

MUSTANG GEOTHERMAL CORP
Form 10-Q
February 16, 2012

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

Form 10-Q

[(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, 2011**

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

(State or other jurisdiction of incorporation or organization)

98-0201259

(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 . No .

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes . 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

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

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:

34,492,057 common shares issued and outstanding as of December 31, 2011.

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, 2011 includes 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, 2011 | March 31, 2011 (Audited) |
|---|----------------------|--------------------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 277 | \$ 43,989 |
| Prepays | - | 211,181 |
| Receivables | 1,780 | 703 |
| Total current assets | 2,057 | 255,873 |
| Geothermal Leases, net | 1,820,000 | 2,877,500 |
| Total Assets | \$ 1,822,057 | \$ 3,133,373 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | \$ 766,220 | \$ 583,345 |
| Due to related party | 22,500 | 22,500 |

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| | | |
|---|---------------------|---------------------|
| Line of credit | 31,917 | 33,403 |
| Notes payable to related party | 485,550 | 355,550 |
| Convertible notes payable | 100,000 | 100,000 |
| Total current liabilities | 1,406,187 | 1,094,798 |
| Stockholders' Equity | | |
| Common stock, \$0.001 par value 300,000,000 shares authorized 34,492,057 shares issued and outstanding, | 34,492 | 33,492 |
| Preferred stock, \$0.001 par value. 10,000,000 shares authorized. No shares outstanding and issued. | - | - |
| Additional paid-in capital | 13,818,008 | 13,781,508 |
| Deficit accumulated during the exploration stage | (13,435,663) | (11,776,425) |
| Total comprehensive income | (967) | - |
| Total stockholders' equity | 415,870 | 2,038,575 |
| Total Liabilities and Stockholders' Equity | \$ 1,822,057 | \$ 3,133,373 |

See accompanying notes to the financial statements

MUSTANG GEOTHERMAL CORP

(Formerly UREX ENERGY CORP.)

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS

For the nine months ended December 31, 2011 and 2010, and

For the period from February 6, 2002 (Date of Inception) to December 31, 2011

| | For the three months ended December 31, | | For the nine months ended December 31, | | For the period from February 6, 2002 (inception) to December 31, |
|-------------------------------------|---|----------------|--|----------------|---|
| | 2011 | 2010 | 2011 | 2010 | 2011 |
| REVENUES | \$ - | \$ - | \$ - | \$ - | \$ - |
| OPERATING EXPENSES | | | | | |
| Depreciation | - | 232 | - | 697 | 2,787 |
| Depreciation geothermal leases | 52,500 | 77,500 | 199,167 | 145,000 | 421,667 |
| Management fees | 41,511 | 38,778 | 111,093 | 98,778 | 716,927 |
| Professional fees | 21,155 | 10,658 | 79,294 | 27,009 | 516,413 |
| Consulting fees | 38,378 | 16,988 | 83,910 | 16,988 | 706,260 |
| Exploration costs | 8,013 | 6,501 | 1,126,231 | 42,093 | 1,501,319 |
| Interest on loans | 10,474 | 5,129 | 28,198 | 15,330 | 146,495 |
| Investor relation fees | - | - | - | - | 415,097 |
| Travel | 78 | - | 1,319 | 20,216 | 68,317 |
| General and administrative | 10,512 | 9,267 | 30,026 | 23,559 | 250,620 |
| Recovery of expenses | - | - | - | - | (5,575) |
| Impairment of intangible asset | - | 1,803,532 | - | 1,803,532 | 7,560,753 |
| Total operating expenses | 182,621 | 1,968,585 | 1,659,238 | 2,193,202 | 12,301,080 |
| Operating loss | (182,621) | (1,968,585) | (1,659,238) | (2,193,202) | (12,301,080) |
| OTHER INCOME | | | | | |
| Interest income | - | - | - | - | 10,127 |
| Total other income | - | - | - | - | 10,127 |
| Net loss from continuing operations | \$ (182,621) | \$ (1,968,585) | \$ (1,659,238) | \$ (2,193,202) | |

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| | | | | | |
|--|--------------|----------------|----------------|----------------|--------------------|
| | | | | | \$ (12,290,953) |
| | | | | | . |
| DISCONTINUED OPERATIONS | | | | | |
| Gain (Loss) from disposal of subsidiary | - | - | - | - | (1,899,991) |
| Gain from disposal of subsidiary | - | - | - | - | 755,281 |
| Gain (Loss) on discontinued operations | - | - | - | - | (1,144,710) |
| NET INCOME (LOSS) | | | | | |
| | \$ (182,621) | \$ (1,968,585) | \$ (1,659,238) | \$ (2,193,202) | \$ (13,435,663) |
| Net loss per share for continuing operations | | | | | |
| basic and diluted | \$ (0.01) | \$ (0.07) | \$ (0.05) | \$ (0.18) | |
| Net loss per share for discontinued operations | | | | | |
| basic and diluted | \$ - | \$ - | \$ - | - | |
| Weighted average common shares outstanding | | | | | |
| - Basic and diluted | 34,144,231 | 27,364,883 | 33,710,239 | 11,952,330 | |
| Comprehensive income (loss) Foreign | | | | | |
| currency translation | (418) | - | (967) | - | (967) |
| Comprehensive loss | | | | | |
| | \$ (183,039) | \$ (1,968,585) | \$ (1,660,205) | \$ (2,193,202) | \$ (13,436,630) |

See accompanying notes to the financial statements

MUSTANG GEOTHERMAL CORP

(Formerly UREX ENERGY CORP.)

