment expense from operations. The weighted average number of shares outstanding was 11,952,330 (post-split) at December 31, 2010 as compared to 522,128 at December 31, 2009 (pre-split).

Sale of Subsidiary

On August 4, 2009 the Company completed an agreement for the sale of its Argentine subsidiary, United Energy Metals SA (UEM) to SGI Partners, LLC of Carlsbad, CA (SGI).

The agreement provided for a US$500,000 dollar cash payment with the Company retaining a 2% net smelter royalty (NSR). The royalty was subject to a buy down provision that allowed SGI at anytime to reduce the royalty by 1% NSR by making US$2 million dollar payment. SGI will assume responsibility for the outstanding UEM debts.

On November 27, 2009 the Company terminated a Share Purchase Agreement for the sale of its Argentine subsidiary, UEM to SGI Partners, LLC of Carlsbad, CA due non-performance.

Subsequently on December 1, 2009, the Company signed a Letter of Intent with UrAmerica Ltd of London, U.K. for the sale of the Company s Argentine subsidiary, United Energy Metals SA (UEM). The agreement provides for a US$500,000 dollar cash payment to the Company with UrAmerica assuming a maximum liability of US$275,000 for the outstanding UEM debts.

On February 9, 2010 the Company completed the sale of its Argentine subsidiary, UEM, to Patagonia Resources Ltd., a corporation domiciled in the British Virgin Islands. UrAmerica Ltd., U.K., transferred the acquisition rights of UEM to Patagonia Resources Ltd.

The Company intended to use the proceeds of the sale to pay down debt and to focus on developing its properties.

The sale was accounted for as a discontinued operation under GAAP, which requires the income statement and cash flow information be reformatted to separate the divested business from the Company s continuing operations.

The following amounts represent United Energy Metals operations and had been segregated from continuing operations and reported as discontinued operations as of March 31, 2010 and 2009.

	2010	2009
Revenues Earned	$ -	$ -
Cost of Sales	-	-
Gross Profit	-	-
Operating Expenses	(210,910)	(886,834)

Net Loss	$	(210,910)	$	(886,834)

The following is a summary of assets and liabilities of United Energy Metals discontinued operations as of March 31, 2010 and March 31, 2009.

		March 31 2010		March 31, 2009
Assets				
Cash	$	-	$	317
Prepaid expenses		-		1,530
Security deposit		-		10,000
VAT Receivable		-		100,753
Total Assets	$	-	$	112,600
Liabilities				
Accounts Payable	$	-	$	225,695
Accrued Liabilities		-		5,973
Total Liabilities	$	-	$	231,668

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2010, we had a working capital deficit of $608,552. Our total liabilities, consisting of current liabilities, as of December 31, 2010 were $947,620, as compared to total liabilities, consisting of current liabilities, of $767,768 as of March 31, 2010. The increase in our total liabilities was primarily due to increases in accounts payable and accrued liabilities, and notes payable. Our total assets as of December 31, 2010 were $3,294,300, consisting of $6,068 in current assets, $333,000 in prepaids, $2,955,000 for our geothermal leases and $232 in net fixed assets, as compared to total assets, consisting entirely of $73,721 in current assets, $1,000,000 in geothermal leases and $929 in net fixed assets as of March 31, 2010. The increase in our total assets was primarily due to our recent acquisition of geothermal leases.

Cash Flow Used in Operating Activities

Operating activities used cash of $81,797 for the nine month period ended December 31, 2010, compared to using $94,595 for the nine month period ended December 31, 2009. The decrease in cash used during the nine month period ended December 31, 2009 was due to us issuing shares for our geothermal leases instead of cash payment.

Cash Flow Used in Investing Activities

Investing activities used cash of $25,000, which was a result of the acquisition of Andean Geothermic Energy SAC, in which the Company agreed to make cash payment of $25,000. There were no cash flows from investing activities for the nine month period ended December 31, 2009, respectively.

