

Janus Resources, Inc.
Form 10-K
March 29, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2011

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 000-30156

JANUS RESOURCES, INC.

(Formerly Entheos Technologies, Inc.)

(Exact name of registrant as specified in its charter)

Edgar Filing: Janus Resources, Inc. - Form 10-K

Nevada 98-0170247
(State or other jurisdiction of incorporation) (I.R.S. Employer Identification No.)

10180 – 101 Street, Suite 3400, Edmonton, AB, Canada T5J3S4
(Address of principal executive offices) (Zip Code)

800-755-5815

(Registrant's telephone number, including area code)

430 Park Avenue, Suite 702, New York, NY 10022

(Former address if changed since last report)

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$0.00001 par value per share

(Title of Class)

Over The Counter Bulletin Board (OTCQB)

(Name of exchange on which registered)

Indicate by check mark if registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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

Edgar Filing: Janus Resources, Inc. - Form 10-K

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 Regulations S-T (Section 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 N/A

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 definition 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 Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter, based upon the closing sale price of the registrant's common stock on March 26, 2011 as reported on the OTCQB was \$16,630,161. Common shares held by each officer and director and by each person who owns 5% or more of the outstanding common shares have been excluded in that such persons may be deemed affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 26, 2012, there were 63,075,122 shares of the registrant's Common Stock outstanding.

Documents incorporated by reference: None.

JANUS RESOURCES, INC.

(Formerly Entheos Technologies, Inc.)

FORM 10-K

For The Fiscal Year Ended December 31, 2011

TABLE OF CONTENTS

	Page
PART I	
Item 1. Business	4
Item 1A. Risk Factors	12
Item 1B. Unresolved Staff Comments	16
Item 2. Properties	16
Item 3. Legal Proceedings	16
Item 4. Mine Safety Disclosures	17
PART II	
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities	17
Item 6. Selected Financial Data	19
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	19
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	27
Item 8. Financial Statements and Supplementary Data	27
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	28
Item 9A. Controls and Procedures	28
Item 9B. Other Information	28
PART III	
Item 10. Directors, Executive Officers and Corporate Governance	29
Item 11. Executive Compensation	34
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	37
Item 13. Certain Relationships and Related Transactions, and Director Independence	38
Item 14. Principal Accounting Fees and Services	38

PART IV

Item 15. Exhibits, Financial Statement Schedules
Signatures

39
40

PART I

Item 1. Business

Forward-Looking Statements

Except for the historical information presented in this document, the matters discussed in this Form 10-K for the fiscal year ending December 31, 2011, contain forward-looking statements. Such forward-looking statements include statements regarding, among other things, (a) our projected sales and profitability, (b) our growth strategies, (c) anticipated trends in our industry, (d) our future financing plans, and (e) our anticipated needs for working capital. Forward-looking statements, which involve assumptions and describe our future plans, strategies, and expectations, are generally identifiable by use of the words “may,” “will,” “should,” “could,” “might,” “expect,” “anticipate,” “estimate,” “believe,” “intend,” or “project” or the negative of these words or other variations on these words or comparable terminology. This information may involve known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from the future results, performance, or achievements expressed or implied by any forward-looking statements. These statements may be found under “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Business,” “Properties,” as well as in this report generally.

The safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, apply to forward-looking statements made by the Company. The reader is cautioned that no statements contained in this Form 10-K should be construed as a guarantee or assurance of future performance or results. Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors, including, without limitation, the risks described in this report and matters described in this report generally. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this filing will in fact occur. These forward-looking statements are based on current expectations, and the Company assumes no obligation to update this information. Readers are urged to carefully review and consider the various disclosures made by the Company in this Form 10-K and in the Company’s other reports filed with the Securities and Exchange Commission that attempt to advise interested parties of the risks and factors that may affect the Company’s business.

The Company

Edgar Filing: Janus Resources, Inc. - Form 10-K

Janus Resources, Inc. (formerly Entheos Technologies, Inc.) (“Janus” “the Company” “we” “us” and “our”) was incorporated under the laws of the State of Nevada and has an authorized capital of 200,000,000 shares of \$0.00001 par value common stock, of which 63,075,122 shares are outstanding and 10,000,000 shares of \$0.0001 par value preferred stock, of which none are outstanding.

Effective January 5, 2011, the Company changed its name from “Entheos Technologies, Inc.” to “Janus Resources, Inc.” so as to more fully reflect the Company’s operations. In conjunction with the name change, our stock symbol on the OTCQB was changed from “ETHT” to “JANI”.

Our principal executive offices are located at 10180 – 101 Street, Suite 3400, Edmonton, AB, Canada T5J3S4. Our telephone number is (800) 755-5815.

As we are a smaller reporting company, certain disclosures otherwise required to be made in a Form 10-K are not required to be made by us.