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDER S EQUITY

For the period February 6, 2002 (Date of Inception) to December 31, 2011

| | Common Stock 300,000,000 shares authorized | | Additional | Accumulated | Deferred | Accumulated | Total |
|---|--|----------------------------------|--------------------|----------------|--------------------|-------------------------|-------------------------|
| | Shares | Par Value \$.001 per share | Paid-In Capital | Deficit | Consulting Fees | Comprehensive Losses | 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 |

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| | | | | | | | |
|--|-------------------|---------------|----------------------|------------------------|-------------|-----------------|-------------------|
| Net income | - | - | - | 139,492 | - | - | 139,492 |
| Deferred consulting fees | - | - | - | - | 106,400 | - | 106,400 |
| Adjustment for reverse stock split | 494,929 | 495 | (495) | - | - | - | - |
| 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 |
| Shares issued for services @ \$0.80 | 75,000 | 75 | 59,925 | - | - | - | 60,000 |
| Net income | - | - | - | (2,561,307) | - | - | (2,561,307) |
| BALANCE, March 31, 2011 | 33,492,057 | 33,492 | 13,781,508 | (11,776,425) | - | - | 2,038,575 |
| Shares issued for services @ \$0.0375 | 1,000,000 | 1,000 | 36,500 | - | - | - | 37,500 |
| Change in foreign currency translation | - | - | - | - | - | (967) | (967) |
| Net income | - | - | - | (1,659,238) | - | - | (1,659,238) |
| BALANCE, December 31, 2011 | 33,492,057 | 33,492 | \$ 13,818,008 | \$ (13,435,663) | \$ - | \$ (967) | \$ 415,870 |

See accompanying notes to the financial statements

MUSTANG GEOTHERMAL CORP

(Formerly UREX ENERGY CORP.)

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine months ended December 31, 2011 and 2010, and

For the period February 6, 2002 (Date of Inception) to December 31, 2011

| | For the nine months ended 31-Dec-11 | For the nine months ended 31-Dec-10 | For the Period from February 6, 2002 (inception) to Dec 31, 2011 |
|---|---|---|--|
| Net income (loss) | \$(1,659,238.00) | \$(2,193,202.00) | \$ (13,435,663.00) |
| Adjustments to reconcile net income to net cash: | | | |
| (Income) loss from discontinued operations | - | - | 1,899,991.00 |
| Depreciation and amortization | - | 697.00 | 6,682.00 |
| Depreciation geothermal leases | 199,167.00 | 67,500.00 | 421,667.00 |
| Impairment of goodwill | - | - | 7,539,285.00 |
| Shares issued for services | 37,500.00 | - | 810,500.00 |
| Deferred consulting fees | - | - | - |
| Shares issued for assets | - | - | 1,000,000.00 |
| Geothermal lease write off | 858,333.00 | - | 858,333.00 |
| Changes in current assets and current liabilities: | | | |
| Accounts receivable | (1,077.00) | - | (1,780.00) |
| Prepaid expense | 211,181.00 | - | - |
| Accounts payable | 182,875.00 | 162,176.00 | 766,220.00 |
| Discontinued operations, net | - | - | (2,281,857.00) |
| Net cash used in operating activities | (171,259.00) | (81,797.00) | (2,416,622.00) |
| Cash Flows From Investing Activities | | | |
| (Gain) loss on divestiture of discontinued operations | - | - | (755,281.00) |
| Purchase of assets | - | (25,000.00) | (25,000.00) |
| Purchase of fixed assets | - | - | (2,788.00) |
| Option agreement | - | - | (2,500.00) |
| Net cash used in investing activities | - | (25,000.00) | (785,569.00) |
| Cash Flows From Financing Activities: | | | |

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| | | | |
|--|-------------|-------------|----------------|
| Proceeds from purchase of assets | - | 21,468.00 | 21,468.00 |
| Proceeds from the issuance of common stock | - | - | 2,542,000.00 |
| Proceeds from line of credit | - | 17,676.00 | 33,403.00 |
| Proceeds from (repayments of) notes payable | 130,000.00 | - | 508,050.00 |
| Proceeds from (repayments of) line of credit | (1,486.00) | - | (1,486.00) |
| Convertible notes payable | - | - | 100,000.00 |
| Net cash provided by financing activities | 128,514.00 | 39,144.00 | 3,203,435.00 |
| Effect of Exchange Rate Changes on Cash | - | - | - |
| Cash held in trust | - | - | (1,665,773.00) |
| Cash released from trust during current period | - | - | 1,665,773.00 |
| Net cash flows from continued operations | (42,745.00) | (67,653.00) | 1,138,391.00 |
| Net cash flows from discontinued operations | - | - | (1,137,147.00) |
| Effect of foreign currency exchange | (967.00) | - | (967.00) |
| Cash and Cash Equivalents, Beginning of Period | 43,989.00 | 73,721.00 | - |
| Cash and Cash Equivalents, End of Period | \$ 277.00 | \$ 6,068.00 | \$ 277.00 |

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, 2011

Note 1

Summary of Significant Accounting Policies

Interim Reporting

While the information presented in the accompanying interim three months and 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, 2011 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, 2011 annual financial statements.

Operating results for the nine months ended December 31, 2011 are not necessarily indicative of the results that can be expected for the year ended March 31, 2012.