Cash Flow Provided by Financing Activities

Financing activities generated cash of $39,144 for the nine months period ended December 31, 2010 as compared to generating cash of $111,576 for the nine months period ended December 31, 2009. The cash generated from financing activities was from the issuance of notes payable and line of credit.

Trends and Uncertainties

Our ability to generate revenues in the future is dependent on whether we successfully explore and develop our current property interests or any property interests that we may acquire in the future. We cannot predict whether or when this may happen and this causes uncertainty with respect to the growth of our company and our ability to generate revenues.

Off-Balance Sheet Arrangements

Our company has no outstanding derivative financial instruments, off-balance sheet guarantees, interest rate swap transactions or foreign currency contracts. Neither our company nor our operating subsidiary engages in trading activities involving non-exchange traded contracts.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures of our company. Although these estimates are based on management's knowledge of current events and actions that our company may undertake in the future, actual results may differ from such estimates.

Going Concern

We have suffered recurring losses from operations. The continuation of our company as a going concern is dependent upon us attaining and maintaining profitable operations and raising additional capital.

Due to the uncertainty of our company s ability to meet our current operating expenses and the capital expenses noted above, in their report on the annual financial statements for the period ended March 31, 2010, our company s independent auditors included an explanatory paragraph regarding concerns about our company s ability to continue as a going concern.

The continuation of our company s business is dependent upon us raising additional financial support. The issuance of additional equity securities by our company could result in a significant dilution in the equity interests of our company s current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our company s liabilities and future cash commitments.

There are no assurances that our company will be able to obtain further funds required for our continued operations. As noted herein, we intend to pursue various financing alternatives to meet our immediate and long-term financial requirements. There can be no assurance that additional financing will be available to our company when needed or, if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain the additional financing on a timely basis, we will be unable to conduct our operations as planned, and we will not be able to meet our other obligations as they become due. In such event, we will be forced to scale down or perhaps even cease our operations.

Principles of Consolidation

The consolidated financial statements include the accounts of our company and our majority-owned subsidiary, United Energy Metals S.A. All significant intercompany accounts and transactions have been eliminated. Due to the sale of the subsidiary, the financial statements have been modified to include only that of Mustang Geothermal Corp., formerly Urex Energy Corp. All the intercompany accounts and transactions of United Energy Metals have been included in the loss due to sale of assets.

Exploration Stage Company

The Company is an exploration stage company, and follows the guideline of the Financial Accounting Standards Board s (FASB) Accounting Standards Codification (ASC) Topic 915 Development State Entities. It is primarily engaged in the acquisition and exploration of mining properties. All losses accumulated since inception, have been considered as part of the Company s exploration stage activities.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Mineral Property Costs

Mineral property acquisition, exploration and development costs are expensed as incurred until such time as economic reserves are quantified. From that time forward, we will capitalize all costs to the extent that future cash flows from mineral reserves equal or exceed the costs deferred. The deferred costs will be amortized over the recoverable reserves when a property reaches commercial production. Costs related to site restoration programs will be accrued over the life of the project. To date, we have not established any proven reserves on our mineral properties.

Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the cost can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or our commitment to a plan of action based on the then known facts.

Financial Instruments

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair value. For the purpose of this disclosure, the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale of liquidation. The Company uses ASC Topic 820 as guideline to determining the fair value of a financial asset when the market for that asset is not active.

The carrying values of cash, accounts payable and loan payable approximate fair value because of the short-term nature of these instruments. Management is of the opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

Basic and Diluted Loss Per Share

The Company reports basic loss per share in accordance with ASC Topic 260 Earnings Per Share. Basic loss per share is based upon the weighted average number of common shares outstanding. Diluted loss per share is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method. Under this method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period.

Income Taxes

The Company follows the guideline under ASC Topic 740 Income Taxes. Accounting for Income Taxes which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates, applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. Since the Company is in the exploration stage and has had continuous losses, no deferred tax asset or income taxes have been recorded in the financial statements.

