VALOR GOLD CORP.
Form 10-Q
November 13, 2013

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 AND EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2013

or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (D) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the transition period from __________ to __________

VALOR GOLD CORP.
(Exact Name of Registrant as Specified in Charter)

| Delaware | 333-171277 | 45-5215796 |
|---|---|---|
| (State or other jurisdiction of incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

| 200 S. Virginia Street<br>8th Floor<br>Reno, NV | 89501 |
|---|---|
| (Address of principal executive offices) | (Zip Code) |

Registrant’s telephone number, including area code: (888) 734-4361

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 o No x

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 x No o

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 the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | o | Accelerated filer | o |
| Non-accelerated filer<br>(Do not check if smaller reporting company) | o | Smaller reporting company | x |

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 83,662,500 shares of common stock are issued and outstanding as of November 12, 2013.

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OTHER PERTINENT INFORMATION

Unless specifically set forth to the contrary, “Valor Gold Corp.,” “Valor,” “we,” “us,” “our” and similar terms refer to Va
Gold Corp., a Delaware corporation, and subsidiaries.

Item 1. Financial Statements

VALOR GOLD CORP. AND SUBSIDIARIES
(FORMERLY FELAFEL CORP.)
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED BALANCE SHEETS

| | September 30, 2013 (Unaudited) | December 31, 2012 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash | $96,822 | $812,671 |
| Note receivable | 50,000 | - |
| Prepaid expenses and other current assets | 223,967 | 982,219 |
| Assets of discontinued operations | 22,073 | 144,986 |
| | | |
| Total Current Assets | 392,862 | 1,939,876 |
| | | |
| Other assets: | | |
| Property and equipment, net | 2,095 | - |
| Assets of discontinued operations - long term portion | 19,045 | 118,000 |
| | | |
| Total Other Assets | 21,140 | 118,000 |
| | | |
| Total Assets | $414,002 | $2,057,876 |
| | | |
| LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable and accrued expenses | $90,043 | $671,195 |
| Convertible notes payable, net of debt discount | 33,999 | - |
| Derivative liabilities | 309,639 | - |
| | | |
| Total Liabilities | 433,681 | 671,195 |
| | | |
| STOCKHOLDERS' (DEFICIT) EQUITY : | | |
| Preferred stock, $0.0001 par value; 50,000,000 authorized | | |
| Convertible Series A Preferred stock ($.0001 Par Value; 10,000,000 Shares Authorized; 10,000,000 and 5,000,000 shares issued and outstanding as of September 30, 2013 and December 31, 2012, respectively) | 1,000 | 500 |
| Common stock ($.0001 Par Value; 200,000,000 Shares Authorized; 83,662,500 and 77,112,500 shares issued and outstanding as of September 30, 2013 and December 31, 2012, respectively) | 8,367 | 7,712 |
| Additional paid-in capital | 12,117,627 | 10,812,491 |

| | | |
|---|---|---|
| Deficit accumulated during the development stage | (12,146,673) | (9,434,022) |
| Total Stockholders' (Deficit) Equity | (19,679) | 1,386,681 |
| Total Liabilities and Stockholders' (Deficit) Equity | $414,002 | $2,057,876 |

See accompanying notes to unaudited consolidated financial statements.

VALOR GOLD CORP. AND SUBSIDIARIES
(FORMERLY FELAFEL CORP.)
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF OPERATIONS

| | For the Three Months Ended September 30, 2013 (Unaudited) | For the Three Months Ended September 30, 2012 (Unaudited) | For the Nine Months Ended September 30, 2013 (Unaudited) | For the Nine Months Ended September 30, 2012 (Unaudited) | For the Period from April 28, 2011 (Inception) to September 30, 2013 (Unaudited) |
|---|---|---|---|---|---|
| Revenues | $- | $- | $- | $- | $- |
| | | | | | |
| Operating expenses: | | | | | |
| Compensation and related taxes | 304,105 | 74,129 | 991,653 | 2,184,809 | 3,445,325 |
| Consulting fees | 243,750 | 313,986 | 1,328,108 | 1,863,986 | 3,178,389 |
| Professional fees | 63,165 | 8,918 | 148,156 | 165,219 | 377,174 |
| General and administrative expenses | 29,731 | 53,688 | 118,017 | 111,083 | 324,303 |
| | | | | | |
| Total operating expenses | 640,751 | 450,721 | 2,585,934 | 4,325,097 | 7,325,191 |
| | | | | | |
| Operating loss from continuing operations | (640,751 ) | (450,721 ) | (2,585,934 ) | (4,325,097 ) | (7,325,191 ) |
| | | | | | |
| Other expense | | | | | |
| Interest income | 250 | - | 250 | - | 250 |
| Gain from forgiveness of accrued expenses | 686,063 | - | 686,063 | - | 686,063 |
| Derivative expense | (310,375 ) | - | (310,375 ) | - | (310,375 ) |
| Change in fair value of derivative liabilities | 13,778 | - | 13,778 | - | 13,778 |
| Interest expense | (33,723 ) | (6,301 ) | (33,723 ) | (8,835 ) | (45,279 ) |
| | | | | | |
| Total other expenses | 355,993 | (6,301 ) | 355,993 | (8,835 ) | 344,437 |
| | | | | | |
| Loss from continuing operations before provision for income taxes | (284,758 ) | (457,022 ) | (2,229,941 ) | (4,333,932 ) | (6,980,754 ) |
| | | | | | |
| Provision for income taxes | - | - | - | - | - |
| | | | | | |
| Loss from continuing operations | (284,758 ) | (457,022 ) | (2,229,941 ) | (4,333,932 ) | (6,980,754 ) |
| | | | | | |
| Discontinued operations: | | | | | |
| Loss from discontinued operations, net of tax | (30,962 ) | (107,428 ) | (482,710 ) | (895,795 ) | (5,165,919 ) |