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. On September 1, 2011, the Company has decided not to continue with these geothermal properties due to negative test results. Consequently, the Company has terminated these geothermal leases.

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 \$0.15 on the transaction date.

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 Cusco, Ayacuho and Arequipa in country of Peru.

On May 1, 2011 the United States Department of the Interior Bureau of Land Management granted the Company title to geothermal lease N-089598 which was obtained through the competitive bid process. The lease is located in Washoe County, Nevada and consists of an area of 1,409 acres.

On December 2, 2011 Mustang acquired through its Peruvian subsidiary, Andean Geothermic Energy S.A.C, three additional geothermal exploration concessions in southern Peru through the government application process. The Atecata, Coline, and Condorama South properties are located in the Departments of Puno and Cusco, respectively and each comprises an area of 900 hectares.

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 \$13,436,630 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, 2011, the Company had a working capital deficiency of \$1,404,130. 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, 2011.

Note 4

Net Loss Per Share

Basic net loss per share (EPS) is based on the weighted average number of common shares outstanding and diluted EPS is based on the weighted average number of common shares outstanding and dilutive common stock equivalents. Basic EPS is computed by dividing net loss (numerator) applicable to common stockholders by the weighted average number of common shares outstanding (denominator) for the period. All EPS presented in the financial statements are basic EPS as defined by Accounting Standards Codification 260, "Earnings Per Share". There are no potentially dilutive securities outstanding. All per share and per share information are adjusted retroactively to reflect stock splits and changes in par value. Stock options and warrants have been excluded as common stock equivalents in the diluted loss per share because their effect is anti-dilutive on the computations. Fully diluted shares outstanding were 34,492,057 as of December 31, 2011, and 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, 2011, the total issued and outstanding was 34,492,057.

On August 26, 2010, the Company issued 14,000,000 shares at \$0.15 per share in exchange for certain geothermal leases.

On November 5, 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

On August 26, 2010, the Company issued 14,000,000 common shares at \$0.15 per share totaling \$2,100,000 for the purchase of the geothermal leases. On November 5, 2010, the Company issued 15,000,000 shares for the acquisition of its subsidiary, Andean Geothermic Energy SAC. The Company issued 2,975,000 common shares totaling \$393,000 to consultants for consulting services, which is shown under prepaid expenses. On November 1, 2011, the Company issued 1,000,000 common shares totalling \$37,500 for consulting services.

Note 7

Mineral Properties

In December 2005, the Company acquired 100% interest in the La Jara Mesa Extension uranium property consisting of 137 unpatented mining claims of approximately 2,740 acres through staking, in the Grants Mining District of Cibola County in New Mexico, USA. The Company plans to commence a drilling exploration program as soon as financing is arranged. As at September 1, 2011, the Company has decided not to maintain the lease fees and therefore will no longer own these mining claims.

Note 8

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. As at September 1, 2011, the Company has decided not to continue with these geothermal properties due to negative results. Consequently, the Company has terminated these geothermal leases. During the quarter, the Company wrote off the remaining \$858,333 from the original \$1,000,000 valued price.

| Lease Serial Number | County | Acres |
|----------------------------|---------------|-------------------|
| NVN 86858 | Pershing | 1920 |
| NVN 86933 | White Pine | 1120 |
| NVN 86930 | White Pine | 2422 |
| | TOTAL | 5462 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 |
| | TOTAL | 9800 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.

The Company has a two-year lease to explore for geothermal energy consistent with the concessions it acquired that expires on October 1, 2012. If the exploratory work is successful, then the Company may choose to apply to convert the concessions into exploitation concessions that have a renewable ten-year term.

In May 2011, the Company obtained an additional geothermal lease in the State of Nevada through the public lease auction. The lease serial number is NVN089598, Washoe County, and consists of 1,409 acres (570 hectares).

On December 2, 2011 Mustang acquired through its Peruvian subsidiary, Andean Geothermic Energy S.A.C, three additional geothermal exploration concessions in southern Peru through the government application process. The Atecata, Coline, and Condorama South properties are located in the Departments of Puno and Cusco, respectively and each comprises an area of 900 hectares.

Properties in Peru:

| Properties | County | Area (Ha) |
|----------------------------|---------------|------------------|
| Banos Del Inca | Arequipa | 900 |
| Condorama, Condoromo South | Cusco | 1,800 |
| Ninobamba | Ayacucho | 900 |
| Paclla | Arequipa | 900 |
| Atecata and Coline | Puno | 1,800 |
| | TOTAL | 6,300 Ha |

Note 9

Acquisition of Peruvian Subsidiary

On November 5, 2010, the Company acquired 99.99% shares of Andean Geothermic Energy SAC (Andean), a Peruvian Corporation that has concessions of four geothermal properties consisting of 3,600 hectares (8,896 acres) in the provinces of Cusco, Ayacucho and 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. This acquisition was recorded as a purchase of Andean. The value of Andean was 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 as of yet no proven geothermal energy reserves, the amount allocated toward goodwill

was considered 100% impaired and written off at the date of the acquisition.