Foreign Currency Translation

Our subsidiary is located and operates outside of the United States of America. It maintains its accounting records in Argentinean Pesos as follows:

At the transaction date, each asset, liability, revenue and expense is recorded into Argentinean Pesos by the use of the exchange rate in effect at that date. At the year end, monetary assets and liabilities are translated into US dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in operations.

Concentration of credit risks

The Company is subject to concentrations of credit risk primarily from cash and cash equivalents. The Company maintains accounts with financial institutions, which at times exceeds the insured Federal Deposit Insurance Corporation limit of $200,000. The Company minimizes its credit risks associated with cash by periodically evaluating the credit quality of its primary financial institutions.

Stock-based Compensation

The Company follows the guideline under ASC Topic 718 Compensation-Stock Compensation for all stock based compensation plans, including employee stock options, restricted stock, employee stock purchase plans and stock appreciation rights. Stock compensation expenses are to be recorded using the fair value method.

NEW ACCOUNTING PRONOUNCEMENTS

Recent accounting pronouncements that the Company has adopted or that will be required to adopt in the future are summarized below.

In March 2010, the FASB issued Accounting Standard Update No. 2010-11 Derivatives and Hedging (Topic 815). ASU No. 2010-11 update provides amendments to subtopic 815-15, Derivatives and hedging. The amendments clarify about the scope exception in paragraph 815-10-15-11 and section 815-15-25 as applicable to the embedded credit derivatives. The ASU is effective on the first day of the first fiscal quarter beginning after June 15, 2010. Therefore, for a calendar-year-end entity, the ASU becomes effective on July 1, 2010. Early application is permitted at the beginning of the first fiscal quarter beginning after March 5, 2010

In April 2010, the FASB issued Accounting Standard Update No. 2010-12. Income Taxes (Topic 740). ASU No.2010-12 amends FASB Accounting Standard Codification subtopic 740-10 Income Taxes to include paragraph 740-10-S99-4. On March 30, 2010 The President signed the Health Care & Education Affordable Care Act reconciliation bill that amends its previous Act signed on March 23, 2010. FASB Codification topic 740, Income Taxes, requires the measurement of current and deferred tax liabilities and assets to be based on provisions of enacted tax law. The effects of future changes in tax laws are not anticipated. Therefore, the different enactment dates of the Act and reconciliation measure may affect registrants with a period-end that falls between March 23, 2010 (enactment date of the Act), and March 30, 2010 (enactment date of the reconciliation measure). However, the announcement states that the SEC would not object if such registrants were to account for the enactment of both the Act and the reconciliation measure in a period ending on or after March 23, 2010, but notes that the SEC staff does not believe that it would be appropriate for registrants to analogize to this view in any other fact patterns.

In April 2010, the FASB issued Accounting Standard Update No. 2010-13 Stock Compensation (Topic 718). ASU No.2010-13 provides amendments to Topic 718 to clarify that an employee share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The amendments in this Update should be applied by recording a cumulative-effect adjustment to the opening balance of retained earnings. The cumulative-effect adjustment should be calculated for all awards outstanding as of the beginning of the fiscal year in which the amendments are initially applied, as if the amendments had been applied consistently since the inception of the award. The cumulative-effect adjustment should be presented separately. Earlier application is permitted.

In April 2010, the FASB issued Accounting Standards Update No.2010-14, Accounting for Extractive Activities Oil & Gas (Topic 932). ASU No. 2010-14 amends FASB accounting Standard paragraph 932-10-S99-1 due to SEC release no. 33-8995 [FR 78], Modernization of Oil and Gas Reporting and provides update as to amendments to SEC Regulation S-X, Rule 4-10.