Our Principal Products and Their Markets

We are a junior natural resources exploration company. Our strategy is to concentrate our investigations into: (i) existing operations where an infrastructure already exists; (ii) properties presently being developed and/or in advanced stages of exploration which have potential for additional discoveries; and (iii) grass-roots exploration opportunities.

We are currently concentrating our mineral property exploration activities in Canada and our oil and gas property exploration activities in the United States of America (the “USA”). We are also examining data relating to the potential acquisition of other mineral exploration properties.

Our mineral property is in the exploration stage only and is without a known body of mineral reserves. Development of the property will follow only if satisfactory exploration results are obtained. Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is no assurance that our mineral exploration and development activities will result in any discoveries of commercially viable bodies of mineralization reserves. The long-term profitability of our operations will be, in part, directly related to the cost and success of our exploration programs, which may be affected by a number of factors. **Please refer to “Item 1A Risk Factors”.**

Description of Business

Janus Resources, Inc. is in the business of location, acquisition, exploration and, if warranted, development of both mineral exploration properties and oil and gas properties.

Mineral Properties

Foster Township, Sudbury, Ontario, Canada – Fostung Tungsten Property

On June 8, 2011, pursuant to an asset purchase agreement, the Company paid CAD \$500,000 in cash for the acquisition of EMC Metals Corp's. 100% leasehold interest in two mining leases known as the Fostung tungsten property. The Fostung tungsten property consists of two contiguous claim blocks of 30 claims totaling 485 hectares. The nine claims covered by Mining Lease 108592 ("Lease One") expire on October 31, 2031. The twenty one claims covered by Mining Lease 105604 ("Lease Two") which originally expired on March 31, 2011 are in the (a) process of being renewed and extended three years to 2014 by the Ministry of Northern Development, Mines and Forestry ("MNDMF"). The Company has performed the necessary assessment work and applied to the MNDMF to extend the expiry of Lease Two to October 2032. The Fostung property is located in Foster Township, Sudbury Mining Division, Ontario, Canada. It is approximately 8 kilometers southeast of the town of Espanola and 70 kilometers west-southwest of the town of Sudbury. An excellent all-weather gravel road extends from Espanola, crossing the property and providing access to the west bay of Lake Panache.

A production bonus in the amount of CAD \$500,000 is payable to Breakwater Resources Ltd. by the Company within thirty business days following the commencement of commercial production from the property. A 1% net smelter return royalty on the property is also payable to Breakwater Resources Ltd. by the Company. No capitalized costs have been amortized as of December 31, 2011. The Company did not incur any impairment of these capitalized costs through December 31, 2011.

The Fostung property also consists of four unpatented mining claims, located in Foster Township in the Sudbury Mining Division, Ontario, Canada, comprised of 26 claim units, were recorded in the name of Fostung Resources Ltd. on June 7, 2011. Two of the four mining claim blocks consisting of two contiguous claims are located to the (b) north east of the structural trend in the two contiguous claim blocks of 30 claims referred to in (a) above. Two of the four mining claim blocks consisting of two contiguous claims are located to the south west of the structural trend in the two contiguous claim blocks of 30 claims referred to in (a) above. Each of the four claims has an expiration date of June 7, 2013. The aggregate amount of work required to renew the four claims is CAD \$10,400.

Accessibility, Climate, Local Resources, Infrastructure and Physiography of the Fostung property

Access

The Fostung Property is easily accessible by an all-year gravel road from Espanola to the western bay of Panache Lake (Stryhas and More, 2007). The property can also be accessed by a gravel road to Lake Hannah and Stratton.

Climate, Vegetation and Physiography

The climate is typical of the Northern Ontario with cold winters and hot, humid summers (Stryhas and More, 2007). The average, annual daily temperature is 4°C, the monthly average is -13.6°C for January and 19°C for July. The property is located on rugged, rolling terrain, with the hills oriented east-northeast (Stryhas and More, 2007).

Regional Geology

The Fostung Property is located in sediments of the Huronian Supergroup of the Southern Province, which is underlain by granite and gneisses of the Archean basement to the north and bounded by the Grenville Province to the southeast. The Huronian Supergroup is subdivided into Elliot Lake, Hough Lake, Quirke Lake and Cobalt Group.

The sedimentary rocks have been metamorphosed and folded during Penokean Orogeny and faulted during and after metamorphism and folding. The sedimentary rocks are intruded by the Nipissing diabase and later Keewenawan-type diabase dikes with a northwesterly trend.