| | | | | | |
|---|---|---|---|---|---|
| Net loss | $(315,720 ) | $(564,450 ) | $(2,712,651 ) | $(5,229,727 ) | $(12,146,673) |
| | | | | | |
| WEIGHTED AVERAGE COMMON SHARES | | | | | |
| Basic and Diluted | 80,320,880 | 66,340,247 | 78,290,935 | 44,354,790 | 52,366,577 |
| | | | | | |
| Loss per common share, basic and diluted: | | | | | |
| Loss from continuing operations | (0.00 ) | (0.01 ) | (0.03 ) | (0.10 ) | (0.13 ) |
| Loss from discontinued operations | (0.00 ) | (0.00 ) | (0.01 ) | (0.02 ) | (0.10 ) |

See accompanying notes to unaudited consolidated financial statements.

VALOR GOLD CORP. AND SUBSIDIARIES
(FORMERLY FELAFEL CORP.)
(A DEVELOPMENT STAGE COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For the Nine Months Ended September 30, 2013 (Unaudited) | For the Nine Months Ended September 30, 2012 (Unaudited) | For the Period from April 28, 2011 (Inception) to September 30, 2013 (Unaudited) |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net loss | $(2,712,651) | (5,229,727) | (12,146,673) |
| Adjustments to reconcile net loss from operations to net cash used in operating activities: | | | |
| Common stock issued for services | 797,034 | 2,662,000 | 3,459,034 |
| Depreciation | 323 | - | 323 |
| Amortization of prepaid expense in connection with the issuance of common stock issued for prepaid services | 863,700 | - | 904,325 |
| Amortization of debt discount | 30,599 | - | 30,599 |
| Stock-based compensation in connection with options granted | 143,250 | 45,013 | 293,647 |
| Derivative expense | 310,375 | - | 310,375 |
| Change in fair value of derivative liabilities | (13,778) | - | (13,778) |
| Gain from forgiveness of accrued expenses | (686,063) | - | (686,063) |
| Impairment expense | - | - | 2,400,000 |
| Changes in assets and liabilities: | | | |
| Assets of discontinued operations | 122,913 | - | 122,913 |
| Prepaid expenses and other current assets | 27,002 | (80,745) | (165,828) |
| Other current assets | - | - | - |
| Assets of discontinued operations - long term portion | 98,955 | (19,000) | (19,045) |
| Accounts payable and accrued expense | 104,910 | 148,675 | 776,105 |
| | | | |
| NET CASH USED IN OPERATING ACTIVITIES | (913,431) | (2,473,784) | (4,734,066) |
| | | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchase of property and equipment | (2,418) | - | (2,418) |
| Issuance of note receivable | (50,000) | - | (50,000) |
| Cash paid in connection with the recapitalization of the Company | - | (2,000,000) | (2,000,000) |
| | | | |
| NET CASH USED IN INVESTING ACTIVITIES | (52,418) | (2,000,000) | (2,052,418) |
| | | | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Contributed capital | - | - | 2,000,030 |
| Net proceeds from sale of common and preferred stock | - | 4,435,000 | 5,561,000 |
| Payment on note payable | - | - | (500,000) |
| Proceed from issuance of notes payable | 250,000 | - | 250,000 |

| | | | |
|---|---|---|---|
| Advance to related parties, net of proceeds from repayment by related party | - | (17,402 ) | (427,724 ) |
| | | | |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 250,000 | 4,417,598 | 6,883,306 |
| | | | |
| NET (DECREASE) INCREASE IN CASH | (715,849 ) | (56,186 ) | 96,822 |
| | | | |
| CASH - beginning of period | 812,671 | 380,073 | - |
| | | | |
| CASH - end of period | $96,822 | $323,887 | $96,822 |
| | | | |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | | |
| Cash paid for: | | | |
| Interest | $- | $- | $11,556 |
| Income taxes | $- | $- | $- |
| | | | |
| NON-CASH INVESTING AND FINANCING ACTIVITIES: | | | |
| | | | |
| Note payable issued in connection with the recapitalization of the Company | $- | $500,000 | $500,000 |
| Distribution to former parent company and its subsidiary prior to Merger included in the Recapitalization of the Company | $- | $427,724 | $427,724 |
| Subscription receivable in connection with the sale of common stock | $- | $- | $75,000 |
| Reclassification of derivatives to equity | $233,557 | $- | $233,557 |

See accompanying notes to unaudited consolidated financial statements.