In April 2010, the FASB issued Accounting Standard Update No. 2010-15. Financial Services-Insurance (Topic 944) ASU No.2010-15 gives direction on how investments through separate accounts affect an insurer s consolidation analysis of those investments. Under the ASU: an insurance entity should not consider any separate account interests held for the benefit of policy holders in an investment to be the insurer's interests and should not combine those interests with its general account interest in the same investment when assessing the investment for consolidation, unless the separate account interests are held for the benefit of a related party policy holder as defined in the Variable Interest Entities Subsections of Subtopic 810-10 and those Subsections require the consideration of related parties. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2010. Early adoption is permitted. The amendments in this Update should be applied retrospectively to all prior periods upon the date of adoption.

In April 2010, the FASB issued Accounting Standard Update No. 2010-17. Revenue Recognition-Milestone Method (Topic 605) ASU No.2010-17 provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. An entity often recognizes these milestone payments as revenue in their entirety upon achieving a specific result from the research or development efforts. A vendor can recognize consideration that is contingent upon achievement of a milestone in its entirety as revenue in the period in which the milestone is achieved only if the milestone meets all criteria to be considered substantive. Determining whether a milestone is substantive is a matter of judgment made at the inception of the arrangement. The ASU is effective for fiscal years and interim periods within those fiscal years beginning on or after June 15, 2010. Early application is permitted. Entities can apply this guidance prospectively to milestones achieved after adoption. However, retrospective application to all prior periods is also permitted.

In April 2010, the FASB issued Accounting Standard Update No. 2010-18. Receivables (Topic 310). ASU No.2010-18 provides guidance on accounting for acquired loans that have evidence of credit deterioration upon acquisition. Paragraph 310-30-15-6 allows acquired assets with common risk characteristics to be accounted for in the aggregated as a pool. Upon establishment of the pool, the pool becomes the unit of accounting. When loans are accounted for as a pool, the purchase discount is not allocated to individual loans; thus all of the loans in the pool accrete at a single pool rate (based on cash flow projections for the pool). Under subtopic 310-30, the impairment analysis also is performed on the pool as a whole as opposed to each individual loan. Paragraphs 310-40-15-4 through 15-12 establish the criteria for evaluating whether a loan modification should be classified as a troubled debt restructuring. Specifically paragraph 310-40-15-5 states that a restructuring of a debt constitutes a troubled debt restructuring for purposes of this subtopic if the creditor for economic or legal reasons related to the debtor s financial difficulties grants a concession to the debtor that it would not otherwise consider. The ASU is effective for modification of loans accounted for within pools under subtopic 310-30 occurring in the first interim or annual period ending on or after July 15, 2010. The amendments are to be applied prospectively. Early application is permitted.

In August 2010, the FASB issued Accounting Standard Updates No. 2010-21 (ASU No. 2010-21) Accounting for Technical Amendments to Various SEC Rules and Schedules and No. 2010-22 (ASU No. 2010-22) Accounting for Various Topics Technical Corrections to SEC Paragraphs . ASU No 2010-21 amends various SEC paragraphs pursuant to the issuance of Release no. 33-9026: Technical Amendments to Rules, Forms, Schedules and Codification of Financial Reporting Policies. ASU No. 2010-22 amends various SEC paragraphs based on external comments received and the issuance of SAB 112, which amends or rescinds portions of certain SAB topics. Both ASU No. 2010-21 and ASU No. 2010-22 are effective upon issuance. The amendments in ASU No. 2010-21 and No. 2010-22 will not have a material impact on the Company s financial statements.

A variety of proposed or otherwise potential accounting standards are currently under study by standard-setting organizations and various regulatory agencies. Because of the tentative and preliminary nature of these proposed standards, management has not determined whether implementation of such proposed standards would be material to the Company s consolidated financial statements

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not Applicable.

Item 4T. Controls and Procedures.