Property Geology

Sedimentary rocks

The Fostung Property is underlain by the Bruce, Espanola and Serpent formations of the Quirke Lake Group. The Bruce Formation is composed of conglomerate, greywacke, quartzite and siltstone with slightly dolomitic beds in the upper part. The Espanola Formation is the host of the majority of the mineralization on the Fostung Property. It is subdivided into a Limestone Member, Greywacke Member, Calcareous Siltstone Member, Sandstone Member and Siltstone Member, from bottom to top (Card, 1978). The skarn mineralization occurs in the Calcareous Siltstone Member. The lower Limestone Member has not been found in the Fostung Property. The Greywacke Member also carries minor mineralization. The Serpent Formation is composed of sandstone, siltstone, argillite and minor carbonates. Skarn mineralization has not been found in the Serpent Formation.

Intrusive rocks

The metasedimentary rocks on the Fostung Property are intruded by Nipissing diabase and later northwest trending diabase dikes. The Breccia Hill is an elongated body of approximately 400 m by 200 m composed of an albitite core surrounded by a large zone of well-developed quartz stockwork and quartz-flooded breccias. The albitite is interpreted as an altered biotite granite pluton. A number of narrow granodiorite to granite dikes have been intersected in drill holes. Skarn mineralization is spatially associated with these dikes, but they appear not to be the direct cause of mineralization (Ginn and Beecham, 1986).

Alteration

Metasedimentary rocks have been metamorphosed and metasomatized over a 5.5 km by 0.5 km area along the Base Line Fault. The carbonate-bearing layers have been converted to calc-silicate assemblages. Pale green skarns are composed of quartz, feldspar, tremolite, diopsidic clinopyroxene, epidote, clinozoisite and minor calcite. Dark green skarns are composed of actinolite, quartz, feldspar and chlorite. Pale green skarns are later locally replaced by garnet-hedenbergite beds, which carry most of the scheelite mineralization.

Structure

Metasedimentary rocks on the Fostung Property are folded and faulted during several deformational events affecting the area. Fold axes have a northeasterly trend. The Fostung skarns are located on the northwest limb of the St. Leonard anticline, located south of the skarns, and the southeast limb of the Elizabeth Lake syncline, located north of the skarns. The major fault trends on the Fostung Property include northeast, west-northwest, east-southeast and east. The Base Line Fault is a major northeast trending fault, with a 50° strike and 85° dip.

Oil and Gas Properties

The Company pursues oil and gas prospects in partnership with oil and gas companies with exploration, development and production expertise. The Company's interests consist of non-operating, minority working interests in properties in La Salle County, Fayette County, Lee County and Frio County, Texas.

The leases for these properties are maintained and operated by Leexus Oil LLC and Millennium Petro-Physics; there are no obligations to further explore or develop lands in the lease areas to maintain the leases. The operators of the leases are not affiliated with Janus or any of its directors or major shareholders. We are not aware of any relationships or affiliations between or among any of our leasehold partners and the lease operators.

Strategy

Our general business strategy is to acquire mineral properties and oil and gas properties either directly or through the acquisition of operating entities. Our continued operations and the recoverability of property costs are dependent upon the existence of commercially viable bodies of mineralization reserves and oil and gas reserves, our ability to obtain necessary financing to complete our planned exploration programs, and future, if warranted, development and profitable production.

We plan to grow our oil and gas operations by acquiring minority, non-operating, working interests in both currently producing wells and also by participating in workover and/or re-entry projects on previously producing proved assets or wells. These assets will be pursued to offset the natural decline in our current production as well as provide growth in our asset portfolio over time. Assets for acquisition will be identified through our operators, managements' contacts in the industry as well as through the Petroleum Listing Service ("PLS").

Assets will be evaluated by management as well as by third party independent consulting engineers and geologists, having experience in the geographical areas in which the prospects are located, engaged by us on an as needed basis. The industry professionals to be utilized by us will be contractors and will be compensated as such utilizing finder's fee agreements and consulting agreements.

Acquisition of Oil & Gas Properties

The following table sets forth a summary of our current oil and gas interests:

	Acquisition Date	Interest Working	Net Revenue	Month Production Started	Gross / Net Acreage	Formation
Unproven Properties:						
Cooke #6	9/1/2008	21.75%	16.3125%	Dec-07	40 / 8.7	Escondido
Onnie Ray #1	9/12/2008	20.00%	15.00%	Oct-08	80 / 16	Austin Chalk
Stahl #1	9/12/2008	20.00%	15.00%	Oct-08	20 / 4	Austin Chalk
Pearce #1	10/31/2008	20.00%	15.00%	Dec-08	360 / 72	Austin Chalk
Haile #1	9/12/2008	20.00%	15.00%	-	100 / 20	Austin Chalk

Capitalized costs associated with the property are as follows:

	December 31,		Change
	2011	2010	(\$)
Unproven Properties	\$530,539	\$535,176	\$(4,637)
Impairment of properties	(511,847)	(508,583)	(3,264)
Oil and gas properties, net	\$18,692	\$26,593	\$(7,901)

Geologic Background

Escondido Formation

The Escondido formation, where Cooke #6 is located, is a regional producer spanning several counties in South Texas. There are many Escondido oil and gas fields which have produced anywhere from 600,000 to 3,100,000 barrels of oil and the gas fields have produced up to 18 BCF of gas. However, this is no assurance that Cooke #6 will produce or continue to produce any oil and gas.