VALOR GOLD CORP. AND SUBSIDIARIES
(FORMERLY FELAFEL CORP.)
(A DEVELOPMENT STAGE COMPANY)
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

## NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

Organization

Valor Gold Corp. (the "Company"), formerly Felafel Corp., was incorporated under the laws of the State of Delaware on June 2, 2009. On March 27, 2012, the Company filed an Amended and Restated Certificate of Incorporation in order to change its name to Valor Gold Corp. and to increase its authorized capital stock.

On May 24, 2012, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with (i) Red Battle Corp. ("Red Battle"), a Delaware corporation and owner of all of the outstanding membership interests of each of Arttor Gold LLC ("Arttor Gold"), and Noble Effort Gold LLC ("Noble Effort"), (ii) Pershing Gold Corporation ("Pershing"), a Nevada corporation and owner of all of the outstanding capital stock of Red Battle, and (iii) Valor Gold Acquisition Corp., the Company's newly formed, wholly-owned Delaware subsidiary ("Acquisition Sub"). Upon closing of the transaction contemplated under the Merger Agreement (the "Merger"), Acquisition Sub merged with and into Red Battle, and Red Battle, as the surviving corporation, became the Company's wholly-owned subsidiary. In consideration for the Merger, the Company paid Pershing, as Red Battle's sole shareholder, (i) 25,000,000 shares of the Company's Common Stock; (ii) $2,000,000 in cash; and (iii) a promissory note in the principal amount of $500,000. As a result of the Merger, the Company acquired certain business and operations from Pershing primarily consisting of junior gold exploration mining claims and related rights held by Arttor Gold and Noble Effort. At the effective time of the Merger, the Company discontinued its prior business and operations and revised its business purpose to pursue the business and operations through its Arttor Gold and Noble Effort subsidiaries as its sole business (see Note 3).

Prior to the Merger, the Company was a shell company with minimal operations.

The Merger was accounted for as a reverse-merger and recapitalization. Red Battle was the acquirer for financial reporting purposes and the Company was the acquired company. Consequently, the assets and liabilities and the operations reflected in the historical financial statements prior to the Merger were those of Red Battle and its wholly owned subsidiaries and was recorded at the historical cost basis of Red Battle, and the consolidated financial statements after completion of the Merger included the assets and liabilities of the Company and Red Battle, historical operations of Red Battle and operations of the Company from the closing date of the Merger.

Arttor Gold, a Nevada limited liability company, was formed and organized on April 28, 2011. Arttor Gold operated as a U.S. based junior gold exploration and mining company. For the period from April 28, 2011 (Inception) to September 30, 2013, Arttor Gold had no revenues and recorded transactions related to Arttor Gold's preliminary exploration activities. Arttor Gold had the rights to explore on two Carlin-type gold properties located in Lander County, Nevada, known as Red Rock and North Battle Mountain. The liability of the member of Arttor Gold is limited to the member's capital contributions.

Noble Effort, a Nevada limited liability company, was formed in June 2011 to explore potential acquisitions of natural resources properties suitable for exploration and development. On May 24, 2012, Arttor Gold and Pershing assigned its rights to explore the Centerra property to Noble Effort pursuant to an Assignment and Assumption of Lease Agreement.

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VALOR GOLD CORP. AND SUBSIDIARIES
(FORMERLY FELAFEL CORP.)
(A DEVELOPMENT STAGE COMPANY)
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

On July 17, 2013, the Company and its wholly-owned subsidiary Arttor Gold (the "Lessee"), executed an agreement for the Termination of Mining Claim Leases (the "Termination Agreement") with Arthur Leger and F.R.O.G. Consulting, LLC (Mr. Leger and F.R.O.G. Consulting, LLC, collectively, the "Lessor"). Pursuant to the Termination Agreement, effective as of June 24, 2013, the Lessor and the Lessee terminated that certain North Battle Mountain Mineral Lease, dated as of May 24, 2011, and terminated that certain Red Rock Mineral Lease, dated as of May 24, 2011. The decision by the Company to terminate these leases followed changes in the direction of the Company and the decision to explore new strategic and developmental opportunities in other business sectors.

Thus, the Company decided to discontinue its exploration stage gold and minerals business and prior periods have been restated in the Company's consolidated financial statements and related footnotes to conform to this presentation. The Company is now considered a development stage company.

Going Concern

The unaudited consolidated financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses since inception resulting in an accumulated deficit of approximately $12.1 million as of September 30, 2013, negative cash flows from operating activities and net loss of approximately $913,000 and $2.7 million, respectively, for the nine months ended September 30, 2013. The Company anticipates further losses in the development of its business raising substantial doubt about the Company's ability to continue as a going concern.

The ability to continue as a going concern is dependent upon the Company generating 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. The Company's ability to raise additional capital through the future issuances of common stock is unknown. The obtainment of additional financing, the successful development of the Company's contemplated plan of operations, and its transition, ultimately, to the attainment of profitable operations are necessary for the Company to continue operations. The ability to successfully resolve these factors raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements of the Company do not include any adjustments that may result from the outcome of these aforementioned uncertainties.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and principles of consolidation

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP") and present the consolidated financial statements of the Company and its wholly-owned subsidiaries as of September 30, 2013. All significant intercompany accounts and transactions have been eliminated in the consolidation. All adjustments (consisting of normal recurring items) necessary to present fairly the Company's financial position as of September 30, 2013, and the results of operations and cash flows for the nine months ended September 30, 2013 have been included. The results of operations for the nine months ended September 30, 2013 are not necessarily indicative of the results to be expected for the full year. The accounting policies and procedures employed in the preparation of these consolidated financial statements have been derived from the audited

financial statements of the Company for the year ended December 31, 2012, which are contained in the Company's Annual Report on Form 10-K filed with the SEC on March 28, 2013. The consolidated balance sheet as of December 31, 2012 was derived from those financial statements. The Company decided to discontinue its exploration stage gold and minerals business and prior periods have been restated in the Company's consolidated financial statements and related footnotes to conform to this presentation.