Disclosure Controls and Procedures

Management of the Company is responsible for maintaining disclosure controls and procedures over financial reporting that are designed to ensure that financial information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 (the Exchange Act) is recorded, processed, summarized and reported within the timeframes specified in the Securities and Exchange Commission s rules and forms, consistent with Items 307 and 308 of Regulation S-K.

In addition, the disclosure controls and procedures must ensure that such financial information is accumulated and communicated to the Company s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required financial and other required disclosures.

At the end of the period covered by this report, an investigation & evaluation of the effectiveness of the Company s disclosure controls and procedures (as defined in Rules 13(a)-15(e) and 15(d)-15(e) of the Securities Exchange Act of 1934 (the Exchange Act) was carried out under the supervision and with the participation of our Principal Executive Officer, Mr. Richard Bachman and other persons carrying out similar functions for the Company. Based on the evaluation of the Company s disclosure controls and procedures, the Company concluded that during the period covered by this report, such disclosure controls and procedures were not effective to detect the inappropriate application of US GAAP standards.

Specifically, we investigated and reviewed our internal communications protocols with an emphasis on examining how the financial data subject to our reporting obligations is accumulated and communicated amongst our management, including our Principal Executive Officer and other persons carrying on similar review functions for the Company, our inside accounting personnel, our independent auditor and our legal counsel.

Our review included meeting and conferring with our independent auditor, our inside accounting personnel and legal counsel to identify the work flow of how information is generated, processed and distributed amongst all parties and to management for inclusion into our filings with the SEC. The Company examined how information was generated; how the information was communicated amongst management and the Company s inside accounting personnel; how the information was then communicated to its independent auditor; and finally how the information was confirmed to management and legal counsel prior to reporting with the Commission.

Our review indicated that our telephonic communications amongst management, our inside accounting personnel and independent auditor, was often not made part of follow up written confirmations amongst all concerned Company counterparts in order to identify, accumulate and effectively communicate financial information for inclusion into our SEC filings. In this manner, our financial information was not effectively accumulated and communicated to our management to allow for timely informed decisions to be made for disclosure. Further, this led to an inability to identify and prompt for our review financial data that was not systematically confirmed to allow timely decisions concerning required disclosures.

We determined after a further review of our disclosure controls and procedures, and the above noted deficiencies, that the identified deficiencies were material weaknesses.

To address these material weaknesses, the Company is actively developing a communications work flow between management and its inside accounting personnel including establishing date specific deadlines in which management communicates in writing with its inside accounting personnel relevant facts and documents necessary for generating internal accounting recordkeeping that is accurate and necessary for timely reporting to the Commission. Additionally, the Company is developing communication requirements such that once the Company s internal accounting recordkeeping is finalized, it is communicated in writing amongst management, inside accounting personnel and the Company s independent auditor. Further, any and all communications related to the processed internal accounting recordkeeping conveyed to our independent auditor, must be followed up in a confirmed writing to all concerned, including management, our inside accountant and our independent auditor. The Company believes that development and implementation of this work flow will address the above noted material weaknesses because it will insure that all relevant parties, including management, our inside accounting personnel and our independent auditor, will have confirmed in writing that the information accumulated and communicated is accurate in order to timely report same consistent with the Company s reporting obligations to the Commission.

The Company continues to employ and refine a structure in which critical accounting policies, issues and estimates are identified, and together with other complex areas, are subject to multiple reviews by accounting personnel. The Company notes that after the period covered by this Form 10-Q for the period ending December 31, 2010, it appointed Mr. Kevin J. Pikero as Chief Financial Officer and Principal Accounting Officer. Mr. Pikero is a licensed Certified Public Accountant with 33 years of accounting experience and provides accounting oversight and compliance for the Company. In addition, the Company changed its independent auditing firm and retained an independent financial consultant under an agreement for the next three months with expertise in accounting and accounting reporting compliance for public companies, who will independently evaluate and assess internal controls and procedures regarding the Company s financial reporting, utilizing standards incorporating applicable p