Note 10 Intangible Assets

Intangible assets with definite lives are amortized over their estimated useful life. The geothermal leases are amortized over 10 years.

| | Cost | Accumulated Amortization | Net |
|---------------------------------|----------------|-----------------------------|--------------|
| March 2010 - geothermal leases | \$ 1,000,000 | \$ 141,667 | \$ 858,333 |
| August 2010 - geothermal leases | \$ 2,100,000 | \$ 280,000 | \$ 1,820,000 |
| Sub -total | \$ 3,100,000 | \$ 421,667 | \$ 2,678,333 |
| Terminated geothermal leases | \$ (1,000,000) | \$ (141,667) | \$ (858,333) |
| Total | \$ 2,100,000 | \$ 280,000 | \$ 1,820,000 |

On September 1, 2011, the Company has terminated the geothermal leases purchased in March 2010 due to negative results. \$858,333 was written off.

Note 11

Related Party Transactions

On December 10, 2004 the Company issued a note payable in the amount of \$25,000 to the former President of the Company for the purpose of funding exploration activities. The note bears no interest and is due and payable on demand. As of December 31, 2011, the balance of the loan is \$22,500.

Effective October 1, 2005, the Company began paying a management consulting fee to Minera Teles Pires Inc., a company controlled by the President and director of the Company. The agreement provides a fixed fee of \$10,000 per month of which \$5,000 is paid and the other \$5,000 deferred until financing is obtained by the Company. During the period ended December 31, 2011, the Company incurred \$30,000 in management fees from Minera Teles Pires Inc. As at December 31, 2011, the Company owed Minera Teles Pires \$511,079 for management fees and out of pocket expenses.

Note 12

Convertible Notes Payable

On August 14, 2008, the Company executed a 5% convertible note of \$100,000 that was due August 13, 2010. The note may be converted from time to time, all or any part of the principal plus any unpaid accrued interest thereof into common stock of the Company at a conversion price per share equal to the greater of i) the closing market price per share of the common stock on the trading day immediately preceding the date of conversion as quoted on the OTC-BB or such other exchange upon which the Company's shares are then listed or traded, or ii) \$0.10 per share (\$20.00 per share after adjustment due to 200 to 1 reverse stock split). The conversion price shall be subject to adjustments. The minimum amount to be converted is \$10,000. As of December 31, 2011, this note is outstanding.

| Date | Principal | Interest |
|--------------|-----------|----------|
| Aug 15, 2008 | \$100,000 | \$17,111 |

Note 13

Promissory Notes Payable

The following promissory notes payable are unsecured and bear interest at 5% per annum. They are due on demand:

| Date | Maturity | Interest rate | Principal | Interest | Total |
|--------------|-----------|---------------|------------|-----------|------------|
| Nov 15, 2005 | On demand | 5% per annum | \$ 82,775 | \$ 25,365 | \$ 108,140 |
| Dec 01, 2005 | On demand | 5% per annum | \$ 18,800 | \$ 5,720 | \$ 24,520 |
| Jan 06, 2006 | On demand | 5% per annum | \$ 100,000 | \$ 29,932 | \$ 129,932 |
| Jul 14, 2006 | On demand | 5% per annum | \$ 103,975 | \$ 28,429 | \$ 132,404 |

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Total \$ 305,550 \$ 89,446 \$ 394,996

The following promissory notes payable are unsecured and bear interest at 12% per annum.

| Date | Maturity | Interest rate | Principal | Interest | Total |
|--------------|-----------------|----------------------|------------------|-----------------|--------------|
| Mar 25, 2011 | Mar 25, 2012 | 12% per annum | \$ 50,000 | \$ 4,619 | \$ 54,619 |
| Apr 27, 2011 | Apr 27, 2012 | 12% per annum | \$ 50,000 | \$ 4,077 | \$ 54,077 |
| Jun 16, 2011 | Jun 16, 2012 | 12% per annum | \$ 50,000 | \$ 3,254 | \$ 53,254 |
| Aug 19, 2011 | Aug 19, 2012 | 12% per annum | \$ 15,000 | \$ 661 | \$ 15,661 |
| Oct 20, 2011 | Oct 20, 2012 | 12% per annum | \$ 15,000 | \$ 355 | \$ 15,355 |
| Total | | | \$ 180,000 | \$ 12,966 | \$ 192,966 |

As of December 31, 2011, the balance of promissory notes payable amounted to \$485,550.

Note 14

Line of Credit

The Company executed a note with a Line of Credit with Wells Fargo Bank in California. The Line of Credit allows the Company to borrow up to thirty-five thousand dollars (\$35,000). The balance of this Line of Credit at December 31, 2011 is \$31,917.

Note 15

Subsequent Events

Subsequent to December 31, 2011, the Company entered into two promissory note payables for the amount of \$10,000 and \$15,000. The notes bear 12% interest per annum and are due on or before January 24, 2013 and January 27, 2013, respectively.

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*, *Urex* and the *Company* mean Mustang Geothermal formerly Urex 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 \$0.001 and 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 \$0.15 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).

On December 2, 2011 Mustang acquired through its Peruvian subsidiary, Andean Geothermic Energy S.A.C, three additional geothermal exploration concessions in southern Peru through the government application process. The Atecata, Coline, and Condorama South properties are located in the Departments of Puno and Cusco, respectively and each comprises an area of 900 hectares.

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. Our operations and prospects have undergone changes since our last report to the Commission.

Previously, we reported one uranium prospect, the La Jara Mesa Property located in the Grants Mining District in Cibola County, New Mexico. This property consisted of 137 unpatented mining claims of approximately 2,740 acres through staking. We acquired 100% of the interest in the property in 2005. However, as of September 1, 2011, we determined to not continue maintaining the lease fees resulting in our abandonment of this property.