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VALOR GOLD CORP. AND SUBSIDIARIES
(FORMERLY FELAFEL CORP.)
(A DEVELOPMENT STAGE COMPANY)
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Use of estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet, and revenues and expenses for the period then ended. Actual results may differ significantly from those estimates. Significant estimates made by management include, but are not limited to the assumptions used to calculate fair value of options granted, derivative liabilities and common stock issued for services.

Cash and cash equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company places its cash with a high credit quality financial institution. The Company's account at this institution is insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At September 30, 2013, no amounts exceeded the limits. To reduce its risk associated with the failure of such financial institution, the Company evaluates at least annually the rating of the financial institution in which it holds deposits.

Development stage company

The Company is presented as a development stage company. Activities during the development stage include organizing the business and raising capital. The Company is a development stage company with no revenues and no profits. The Company has not commenced significant operations and, in accordance with Accounting Standards Codification ("ASC") Topic 915 "Development Stage Entities", is considered a development stage company.

Fair value of financial instruments

The Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, "Fair Value Measurements and Disclosures", for assets and liabilities measured at fair value on a recurring basis. ASC 820 establishes a common definition for fair value to be applied to existing US GAAP that require the use of fair value measurements which establishes a framework for measuring fair value and expands disclosure about such fair value measurements.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3:

Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

The Company analyzes all financial instruments with features of both liabilities and equity under the FASB's accounting standard for such instruments. Under this standard, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Depending on the product and the terms of the transaction, the fair value of notes payable and derivative liabilities were modeled using a series of techniques, including closed-form analytic formula, such as the Black-Scholes option-pricing model.

VALOR GOLD CORP. AND SUBSIDIARIES
(FORMERLY FELAFEL CORP.)
(A DEVELOPMENT STAGE COMPANY)
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

The following table presents a reconciliation of the derivative liability measured at fair value on a recurring basis using significant unobservable input (Level 3) from January 1, 2013 to September 30, 2013:

| | Conversion feature derivative liability | | Warrant liability | |
|---|---|---|---|---|
| Balance at January 1, 2013 | $ | - | $ | - |
| Recognition of derivative liability | | 153,849 | | 403,125 |
| Reclassification of derivative liability to equity | | - | | (233,557) |
| Change in fair value included in earnings | | 2,887 | | (16,665) |
| Balance at September 30, 2013 | $ | 156,736 | $ | 152,903 |

Total derivative liabilities at September 30, 2013 amounted to $309,639.

The carrying amounts reported in the balance sheet for cash, prepaid expenses, accounts payable, and accrued expenses approximate their estimated fair market value based on the short-term maturity of this instrument. The carrying amount of the notes payable at September 30, 2013 approximate their respective fair value based on the Company's incremental borrowing rate.

In addition, FASB ASC 825-10-25 "Fair Value Option" was effective for January 1, 2008. ASC 825-10-25 expands opportunities to use fair value measurements in financial reporting and permits entities to choose to measure many financial instruments and certain other items at fair value.

Prepaid expenses and other current assets

Prepaid expenses and other current assets of $223,967 and $982,219 at September 30, 2013 and December 31, 2012, respectively, consist primarily of costs paid for future services which will occur within a year. Prepaid expenses include prepayments in cash and equity instruments for public relation services and professional services and prepaid insurance which are being amortized over the terms of their respective agreements.

Mineral property acquisition and exploration costs

Costs of lease, exploration, carrying and retaining unproven mineral lease properties were expensed as incurred. The Company expensed all mineral exploration costs as incurred. Such expenses are included in the loss from discontinued operations and prior periods have been restated in the Company's financial statements and related footnotes to conform to this presentation.

The Company's remaining claims which include (1) Paramount's Reese River Gold Project consisting of 148 unpatented lode mining claims and (2) Centerra Gold Prospect consisting of 24 unpatented lode mining claims. In June 2013, the Company decided to discontinue its exploration stage gold and minerals business.

Bond

The Company posted a surface management bond with Bureau of Land Management ("BLM") for a total of $19,045 and $118,000 and was included in assets in discontinued operations as reflected in the accompanying consolidated balance

sheets as of September 30, 2013 and December 31, 2012, respectively (see Note 9).