Austin Chalk Formation

Giddings is a main producing field of the Austin Chalk formation consisting of fractured carbonate, which is where our Onnie Ray #1 and Stahl #1 wells are located. This formation covers central Texas, parts of Mexico and northwest Louisiana. The Austin Chalk in central Texas has been and continues to be explored and developed for its oil and gas potential by companies such as Anadarko Petroleum Corporation, Chesapeake Energy Corporation, and Exxon Mobil Corporation. In March 2011, Leexus Oil LLC, the operator, who also owns a working interest in the Onnie Ray #1H well provided us with a plan for the re-completion of the well. We have decided not to participate in the proposed re-completion of the Onnie Ray #1H well. This decision may delay our cost recovery from this well even if the recompletion results in increased production.

Haile #1 and Pearce #1 wells are located within the Pearsall Austin Chalk field which is south west of the Giddings field and is also a significant historic producer. The Pearsall field has been and continues to be explored and developed much like the Giddings fields to the North.

At the time of acquisition, the Reeves #1H (Haile) well was not supported by actual production nor were there defined engineering reserve studies. The well was being re-completed to a zone that was previously productive. Once the recompletion efforts were final and the well did not support production, an exploratory drilling program was started in early 2009 to complete a new unproven upper zone. The new upper zone recompletion also resulted in no oil or gas production and the well was shut-in August 2009. Management has impaired the well to the extent of anticipated salvage value of the equipment. In January 2011, Leexus Oil LLC, the operator who also owns a working interest in the well provided us with a plan for the re-completion of the well. We have decided not to participate in the proposed re-completion of the Reeves #1H (Haile) well.

The foregoing is not necessarily indicative of the commercial viability of our properties and activities.

Production and Reserve Estimate Status

Neither the Company, nor the Company's partners, Leexus Oil LLC and Millennium Petro-Physics (collectively, the "Partners"), have conducted any reserve studies and after further assessment of the matter, neither the Company nor the Partners believe it to be commercially reasonable, based on production to date, to undertake the expense of conducting a reserve study. Additionally, the Company maintains only a minority working interest in each of the properties, which are actively maintained by the Partners; accordingly, the Company is not in a position to unilaterally conduct reserve studies on these properties and no reserve studies have been provided to the Company by the Partners.

Marketing of Production

Sale of Crude Oil and Natural Gas

Our production consists of natural gas and crude that is marketed by the well site Operators. We sell our crude oil and condensate production at or near the well-site, although in some cases it is gathered by us or others and delivered to a central point of sale. Our crude oil and condensate production is transported by truck or by pipeline and is typically committed to arrangements having a term of one year or less. We have not engaged in crude oil hedging or trading

activities. We have not engaged in natural gas hedging or futures trading, nor do we have any long term contracts to sell our production.

Sales of crude oil totaled \$25,605 and \$29,960 for the years ended December 31, 2011 and 2010, respectively, which represents 78% and 75% of our total oil and gas revenues for the years ended December 31, 2011 and 2010, respectively. Sales of natural gas totaled \$7,182 and \$9,886 for the years ended December 31, 2011 and 2010, respectively.

Price Considerations

Crude oil prices are established in a highly liquid, international market, with average crude oil prices that we receive generally fluctuating with changes in the futures price established on the NYMEX for West Texas Intermediate Crude Oil ("NYMEX-WTI"). The average crude oil price per Bbl received by us in fiscal 2011 and 2010 was \$88.07 and \$67.13, respectively.

Natural gas and natural gas liquids prices in the geographical areas in which we operate are closely tied to established price indices which are heavily influenced by national and regional supply and demand factors and the futures price per MMBtu for natural gas delivered at Henry Hub, Louisiana established on the NYMEX ("NYMEX-Henry Hub"). At times, these indices correlate closely with the NYMEX-Henry Hub price, but often there are significant variances between the NYMEX-Henry Hub price and the indices used to price our natural gas. Average natural gas prices received by us in each of our operating areas generally fluctuate with changes in these established indices. The average natural gas price per Mcf received by us in fiscal 2011 and 2010 was \$9.99 and \$8.35, respectively.

Governmental Regulations

Our operations are periodically affected in varying degrees by political developments and U.S. federal, state, and local laws and regulations. In particular, natural gas and crude oil production and related operations are, or have been, subject to price controls, taxes and other laws and regulations relating to the industry. Failure to comply with such laws and regulations can result in substantial penalties. The regulatory burden on the industry increases our cost of doing business and affects our profitability. Although we believe we substantially comply with all applicable laws and regulations, such laws and regulations are frequently amended or reinterpreted so we are unable to predict the future cost or impact of complying with such laws and regulations.