On March 18, 2010, we 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 (post split, 500,000 shares), which was valued at \$0.01 on the date of the transaction. The initial lease tenure was 10 years and contained options to renew for up to 40 years, providing that geothermal production has been realized in the initial term. The Company obligated itself to annual lease payments of \$3/acre for the first 10 years, approximately \$16,386 for the 5462 acres leased. As at September 1, 2011, the Company decided not to continue with these geothermal properties due to negative test results. Consequently, the Company has terminated these geothermal leases.

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.

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 \$0.15 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).

On December 2, 2011 Mustang acquired through its Peruvian subsidiary, Andean Geothermic Energy S.A.C, three additional geothermal exploration concessions in southern Peru through the government application process. The Atecata, Coline, and Condorama South properties are located in the Departments of Puno and Cusco, respectively and each comprises an area of 900 hectares.

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*Moon Rocks, 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 |

Peru Project (\$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 \$2,055,000 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 \$2,055,000. 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 \$2,055,000:

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 seismic method has also been used to good effect to help map pregnant geothermal structures at depth. Favorable results would be 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 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 three month and nine month periods ended December 31, 2011 and December 31, 2011

We did not generate any revenues for the three months ended December 31, 2011 and December 31, 2010, nor for the nine months ended December 31, 2011 and December 31, 2010. 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 three month period ended December 31, 2011 were \$182,621 compared to \$1,968,585 for the three months ended December 31, 2010. This decrease was substantially due to the impairment of an intangible asset of \$1,803,532 in 2010. Operating expenses for the nine months ended December 31, 2011 were \$1,659,238 compared to \$2,193,202 for the nine months ended December 31, 2010. The decrease was substantially due to the impairment of an intangible asset of \$1,803,532 and the increase of explorations costs of \$1,084,138.

Our net loss for the three months period ended December 31, 2011, was \$182,621 as compared to \$1,968,585 for the three month period ended December 31, 2010, and \$1,659,238 for the nine months ended December 31, 2011 as compared to \$2,193,202 for the nine months ended December 31, 2010.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2011, we had a working capital deficit of \$1,404,130. Our total liabilities, consisting of current liabilities, as of December 31, 2011 were \$1,406,187, as compared to total liabilities, consisting of current liabilities, of \$1,094,798 as of March 31, 2011. 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, 2011 were \$1,822,057, as compared to total assets of \$3,133,373 as of March 31, 2011. This decrease in total assets was due to the decision of the Company to abandon the La Jara Mesa Property located in the Grants Mining District in Cibola County, New Mexico, and the three geothermal leases located in the State of Nevada purchased from ENCO Explorations, Inc.

Cash Flow Used in Operating Activities

Operating activities used cash of \$171,259 for the nine-month period ended December 31, 2011, compared to using \$81,797 for the nine month period ended December 31, 2010. The increase in cash used during the nine-month period ended December 31, 2011 was mainly due to the decision to write off the two project properties noted above, the increase in prepaid expense, and the corresponding decrease in the net income for the periods.

Cash Flow Provided by Financing Activities

Financing activities generated cash of \$128,514 for the nine months period ended December 31, 2011 as compared to generating cash of \$39,144 for the nine months period ended December 31, 2010. The cash generated from financing activities was mainly 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, 2011, 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, Andean Geothermic Energy, S.A.C. All significant intercompany accounts and transactions have been eliminated.

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 or 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 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 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 of our Principal Executive Officer, Mr. Richard Bachman, and Chief Financial Officer and Principal Accounting Officer, Mr. Kevin Pikero, and other persons carrying out similar review functions for the Company. Based on the evaluation of the Company's disclosure controls and procedures, the Company concluded that its disclosure controls and procedures were effective to provide reasonable assurances confirming that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended, is accumulated and communicated, recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Material Changes to the Company's Internal Controls in 2011

Readers are directed to the Company's discussions of its internal controls and procedures contained in its amended annual report on Form 10-K/A for the year ended March 31, 2011, and its amended quarterly report on Form 10-Q/A for the quarter ended December 31, 2010. These amended reports were filed by the Company on February 6, 2012 and February 3, 2012 respectively.

For the time periods covered by these reports, we reviewed and tested 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 testing 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 testing showed 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 established 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 established 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 this work flow as implemented addresses the above noted material weaknesses because it insures 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.

Management's Interim Report on the Effectiveness of Its Internal Control over Financial Reporting

At the end of the period covered by this report, an 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 Chief Financial Officer and Principal Accounting Officer, Mr. Kevin J. Pikero, 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 effective to detect the inappropriate application of US GAAP standards.

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 Mr. Kevin J. Pikero, our 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. Under the guidance of our Chief Executive Officer and our Chief Financial Officer, we are assessing our internal controls and procedures on an on-going basis regarding our financial reporting and financial close process, utilizing standards incorporating applicable portions of the Public Company Accounting Oversight Board's *2009 Guidance for Smaller Public Companies in Auditing Internal Controls Over Financial Reporting* as necessary and on an on-going basis.

Finally, the Company plans to designate, in conjunction with its Chief Financial Officer, individuals responsible for identifying reportable developments and the process for resolving compliance issues related to them. The Company believes these actions will focus necessary attention and resources in its internal accounting functions.

Management assessment of the effectiveness of its internal control over financial reporting as of the period covered by this report is based on the criteria for effective internal control described in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its assessment, management concluded that our internal control over financial reporting as of December 31, 2011 was effective in the specific areas described in the Disclosure Controls and Procedures section above.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

We know of no material, active or pending legal proceedings against our company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

Item 1A. Risk Factors.