VALOR GOLD CORP. AND SUBSIDIARIES
(FORMERLY FELAFEL CORP.)
(A DEVELOPMENT STAGE COMPANY)
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Impairment of long-lived assets

The Company accounts for the impairment or disposal of long-lived assets according to the ASC 360 "Property, Plant and Equipment". The Company continually monitors events and changes in circumstances that could indicate that the carrying amounts of long-lived assets, including mineral rights, may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated future net undiscounted cash flows expected to be generated by the asset. When necessary, impaired assets are written down to estimated fair value based on the best information available. Estimated fair value is generally based on either appraised value or measured by discounting estimated future cash flows. Considerable management judgment is necessary to estimate discounted future cash flows. Accordingly, actual results could vary significantly from such estimates. The Company recognizes an impairment loss when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The Company did not record any impairment charges of its long-lived assets at September 30, 2013 and December 31, 2012, respectively.

Basic and diluted net loss per share

Net loss per common share is calculated in accordance with ASC Topic 260: Earnings Per Share ("ASC 260"). Basic loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the period. The computation of diluted net loss per share does not include dilutive common stock equivalents in the weighted average shares outstanding as they would be anti-dilutive. The following table sets forth the computation of basic and diluted loss per share:

| | For the Three Months ended September 30, 2013 | For the Three Months ended September 30, 2012 | For the Nine Months ended September 30, 2013 | For the Nine Months ended September 30, 2012 |
|---|---|---|---|---|
| Numerator: | | | | |
| Loss from continuing operations | $ (284,758) | $ (457,022) | $ (2,229,941) | $ (4,333,932) |
| Loss from discontinued operations | $ (30,962) | $ (107,428) | $ (482,710) | $ (895,795) |
| Denominator: | | | | |
| Denominator for basic and diluted loss per share (weighted-average shares) | 80,320,880 | 66,340,247 | 78,290,935 | 44,354,790 |
| Loss per common share, basic and diluted: | | | | |
| Loss from continuing operations | $ (0.00) | $ (0.01) | $ (0.03) | $ ( 0.10) |
| Loss from discontinued operations | $ (0.00) | $ (0.00) | $ (0.01) | $ (0.02) |

The following were excluded from the computation of diluted shares outstanding as they would have had an anti-dilutive impact on the Company's loss from continuing operations and loss from discontinued operations. In periods where the Company has a net loss, all dilutive securities are excluded.

| | September 30, 2013 | September 30, 2012 |
|---|---|---|
| Common stock equivalents: | | |
| Stock options | 300,000 | - |
| Stock warrants | 2,893,750 | 400,000 |
| Convertible notes payable | 1,250,000 | - |
| Convertible preferred stock | 10,000,000 | 5,000,000 |
| | 14,443,750 | 5,400,000 |

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VALOR GOLD CORP. AND SUBSIDIARIES
(FORMERLY FELAFEL CORP.)
(A DEVELOPMENT STAGE COMPANY)
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
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Income taxes

The Company accounts for income taxes pursuant to the provision of ASC 740-10, “Accounting for Income Taxes” which requires, among other things, an asset and liability approach to calculating deferred income taxes. The asset and liability approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. A valuation allowance is provided to offset any net deferred tax assets for which management believes it is more likely than not that the net deferred asset will not be realized.

The Company follows the provision of the ASC 740-10 related to Accounting for Uncertain Income Tax Position. When tax returns are filed, it is highly certain that some positions taken would be situated upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. In accordance with the guidance of ASC 740-10, the benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is most likely that not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above should be reflected as a liability for uncertain tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination. The Company believes its tax positions are all highly certain of being upheld upon examination. As such, the Company has not recorded a liability for uncertain tax benefits.

The Company has adopted ASC 740-10-25 Definition of Settlement, which provides guidance on how an entity should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits and provides that a tax position can be effectively settled upon the completion and examination by a taxing authority without being legally extinguished. For tax position considered effectively settled, an entity would recognize the full amount of tax benefit, even if the tax position is not considered more likely that not to be sustained based solely on the basis of its technical merits and the statute of limitations remains open. The federal and state income tax returns of the Company are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

Revenue recognition

The Company has not generated revenue. The Company will recognize revenue when all the conditions for revenue recognition are met: (i) persuasive evidence of an arrangement exists, (ii) collection of the fee is probable, (iii) the sales price is fixed and determinable and (iv) delivery has occurred or services have been rendered.

Recent accounting pronouncements

In April 2013, the FASB ASU 2013-07, “Presentation of Financial Statements: Topic Liquidation Basis of Accounting”. ASU 2013-07 requires an entity to prepare its financial statements using the liquidation basis of accounting when liquidation is imminent. Liquidation is considered imminent when the likelihood is remote that the organization will

return from liquidation and either: (a) a plan for liquidation is approved by the person or persons with the authority to make such a plan effective and the likelihood is remote that the execution of the plan will be blocked by other parties; or (b) a plan for liquidation is being imposed by other forces. ASU 2013-07 will be effective for the Company beginning on January 1, 2014. The Company does not expect the adoption of ASU 2013-07 to have a material impact on its financial position, results of operations nor cash flows.

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In July 2013, the FASB issued ASU 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists." ASU 2013-11 provides guidance on the presentation of unrecognized tax benefits related to any disallowed portion of net operating loss carryforwards, similar tax losses, or tax credit carryforwards, if they exist. ASU 2013-11 is effective for fiscal years beginning after December 15, 2013. The adoption of ASU 2013-11 is not expected to have a material impact on the Company’s consolidated financial statements.

There were other updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to have a material impact on the Company’s financial position, results of operations or cash flows.