Environmental Matters

Our mineral, natural gas and crude oil exploration, development and production operations are subject to stringent Canadian and U.S. federal, state and local laws governing the discharge of materials into the environment or otherwise relating to environmental protection. Numerous governmental agencies, such as the U.S. Environmental Protection Agency (“EPA”), issue regulations to implement and enforce such laws, and compliance is often difficult and costly. Failure to comply may result in substantial costs and expenses, including possible civil and criminal penalties. These laws and regulations may:

- require the acquisition of a permit before drilling commences; restrict the types, quantities and concentrations of various
- substances that can be released into the environment in connection with drilling, production and processing activities; limit or prohibit drilling activities on certain lands lying within
- wilderness, wetlands, frontier and other protected areas; require remedial action to prevent pollution from former
- operations such as plugging abandoned wells; and
- impose substantial liabilities for pollution resulting from operations.

In addition, these laws, rules and regulations may restrict the rate of natural gas and crude oil production below the rate that would otherwise exist. The regulatory burden on the industry increases the cost of doing business and consequently affects our profitability. Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly waste handling, disposal or clean-up requirements could adversely affect our financial position, results of operations and cash flows. While we believe that we substantially comply with current applicable environmental laws and regulations, and we have not experienced any materially adverse effect from compliance with these environmental requirements, we cannot assure you that this will continue in the future.

The U.S. Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), also known as the “Superfund” law, imposes liability, without regard to fault or the legality of the original conduct, on certain classes of persons who are considered to be responsible for the release of a “hazardous substance” into the environment. These persons include the present or past owners or operators of the disposal site or sites where the release occurred and the companies that transported or arranged for the disposal of the hazardous substances at the site where the release occurred. Under CERCLA, such persons may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies. It is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damages allegedly caused by the release of hazardous substances or other pollutants into the environment. Furthermore, although petroleum, including natural gas and crude oil, is exempt from CERCLA, at least two courts have ruled that certain wastes associated with the production of crude oil may be classified as “hazardous substances” under CERCLA and thus such wastes may become subject to liability and regulation under CERCLA. State initiatives to further regulate the disposal of crude oil and natural gas wastes are also pending in certain states, and these various initiatives could have an adverse impact on us.

Stricter standards in environmental legislation may be imposed on the industry in the future. For instance, legislation has been proposed in the U.S. Congress from time to time that would reclassify certain exploration and production wastes as “hazardous wastes” and make the reclassified wastes subject to more stringent handling, disposal and clean-up restrictions. Compliance with environmental requirements generally could have a materially adverse effect upon our financial position, results of operations and cash flows. Although we have not experienced any materially adverse effect from compliance with environmental requirements, we cannot assure you that this will continue in the future.

The U.S. Federal Water Pollution Control Act (“FWPCA”) imposes restrictions and strict controls regarding the discharge of produced waters and other petroleum wastes into navigable waters. Permits must be obtained to discharge pollutants into state and federal waters. The FWPCA and analogous state laws provide for civil, criminal and administrative penalties for any unauthorized discharges of crude oil and other hazardous substances in reportable quantities and may impose substantial potential liability for the costs of removal, remediation and damages. Federal effluent limitations guidelines prohibit the discharge of produced water and sand, and some other substances related to the natural gas and crude oil industry, into coastal waters. Although the costs to comply with zero discharge mandated under federal or state law may be significant, the entire industry will experience similar costs and we believe that these costs will not have a materially adverse impact on our financial condition and results of operations. Some oil and gas exploration and production facilities are required to obtain permits for their storm water discharges. Costs may be incurred in connection with treatment of wastewater or developing storm water pollution prevention plans.

The U.S. Resource Conservation and Recovery Act (“RCRA”), generally does not regulate most wastes generated by the exploration and production of natural gas and crude oil. RCRA specifically excludes from the definition of hazardous waste “drilling fluids, produced waters, and other wastes associated with the exploration, development, or production of crude oil, natural gas or geothermal energy.” However, these wastes may be regulated by the EPA or state agencies as solid waste. Moreover, ordinary industrial wastes, such as paint wastes, waste solvents, laboratory wastes and waste compressor oils, are regulated as hazardous wastes. Although the costs of managing solid hazardous waste may be significant, we do not expect to experience more burdensome costs than would be borne by similarly situated companies in the industry.

In addition, the U.S. Oil Pollution Act (“OPA”) requires owners and operators of facilities that could be the source of an oil spill into “waters of the United States,” a term defined to include rivers, creeks, wetlands and coastal waters, to adopt and implement plans and procedures to prevent any spill of oil into any waters of the United States. OPA also requires affected facility owners and operators to demonstrate that they have at least \$35 million in financial resources to pay for the costs of cleaning up an oil spill and compensating any parties damaged by an oil spill. Substantial civil and criminal fines and penalties can be imposed for violations of OPA and other environmental statutes.