RISK FACTORS

Much of the information included in this quarterly report includes or is based upon estimates, projections or other forward-looking statements. Such forward-looking statements include any projections or estimates made by us and by our management in connection with our business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. We undertake no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Such estimates, projections or other forward-looking statements involve various risks and uncertainties as outlined below. We caution readers of this quarterly report that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward-looking statements. In evaluating us, our business and any investment in our business, readers should carefully consider the following factors.

We have had negative cash flows from operations and if we are not able to continue to obtain further financing our business operations may fail.

To date we have had negative cash flows from operations and we have been dependent on sales of our equity securities and debt financing to meet our cash requirements and have incurred a net loss of \$182,621 for the nine months period ended December 31, 2011, and cumulative net losses of \$13,436,630 from inception to December 31, 2011. As of December 31, 2011 we had a working capital deficit of \$1,404,130. We do not expect to generate positive cash flow from operations in the near future. There is no assurance that actual cash requirements will not exceed our estimates. Any decision to further expand our company's operations or our exploration properties is anticipated to involve consideration and evaluation of several significant factors including, but not limited to:

-

costs to bring each property into production, including exploration work, preparation of production feasibility studies, and construction of production facilities;

-

availability and costs of financing;

-

ongoing costs of production;

-

market prices for the energy units or minerals to be produced;

-

environmental compliance regulations and restraints; and

-

political climate and/or governmental regulation and control.

The occurrence of any of the aforementioned events could adversely affect our ability to meet our business plans.

We depend almost exclusively on outside capital to pay for the continued exploration and development of our properties. Such outside capital may include the sale of additional stock and/or commercial borrowing. Capital may not continue to be available if necessary to meet these continuing development costs or, if the capital is available, that it will be on terms acceptable to us. The issuance of additional equity securities by us would 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.

If we are unable to obtain financing in the amounts and on terms deemed acceptable to us, we may be unable to continue our business and, as a result, we may be required to scale back or cease our business operations, the result of which would be that our stockholders would lose some or all of their investment.

A decline in the price of our common stock could affect our ability to raise further working capital and adversely impact our operations.

A prolonged decline in the price of our common stock could result in a reduction in the liquidity of our common stock and a reduction in our ability to raise capital. Because our operations have been primarily financed through the sale of equity securities, a decline in the price of our common stock could be especially detrimental to our liquidity and our continued operations. Any reduction in our ability to raise equity capital in the future would force us to reallocate funds from other planned uses and would have a significant negative effect on our business plans and operations, including our ability to develop new products and continue our current operations. If our stock price declines, we may not be able to raise additional capital or generate funds from operations sufficient to meet our obligations.

We have a history of losses and fluctuating operating results that raises doubt about our ability to continue as a going concern.

From inception through to December 31, 2011, we have incurred aggregate net losses of \$13,436,630. Our net loss from operations for the nine months period ended December 31, 2011 was \$182,621. There is no assurance that we will operate profitably or will generate positive cash flow in the future. In addition, our operating results in the future may be subject to significant fluctuations due to many factors not within our control, such as general economic conditions, market price of minerals and exploration and development costs. If we cannot generate positive cash flows in the future, or raise sufficient financing to continue our operations, then we may be forced to scale down or even close our operations. Until such time as we generate revenues, we expect an increase in development costs and operating costs. Consequently, we expect to incur operating losses and negative cash flow until our properties enter commercial production.

We have a limited operating history and if we are not successful in continuing to grow our business, then we may have to scale back or even cease our ongoing business operations.

We have no history of revenues from operations and have no significant tangible assets. We have yet to generate positive earnings and there can be no assurance that we will ever operate profitably. Our company has a limited operating history and must be considered in the development stage. The success of our company is significantly dependent on a successful acquisition, drilling, completion and production program. Our company's operations will be subject to all the risks inherent in the establishment of a developing enterprise and the uncertainties arising from the absence of a significant operating history. We may be unable to locate recoverable reserves or operate on a profitable basis. We are in the development stage and potential investors should be aware of the difficulties normally encountered by enterprises in the development stage. If our business plan is not successful, and we are not able to operate profitably, investors may lose some or all of their investment in our company.

Trading in our common shares on the OTC Bulletin Board is limited and sporadic making it difficult for our shareholders to sell their shares or liquidate their investments.

Our common shares are currently quoted on the OTC Bulletin Board. The trading price of our common shares has been subject to wide fluctuations. Trading prices of our common shares may fluctuate in response to a number of factors, many of which will be beyond our control. The stock market has generally experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies with no current business operation. There can be no assurance that trading prices and price earnings ratios previously experienced by our common shares will be matched or maintained. These broad market and industry factors may adversely affect the market price of our common shares, regardless of our operating performance.

In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation has often been instituted. Such litigation, if instituted, could result in substantial costs for us and a diversion of management's attention and resources.

Because of the early stage of development and the nature of our business, our securities are considered highly speculative.

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from production. The marketability of energy units or minerals acquired or discovered by our company may be affected by numerous factors which are beyond the control of our company and which cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling or production facilities, energy or mineral markets and processing equipment and such other factors as government regulation, including regulations relating to royalties, allowable production, importing and exporting of energy or minerals and environmental protection, the combination of which factors may result in our company not receiving an adequate return of investment capital.