NOTE 3 – MERGER AGREEMENT

On May 24, 2012, the Company entered into a Merger Agreement with (i) Red Battle, owner of all of the outstanding membership interests of each of Arttor Gold, and Noble Effort (ii) Pershing, owner of all of the outstanding capital stock of Red Battle, and (iii) Acquisition Sub (see Note 1). Upon closing of the Merger, Acquisition Sub merged with and into Red Battle, and Red Battle, as the surviving corporation, became the Company’s wholly-owned subsidiary. In consideration for the foregoing, the Company paid Pershing, as Red Battle’s sole shareholder, (i) $2,000,000 in cash (the “Cash Consideration”), (ii) a 5% promissory note in the principal amount of $500,000 due 18 months following the issuance date (the “Note”) and (iii) 25,000,000 shares of the Company’s common stock (the “Stock Consideration”, and, together with the Cash Consideration and the Note, the “Merger Consideration”). As further consideration, (i) Arthur Leger entered into an NSR Agreement with Pershing Royalty Company, the wholly owned subsidiary of Pershing, granting Pershing Royalty Company a 1% royalty on certain claims; (ii) Mr. Leger agreed to cancel 1,750,000 shares of Pershing’s common stock held by Mr. Leger prior to the Merger; and (iii) Mr. Leger agreed to defer certain royalty payments under the terms of lease agreements with Arttor Gold related to the Red Rock and North Battle Mineral Prospect claims.

Under the terms of the Note, all outstanding principal, together with all accrued but unpaid interest, is payable upon the earlier of: (i) the closing of one or more private placements of the Company’s securities in which the Company receives gross proceeds of at least $7,500,000 or (ii) 18 months following the issuance of the Note. In November 2012, the Company repaid $500,000 and accrued interest of $11,556 to Pershing.

As a result of the Merger, the Company had acquired certain business and operations from Pershing primarily consisting of junior gold exploration mining claims and related rights in Pershing’s two Lander County, Nevada exploration properties, Red Rock Mineral Prospect (including Centerra Prospect) and North Battle Mountain Mineral Prospect held by Arttor Gold and Noble Effort.

Pursuant to the Termination Agreement, effective as of June 24, 2013, Arttor Gold and the Lessee terminated the lease related to the Red Rock and North Battle Mineral Prospect claims (see Note 1).

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NOTE 4– RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Company if the parties directly or indirectly, through one or more intermediaries, control, are controlled by, or are under common control with the Company. Related parties also include principal owners of the Company, its management, members of the immediate families of principal owners of the Company and its management and other parties with which the Company may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests. The Company discloses all related party transactions. All transactions shall be recorded at fair value of the goods or services exchanged. Property purchased from a related party is recorded at the cost to the related party and any payment to or on behalf of the related party in excess of the cost is reflected as compensation or distribution to related parties depending on the transaction.

Barry Honig, a shareholder of the Company, is a member of Pershing's Board of Directors. Prior to the Merger, certain entities under Mr. Honig's control and family members held 5,600,003 shares of the Company. Additionally, one of the shareholders of Pershing (the "Pershing Shareholder") held 750,000 shares of the Company prior to the Merger. Contemporaneously with the closing of the Merger, the Pershing Shareholder purchased 1,250,000 shares of the Company's common stock in the Company's Private Placement. Additionally, entities under Mr. Honig's control purchased 5,000,000 shares of the Company's Series A Preferred Stock in the Private Placement.

Assuming the conversion into common stock of the Company's Series A Preferred Stock, the interest in the Company of the Pershing Shareholder and entities controlled by Mr. Honig accounted for 18% of the issued and outstanding common stock of the Company at the closing of the Merger. Accordingly, Pershing and Mr. Honig are considered to be founders and "promoters" of the Company as defined under the Securities Act of 1933, as amended (the "Securities Act"). As a result of the aforementioned, the Pershing Shareholder and Mr. Honig/entities controlled by Mr. Honig being among the largest shareholders of the Company and Pershing, there may exist certain conflicts of interest with respect to the business and affairs of each of these companies. The Company believes that such Pershing Shareholder and Mr. Honig/entities controlled by Mr. Honig are independent private investors who have no agreements, arrangements or understandings with respect to the ownership or control over any of these companies. The Company also considered the guidance in EITF 02-5 "Common Control", that the Merger was not treated as a common control transaction as there were no group of shareholders that holds more than 50% of the voting ownership interest of each entity with contemporaneous written evidence of an agreement to vote a majority of the entities' shares in concert exists.

In May 2013, Pershing sold all of the shares it owned in the Company. Accordingly, Pershing and its director, Mr. Honig, ceased to be a related party to the Company.

NOTE 5 – NOTE RECEIVABLE

On September 12, 2013, the Company loaned $50,000 to an unrelated party in exchange for a demand promissory note. The note is due on demand and bears interest at 12% per annum. Additionally, the Company and the borrower signed a non-binding Letter of Intent (the "LOI") to acquire certain assets of the borrower by the Company. The note includes a condition whereby the borrower shall pay a $250,000 breakup fee upon the occurrence of certain events such as the termination of the LOI by the borrower or the transactions under the LOI are not consummated on or

before the agreed termination date as defined in the promissory note. As of September 30, 2013, the Company recorded interest receivable of $250 and has been included in prepaid expenses and other current assets as reflected in the accompanying consolidated balance sheets.