Competition

The oil and gas industry is highly competitive. We compete with major oil companies, large and small independent companies, and individuals for the acquisition of leases and properties. Most competitors have financial and other resources which substantially exceed ours. Resources of our competitors may allow them to pay more for desirable leases and to evaluate, bid for and purchase a greater number of properties or prospects than us. Our ability to replace and expand our reserves is dependent on our ability to select and acquire producing properties and prospects for future drilling.

Operations

Oil and gas properties are customarily operated under the terms of a joint operating agreement, which provides for reimbursement of the operator's direct expenses and monthly per well supervision fees. Per well supervision fees vary widely depending on the geographic location and producing formation of the well, whether the well produces oil or gas and other factors. We are not the operator of our wells, which are operated by the Partners. The Partners charge the Company, without mark-up, for the Company's working interest portion of the direct operating costs and overhead costs (which are comprised of administrative, supervision, office services and warehousing costs) that the operators incur with respect to our wells.

Employees

We currently have two part-time contractors providing services to the Company. We have no employees. All of our activities are conducted through contracting geologists, engineers, operators and other oil and gas professionals.

GLOSSARY OF CERTAIN OIL AND GAS TERMS

The following is a description of the meanings of some of the natural gas and oil industry terms used in this filing:

“Bbl” means a barrel or barrels of oil.

“BOE” means barrels of oil equivalent.

“**Btu**” means British thermal unit, which means the quantity of heat required to raise the temperature of one pound of water by one degree Fahrenheit.

“**Completion**” means the installation of permanent equipment for the production of natural gas or oil.

“**Condensate**” means hydrocarbons naturally occurring in the gaseous phase in a reservoir that condense to become a liquid at the surface due to the change in pressure and temperature.

“**Crude**” means unrefined liquid petroleum.

“**Gross acres**” or “**gross wells**” refer to the total acres or wells, as the case may be, in which a working interest is owned.

“**Mcf**” means thousand cubic feet of natural gas. The Company has assumed that 1Mcf = 1 MMBtu for our calculations.

“**MMBtu**” means one million Btus.

“**Net acreage**” means the sum of the fractional working interest owned in gross acres or wells, as the case may be.

“**Operator**” refers to the individual or company responsible for the exploration, development and production of an oil or gas well or lease.

“**Proved reserves**” or “**reserves**” are those quantities of oil and gas reserves, which, by analysis of geosciences and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations—prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation.

“**Proved developed reserves**” or “**PDP**”s means reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of

fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery can be included as “proved developed reserves” only after testing by a pilot project, or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.

“Proved developed non-producing reserves” or “PDNPs”—those quantities of oil and gas reserves that are developed behind pipe in an existing well bore, from a shut-in well bore or that can be recovered through improved recovery only after the necessary equipment has been installed, or when the costs to do so are relatively minor. Shut-in reserves are expected to be recovered from (1) completion intervals which are open at the time of the estimate but which have not started producing, (2) wells that were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe reserves are expected to be recovered from zones in existing wells that will require additional completion work or future recompletion prior to the start of production.

“Proved undeveloped reserves” or “PUDs”—those quantities of oil and gas reserves that are expected to be recovered from new wells on undrilled acreage or from existing wells where a relatively major expenditure is required for development. Reserves on undrilled acreage are limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units are claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation. Estimates for proved undeveloped reserves are not attributed to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proven effective by actual tests in the area and in the same reservoir.

“Proven properties” refers to properties containing proved reserves.

“Recompletion” means the completion for production of an existing well bore in another formation from that in which the well has been previously completed.

“Shut-in” means a well which is capable of producing but is not presently producing.

“Unproven properties” refers to properties containing no proved reserves.

“**Working interest**” refers to the operating interest that gives the owner the right to drill, produce and conduct operating activities on the property and receive a share of production.

“**Workover**” means operations on a producing well to restore or increase production.

GLOSSARY OF CERTAIN MINERAL EXPLORATION TERMS

The following is a description of the meanings of some mineral exploration terms used in this filing:

“**Net Smelter Return**” or “**NSR**” royalties are based on the value of production or net proceeds received by the operator from a smelter or refinery. These proceeds are usually subject to deductions or charges for transportation, insurance, smelting and refining costs as set out in the royalty agreement. For gold royalties, the deductions are generally minimal while for base metal projects, the deductions can be much more substantial. This type of royalty provides cash flow that is free of any operating or capital costs and environmental liabilities. A smaller percentage NSR in a project can effectively equate to the economic value of a larger percentage profit or working interest in the same project.