As our properties are in the exploration and development stage, there can be no assurance that we will establish commercial discoveries on our properties.

The geothermal energy/mining and exploration business relies upon the accuracy of determinations as to whether a given deposit has significant geothermal or mineral reserves and resources. This reliance is important in that reported geothermal/mineral reserves and resources are only estimates and do not represent with certainty that estimated geothermal/mineral reserves and resources will be recovered or that they will be recovered at the rates estimated. Geothermal/mineral reserve and resource estimates are based on limited sampling, and inherently carry the uncertainty that samples may not be representative. Geothermal/mineral reserve and resource estimates may require revision (either upward or downward) based on actual production experience. Market fluctuations in the price of energy units/metals, as well as increased production costs or reduced recovery rates, may render certain mineral resources uneconomic. Inaccurate estimates may result in a misallocation of resources such that an excess amount could be allocated to a less than economic deposit or, conversely, failure to develop a significant deposit.

Our company will be subject to operating hazards and risks which may adversely affect our company's financial condition.

Mineral or geothermal exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Our operations will be subject to all the hazards and risks normally incidental to exploration, development and production of metals, such as unusual or unexpected formations, cave-ins or pollution, all of which could result in work stoppages, damage to property and possible environmental damage. We do not have general liability insurance covering our operations and do not presently intend to obtain liability insurance

as to such hazards and liabilities. Payment of any liabilities as a result could have a materially adverse effect upon our company's financial condition.

Our company's activities will be subject to environmental and other industry regulations which could have an adverse effect on the financial condition of our company.

Our activities are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which may result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, and more stringent fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations could have an adverse effect on the financial condition of our company.

Our operations, including exploration and development activities and commencement of production on our properties, which will require permits from various federal, state, provincial and local governmental authorities, are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities. Such actions may cause operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Our current property interests are located in North America, and the current and future economic, political and social conditions, as well as the governmental policies of the respective jurisdictions, could have an adverse effect on our company's overall financial condition and ability to generate revenues.

We expect that a substantial portion of our business, including future assets and operations of our company, will be located and conducted in North America, including Nevada, California, and New Mexico, and in South America including Peru. For example, our operating results and financial condition may be adversely affected by government control over capital investments or changes in tax regulations applicable to us. If there are any changes in any policies by such governments and our proposed business is negatively affected as a result, then our financial results, including our ability to generate revenues and profits, will also be negatively affected.

Competition may have an adverse impact on our company's ability to acquire suitable mineral properties, which may have an adverse impact on our company's operations.

Significant and increasing competition exists for the limited number of mineral acquisition opportunities available. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than our company, we may be unable to acquire attractive mineral properties on terms we consider acceptable. Accordingly, there can be no assurance that any proposed exploration and development program will yield any reserves or result in any commercial mining operation.

We currently rely on certain key individuals and the loss of one of these certain key individuals could have an adverse effect on our company.

Our company's success depends to a certain degree upon certain key members of our management. These individuals are a significant factor in our company's growth and success. We do not have key man insurance in place in respect of any of our senior officers or personnel and we do not anticipate obtaining such insurance in the near future. The loss of the service of members of our management and certain key employees could have a material adverse effect on our company. In particular, the success of our company is highly dependent upon the efforts of our president and director, Mr. Richard Bachman, the loss of whose services would have a material adverse effect on the success and development of our company.

We are an exploration stage company, and there is no assurance that a commercially viable deposit or reserve exists on any of our properties that we have, or might obtain, an interest.

We are an exploration stage company and cannot give assurance that a commercially viable deposit, or reserve, exists on any properties for which our company currently has or may have an interest. Therefore, determination of the existence of a reserve depends on appropriate and sufficient exploration work and the evaluation of legal, economic, and environmental factors. If we fail to find a commercially viable deposit on any of our properties, our financial condition and results of operations will be adversely affected in a material manner.

Investors' interests in our company will be diluted and investors may suffer dilution in their net book value per share if we issue additional shares or raise funds through the sale of equity securities.

Our constating documents authorize the issuance of 310,000,000 shares, consisting of 300,000,000 shares of common stock, par value \$0.001 per share and 10,000,000 shares of preferred stock, par value \$0.001. In the event that we are required to issue any additional shares or enter into private placements to raise financing through the sale of equity securities, investors' interests in our company will be diluted and investors may suffer dilution in their net book value per share depending on the price at which such securities are sold. If we issue any such additional shares, such issuances will cause a reduction in the proportionate ownership and voting power of all other shareholders. Further, any such issuance may result in a change in our control.

Trading of our stock may be restricted by the SEC's Penny Stock regulations that may limit a stockholder's ability to buy and sell our stock.

The SEC has adopted regulations which generally define penny stock to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and accredited investors. The term accredited investor refers generally to institutions with assets in excess of \$5,000,000 or individuals with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in and limit the marketability of, our common stock.

The Financial Industry Regulatory Authority, or FINRA, sales practice requirements may also limit a stockholder's ability to buy and sell our stock.

In addition to the penny stock rules described above, the FINRA has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, the FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information

None.