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NOTE 6 – CONVERTIBLE NOTES PAYABLE

At September 30, 2013 (unaudited) and December 31, 2012, convertible promissory notes consisted of the following:

| | September 30, 2013 | December 31, 2012 |
|---|---|---|
| Convertible promissory notes | $ 250,000 | $ - |
| Less: debt discount | (216,001) | - |
| | | |
| Convertible notes payable, net | $ 33,999 | $ - |

On July 24, 2013, the Company entered into a Securities Purchase Agreement with Mr. Honig (see Note 4) pursuant to which the Company sold (i) $75,000 of its 10% secured convertible promissory note due one year from the date of issuance and (ii) 5-year warrant to purchase 375,000 shares of the Company's common stock at an exercise price of $0.20 per share for gross proceeds to the Company of $75,000. The note is convertible into shares of the Company's common stock at an initial conversion price of $0.20 per share. The warrants have an initial exercise price of $0.20 per share.

Between August 20, 2013 and August 29, 2013, the Company entered into Securities Purchase Agreements with two accredited investor whereby one of the investors is Mr. Honig (see Note 4) pursuant to which the Company sold an aggregate of (i) $175,000 of its 10% secured convertible promissory notes due one year from the date of issuance and (ii) 5-year warrant to purchase 1,500,000 shares of the Company's common stock at an exercise price of $0.01 per share for gross proceeds to the Company of $175,000. The notes are convertible into shares of the Company's common stock at an initial conversion price of $0.20 per share. The warrants have an initial exercise price of $0.20 per share.

In accordance with ASC 470-20-25, the convertible notes were considered to have an embedded beneficial conversion feature because the effective conversion price was less than the fair value of the Company's common stock. These convertible notes were fully convertible at the issuance date thus the value of the beneficial conversion and the warrants were treated as a discount on the convertible notes and were valued at $246,600 to be amortized over the term of the convertible notes. The fair value of this warrant was estimated on the date of grant using the Black-Scholes option-pricing model using the following weighted-average assumptions: expected dividend yield of 0%; expected volatility ranging from 120% to 124%; risk-free interest rate ranging from 1.39% to 1.61% and an expected holding period of five years.

The initial conversion price of the notes above and initial exercise prices of warrants issued above are subject to full-ratchet anti-dilution protection. In accordance with ASC Topic 815 "Derivatives and Hedging", these convertible notes include a down-round provision under which the conversion price and exercise price could be affected by future equity offerings (see Note 7). Instruments with down-round protection are not considered indexed to a company's own stock under ASC Topic 815, because neither the occurrence of a sale of common stock by the company at market nor the issuance of another equity-linked instrument with a lower strike price is an input to the fair value of a fixed-for-fixed option on equity shares.

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NOTE 7 – DERIVATIVE LIABILITIES

In connection with the issuance of the 10% convertible notes dated in July 2013 and August 2013 (see Note 6), the Company determined that the terms of the convertible notes include a down-round provision under which the conversion price and exercise price could be affected by future equity offerings undertaken by the Company. Accordingly, under the provisions of FASB ASC Topic No. 815-40, “Derivatives and Hedging – Contracts in an Entity’s Own Stock”, the convertible instrument was accounted for as a derivative liability at the date of issuance and adjusted to fair value through earnings at each reporting date. The Company has recognized a derivative liability of $309,639 and $0 at September 30, 2013 and December 31, 2012, respectively. Gain (loss) resulting from the decrease (increase) in fair value of this convertible instrument was $13,778 and $0 for the nine months ended September 30, 2013 and 2012, respectively. During the nine months ended September 30, 2013, the Company reclassified $233,557 to paid-in capital due to the exercise of warrants in connection with these convertible notes in August 2013 (see Note 10).

The Company used the following assumptions for determining the fair value of the convertible instruments under the Black-Scholes option pricing model:

| | September 30, 2013 |
|---|---|
| Dividend rate | 0% |
| Term (in years) | 1.00 - 5 Years |
| Volatility | 120% - 124% |
| Risk-free interest rate | 0.10% - 1.61% |

NOTE 8 – COMMITMENTS

Royalty Agreement - F.R.O.G. Consulting, LLC

On May 24, 2011, Arttor Gold had entered into two lease agreements with F.R.O.G. Consulting, LLC, an affiliate of one of the former members of Arttor Gold, for the Red Rock Mineral Prospect and the North Battle Mountain Mineral Prospect. The leases granted the exclusive right to explore, mine and develop gold, silver, palladium, platinum and other minerals on the properties for a term of ten (10) years and may be renewed in ten (10) year increments. The terms of the Leases may not exceed ninety-nine (99) years. Arttor Gold may terminate these leases at any time. Pursuant to the Termination Agreement, effective as of June 24, 2013, the Lessor and the Lessee terminated these two lease agreements (see Note 1).