Item 1A. Risk Factors

Risks Specific to Our Company

We have a history of losses which may continue, which may negatively impact our ability to achieve our business objectives.

We have very limited history with respect to our acquisition and development of oil and gas properties. In the years ended December 31, 2011 and 2010 we recorded operating losses of \$792,599 and \$387,005 respectively. We cannot assure you that we can achieve or sustain profitability on a quarterly or annual basis in the future. Our operations are subject to the risks and competition inherent in the establishment of a business enterprise. There can be no assurance that our future operations will be profitable. Revenues and profits, if any, will depend upon various factors, including whether we will be able to continue expansion of our revenue. We may not achieve our business objectives and the failure to achieve such goals would have an adverse impact on us.

Since we are in the early stage of development and have a limited operating history, it may be difficult for you to assess our business and future prospects.

We have only a limited history of revenues from oil and natural gas operations and have limited tangible assets. We have yet to generate positive earnings and there can be no assurance that we will ever operate profitably. With this limited operating history our company must be considered in the exploration stage. Our success is significantly dependent on a successful acquisition, drilling, completion and production program. Our 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 exploration stage and potential investors should be aware of the difficulties normally encountered by enterprises in the exploration 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.

Our directors may face conflicts of interest in connection with our participation in certain ventures because they are directors of other mineral mineralized material companies.

Messrs. Sierchio and Jenkins, who in addition to Mr. Cooper, serve as directors, may also be a director of other companies and, if those other companies participate in ventures in which we may participate, our directors may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. It is possible that due to our directors' conflicting interests, we may be precluded from participating in certain projects that we might otherwise have participated in, or we may obtain less favorable terms on certain projects than we might have obtained if our directors were not also directors of other participating companies. In an effort to balance their conflicting interests, our directors may approve terms equally favorable to all of their companies as opposed to negotiating terms more favorable to us but adverse to their other companies. Additionally, it is possible that we may not be afforded certain opportunities to participate in particular projects because those projects are assigned to our directors' other companies for which the directors may deem the projects to have a greater benefit.

Our future performance is dependent on our ability to retain key personnel, loss of which would adversely affect our success and growth.

Our performance is substantially dependent on performance of our senior management. In particular, our success depends on the continued efforts of Mr. Cooper. The loss of his services could have a material adverse effect on our business, results of operations and financial condition as our potential future revenues would most likely dramatically decline and our costs of operations would rise. We do not have employment agreements in place with any of our officers or our key employees, nor do we have key person insurance covering our employees.

The value and transferability of our shares may be adversely impacted by the limited trading market for our shares.

There is only a limited trading market for our common stock on the OTCQB. This may make it more difficult for you to sell your stock if you so desire.

Our common stock is a penny stock and because "penny stock" rules will apply, you may find it difficult to sell the shares of our common stock.

Our common stock is a "penny stock" as that term is defined under Rule 3a51-1 of the Securities Exchange Act of 1934. Generally, a "penny stock" is a common stock that is not listed on a national securities exchange and trades for less than \$5.00 a share. Prices often are not available to buyers and sellers and the market may be very limited. Penny stocks in start-up companies are among the riskiest equity investments. Broker-dealers who sell penny stocks must provide purchasers of these stocks with a standardized risk-disclosure document prepared by the Securities and Exchange Commission. The document provides information about penny stocks and the nature and level of risks involved in investing in the penny stock market. A broker must also give a purchaser, orally or in writing, bid and offer quotations and information regarding broker and salesperson compensation, make a written determination that the penny stock is a suitable investment for the purchaser, and obtain the purchaser's written agreement to the purchase. Consequently, the rule may affect the ability of broker-dealers to sell our securities and also may affect the ability of purchasers of our stock to sell their shares in the secondary market. It may also cause fewer broker dealers to make a market in our stock.

Many brokers choose not to participate in penny stock transactions. Because of the penny stock rules, there is less trading activity in penny stock and you are likely to have difficulty selling your shares.

In addition to the "penny stock" rules promulgated by the Securities and Exchange Commission, Financial Industry Regulatory Authority (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, FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. 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.

Future sales of shares by us may reduce the value of our stock.

If required, we will seek to raise additional capital through the sale of our common stock. Future sales of shares by us could cause the market price of our common stock to decline and may result in further dilution of the value of the shares owned by our stockholders.

Risks Associated with Oil and Gas Exploration, Development and Operations

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

Exploration for economic reserves of oil and gas is subject to a number of risk factors. Few wells that are ultimately reworked are capable of producing commercially viable quantities of oil and or gas for any extended period of time. If the wells in which we have an interest do not produce commercially viable amounts of oil or gas or cease to produce such quantities after being reworked we may need to curtail or cease our operations.

The potential profitability of our oil and gas ventures depends upon factors beyond our control.