Item 6. Exhibits

| Exhibit Number | Description |
|-------------------|--|
| (3) | Articles of Incorporation and By-laws |
| 3.1 | Articles and Bylaws incorporated by reference from our Registration Statement on Form 10-SB filed on February 27, 2003 |
| 3.2 | Certificate of Amendment to the Articles of Incorporation dated June 2, 2005 incorporated by reference from our quarterly report on Form 10-QSB filed on November 17, 2006 |
| 3.3 | Certificate of Change dated June 2, 2005 incorporated by reference from our quarterly report on Form 10-QSB filed on November 17, 2006 |
| 3.4 | Certificate of Amendment to the Articles of Incorporation incorporated by reference from our annual report on Form 10-KSB filed on July 14, 2006 |
| 3.5 | Certificate of Change incorporated by reference from our annual report on Form 10-KSB filed on July 14, 2006 |
| 3.6 | Articles of Incorporation of Urex Energy Corp. incorporated by reference from our annual report on Form 10-KSB filed on July 14, 2006 |
| 3.7 | Articles of Merger incorporated by reference from our Current Report on Form 8-K filed on July 5, 2006 |
| 3.8 | Certificate of Change incorporated by reference from our Current Report on Form 8-K filed on July 5, 2006 |
| 3.9 | Certificate of Correction with respect to the Certificate of Change incorporated by reference from our Current Report on Form 8-K filed on July 5, 2006 |
| 3.10 | Certificate of Correction with respect to the Articles of Merger incorporated by reference from our Current Report on Form 8-K filed on July 5, 2006 |
| (4) | Instruments defining the rights of security holders, including indentures |
| 4.1 | 2008 Stock Plan, effective October 16, 2008 (incorporated by reference from our registration statement of Form S-8 filed on October 29, 2008) |
| 4.2 | Form of Stock Option Agreement (incorporated by reference from our registration statement of Form S-8 filed on October 29, 2008) |
| 4.3 | Form of Restricted Share Grant Agreement (incorporated by reference from our registration statement of Form S-8 filed on October 29, 2008) |
| (10) | Material Contracts |
| 10.1 | Consulting Agreement between our company and Minera Teles Pires Inc., dated September 27, 2005 incorporated by reference from our annual report on Form 10-KSB filed on July 14, 2006 |
| 10.2 | Assignment Agreement between our company and International Mineral Resources Inc., dated September 22, 2005 incorporated by reference from our Current Report on Form 8-K filed on September 29, 2005 |
| 10.3 | Option Agreement between International Mineral Resources Inc. and United Energy Metals S.A., dated September 21, 2005 incorporated by reference from our annual report on Form 10-KSB filed on July 14, 2006 |
| 10.4 | Agreement and Plan of Merger between Urex Energy Corp. and Lakefield Ventures Inc., dated June 8, 2006 incorporated by reference from our annual report on Form 10-KSB filed on July 14, 2006 |
| 10.5 | Form of Subscription Agreement with certain investors incorporated by reference from our Current Report on Form 8-K filed on November 30, 2006 |

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- 10.6 Form of Series A Warrant Certificate with certain investors incorporated by reference from our Current Report on Form 8-K filed on November 30, 2006
- 10.7 Form of Series B Warrant Certificate with certain investors incorporated by reference from our Current Report on Form 8-K filed on November 30, 2006
- 10.8 Agreement with New-Sense Geophysics Limited incorporated by reference from our Annual Report on Form 10-KSB filed on July 17, 2007
- 10.9 Agreement with N.A. Dergstrom, Inc., dated January 31, 2008 incorporated by reference from our Annual Report on Form 10-KSB filed on July 15, 2008
- 10.10 Convertible Note with Four Tong Investments Limited, dated August 19, 2008 incorporated by reference on Form 8-K filed on August 26, 2008
- 10.11 Share Purchase Agreement with SGI Partners, LLC dated August 4, 2009 incorporated by reference on Form 8-K filed on August 7, 2009
- 10.12 Share Purchase Agreement with Patagonia dated February 9, 2010 incorporated by reference from our Quarterly Report on Form 10-Q filed February 22, 2010
- 10.13 Purchase Agreement with Enco Exploration Inc., dated March 23, 2010 incorporated by reference on Form 8-K filed on March 23, 2010
- 10.14 Purchase Agreement with Minera Inc., dated August 26, 2010 incorporated by reference on Form 8-K filed on August 31, 2010
- 10.15 Purchase Agreement with Dakota Resource Holding LLC, dated August 26, 2010 incorporated by reference on Form 8-K filed on August 31, 2010
- 10.16 Purchase Agreement with Minera Cerro El Diablo Inc., dated August 26, 2010 incorporated by reference on Form 8-K filed on August 31, 2010
- 10.17 Share Purchase Agreement with Genoa Energy Resources Inc. And Andean Geothermic Energy SAC, dated November 5, 2010 incorporated by reference on Form 8-K filed on November 8, 2010

(31) Rule 13a-14(a)/15d-14(a) Certifications

31.1* Section 302 Certification of Richard Bachman

31.2* Section 302 Certification of Kevin Pikero

(32) Section 1350 Certification

32.1* Section 906 Certification of Richard Bachman

32.2* Section 906 Certification of Kevin Pikero

(99) Additional Exhibits

99.2 Independent Review of the Rio Chubut Uranium Project prepared by Brian Cole, P.Geo., dated September 23, 2005 incorporated by reference from our annual report on Form 10-KSB filed on July 14, 2006

* Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MUSTANG GEOTHERMAL CORP.

By: /s/ Richard Bachman

Richard Bachman

President, CEO and Director

(Principal Executive Officer)

By: /s/ Kevin Pikero

Kevin Pikero

CFO and Director

(Principal Financial Officer)

Date: February 14, 2011