The potential profitability of oil and gas properties is dependent upon many factors beyond our control. For instance, world prices and markets for oil and gas are unpredictable, highly volatile, potentially subject to governmental fixing, pegging, controls, or any combination of these and other factors, and respond to changes in domestic, international, political, social, and economic environments. Additionally, due to worldwide economic uncertainty, the availability and cost of funds for production and other expenses have become increasingly difficult, if not impossible, to project. In addition, adverse weather conditions can also hinder drilling operations. These changes and events may materially affect our financial performance. These factors cannot be accurately predicted and the combination of these factors may result in our company not receiving an adequate return on invested capital.

We may fail to fully identify problems with any properties we acquire.

Although we conduct a review of properties we acquire which we believe is consistent with industry practices, we can give no assurance that we have identified or will identify all existing or potential problems associated with such properties or that we will be able to mitigate any problems we do identify.

The oil and gas industry is highly competitive and there is no assurance that we will be successful in acquiring oil and gas interests or leases.

The oil and gas industry is intensely competitive. We compete with numerous individuals and companies, including many major oil and gas companies, which may have substantially greater technical, financial and operational resources and staffs. Accordingly, there is a high degree of competition for desirable oil and gas leases, suitable properties for drilling operations and necessary drilling equipment, as well as for access to funds. We cannot predict if the necessary funds can be raised or that any projected work will be completed or additional oil and gas interests acquired.

Oil and gas operations are subject to comprehensive regulation which may cause substantial delays or require capital outlays in excess of those anticipated causing an adverse effect on our company.

Oil and gas operations are subject to federal, state, and local laws relating to the protection of the environment, including laws regulating removal of natural resources from the ground and the discharge of materials into the environment. Oil and gas operations are also subject to federal, state, and local laws and regulations which seek to maintain health and safety standards by regulating the design and use of drilling methods and equipment. Various permits from government bodies are required for drilling operations to be conducted; no assurance can be given that

such permits will be received. Environmental standards imposed by federal, provincial, or local authorities may be changed and any such changes may have material adverse effects on our activities. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on us. Additionally, we may be subject to liability for pollution or other environmental damages. To date we have not been required to spend any material amount on compliance with environmental regulations.

However, we may be required to do so in future and this may affect our ability to expand or maintain our operations.

Exploration and production activities are subject to certain environmental regulations which may prevent or delay the commencement or continuance of our operations.

In general, our exploration, development and production activities are subject to certain federal, state and local laws and regulations relating to environmental quality and pollution control. Such laws and regulations increase the costs of these activities and may prevent or delay the commencement or continuance of a given operation. Compliance with these laws and regulations has not had a material effect on our operations or financial condition to date. Specifically, we are subject to legislation regarding emissions into the environment, water discharges and storage and disposition of hazardous wastes. In addition, legislation has been enacted which requires well and facility sites to be abandoned and reclaimed to the satisfaction of state authorities. However, such laws and regulations are frequently changed and we are unable to predict the ultimate cost of compliance. Generally, environmental requirements do not appear to affect us any differently or to any greater or lesser extent than other companies in the industry. We believe that our operations comply, in all material respects, with all applicable environmental regulations. Our operating partners maintain insurance coverage customary to the industry; however, we are not fully insured against all possible environmental risks.

Exploratory drilling involves many risks and we may become liable for pollution or other liabilities which may have an adverse effect on our financial position.

Drilling operations generally involve a high degree of risk. Hazards such as unusual or unexpected geological formations, power outages, labor disruptions, blow-outs, sour gas leakage, fire, inability to obtain suitable or adequate machinery, equipment or labor, and other risks are involved. We may become subject to liability for pollution or hazards against which we cannot adequately insure or which we may elect not to insure. Incurring any such liability may have a material adverse effect on our financial position and operations.

Risks Associated with Mineral Exploration and Development

The search for valuable minerals as a business is extremely risky. We can provide investors with no assurance that the exploration of any of the properties in which we have or may acquire an interest will uncover commercially viable bodies of mineralization. It is likely that such properties will not contain any reserves and, in all likelihood, any funds spent on exploration will probably be lost. In addition, problems such as unusual or unexpected geological formations or other variable conditions are involved in exploration and, often result in unsuccessful exploration efforts.

In addition, due to our limited capital and mineralized materials, we are limited in the amount of exploration work we can do. As a result, our already low probability of successfully locating commercially viable bodies of mineralization will be reduced significantly further. Therefore, we may not find a commercial mineable ore deposit prior to exhausting our funds. Furthermore, exploration costs may be higher than anticipated, in which case, the risk of utilizing all of our funds prior to locating any ore deposits shall be greatly increased. Factors that could cause exploration costs to increase are: adverse conditions, difficult terrain and shortages of qualified personnel.

Because we do not have any revenues from mining operations, we expect to incur operating losses for the foreseeable future.