Pursuant to the Termination Agreement, effective as of June 24, 2013, the Lessor and Arttor Gold terminated the North Battle Mountain Mineral Lease and Red Rock Mineral Lease (see Note 1). As a result of the Termination Agreement, the Company released to the Lessor all of its rights to the 269 unpatented lode mining claims under the North Battle Mountain Lease, the 36 unpatented lode mining claims under the Red Rock Lease and any added claims

staked by Arthur Leger during the term of the North Battle Mountain Lease and Red Rock Lease (the "Claims Release"). In consideration for the Claims Release, the Lessor initially agreed to pay back to the Lessee $29,638 in bond payments it made to the BLM in connection with claims underlying the Claims Release. In September 2013, the Company and the lessor entered into an amendment of the Termination Agreement whereby the payment amount was reduced to $10,592 from $29,368. Such reimbursement of $10,592 is included in prepaid expenses and other current assets as reflected in the accompanying consolidated balance sheet as of September 30, 2013. Furthermore, the Lessor agreed to transfer to the Company the 4,000,000 shares of the Company's common stock owned by the Lessor. The Company has fulfilled its obligation under these two lease agreements upon termination.

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Royalty Agreement – Centerra (U.S.) Inc.

In August 2011, Arttor Gold, entered into lease agreement with Centerra (U.S.) Inc. ("Centerra"). The lease grants the exclusive right to explore, mine and develop any and all metals, ores and other minerals on the properties which consist of 24 unpatented mining claims located Lander County, Nevada for a term of ten (10) years and may be renewed in ten (10) year increments. Arttor Gold may terminate these leases at any time.

Arttor Gold is required under the terms of our property lease to make annual lease payments. Arttor Gold is also required to make annual claim maintenance payments to BLM and to the county in which its property is located in order to maintain its rights to explore and, if warranted, to develop its property. If Arttor Gold fails to meet these obligations, it will lose the right to explore for gold on its property. Until production is achieved, Arttor Gold's lease payments (deemed "advance minimum royalties") consist of an initial payment of $13,616 upon signing of the lease, followed by annual payments according to the following schedule for each lease:

| Due Date of Advance Minimum Royalty Payment | Amount of Advance Minimum Royalty Payment | |
|---|---|---|
| 1st Anniversary (August 2012 - paid) | $ | 12,000 |
| On or before each of the 2nd and 3rd Anniversary (August 2013- paid and August 2014) | | 15,000 |
| On or before each of the 4th and 5th Anniversary (August 2015 and August 2016) | | 20,000 |
| On or before each of the 6th and 7th Anniversary (August 2017 and August 2018) | | 25,000 |
| On or before each of the 8th and 9th Anniversary (August 2019 and August 2020) | | 30,000 |
| 10th Anniversary and subsequent anniversaries so long the agreement shall remain in effect (August 2021) | | 40,000 |

In the event that Arttor Gold produces gold or other minerals from these leases, Arttor Gold agrees to pay lessor a production royalty equal to 4% of net smelter returns for all products extracted, produced and sold from this property after recoupment of the advance minimum royalty payments previously made to lessor pursuant to the payment table above. No production royalty shall be payable on rock, dirt, limestone, or similar materials used by lessee in its operations. Arttor Gold has the right to buy down the production royalties by payment of $1,500,000 for the first one percent (1%) on or before completion of a positive feasibility study and another one percent (1%) by making cash payment of $2,500,000 on or before achievement of commercial production. The leases also requires Arttor Gold to spend a total of $100,000 on work expenditures on this property for the period from lease signing until 5th anniversary, $150,000 on work expenditures on this property for the period from the 6th anniversary until 10th anniversary and $200,000 on work expenditures on this property per year on the 11th anniversary and annually thereafter. The Company has fulfilled the 2012 obligation and has spent approximately $183,000 of expenditures under the Centerra lease. Arttor Gold is required to make annual claim maintenance payments to the BLM and to the counties in which its property is located. If Arttor Gold fails to make these payments, it will lose its rights to the property. In August 2012, the Company paid the first annual lease payment of $12,000. In August 2013, the Company paid the second annual lease payment of $15,000.

On May 24, 2012 Pershing and Arttor Gold transferred their interests in the Centerra lease to Noble Effort pursuant to an Assignment and Assumption of Lease Agreement. In June 2013, the Company decided to discontinue its exploration stage gold and minerals business. As of September 30, 2013, the Centerra lease has not been terminated and shall remain in full force and effect.

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Assumed Royalty Agreement from X-Cal USA Inc.

In November 2012, the Company entered into an Asset Purchase Agreement (the “Asset Purchase Agreement”) with X-Cal USA, Inc. and Paramount Gold & Silver Corp. (collectively the “Sellers”) pursuant to which the Sellers sold certain properties and mining claims to the Company in consideration for 6 million shares of the Company’s common stock as well as the assumption of certain royalty obligation and reimbursement of $21,000 of annual maintenance fees with respect to mining claims paid in September 2012. The Company assumed certain royalty obligation pursuant to an Asset Purchase Agreement with the Sellers. The royalty obligation on production is equal to 2% of net returns from the production and sale of valuable minerals from the mineral claims acquired from the Sellers. In June 2013, the Company decided to discontinue its exploration stage gold and minerals business. As of September 30, 2013, this agreement has not been terminated and shall remain in full force and effect.

Geological Advisory Board Agreements

In August 2012, the Board approved the creation of a Geological Advisory Board and appointed Odin Christensen and Winthrop A. Rowe.  Mr. Christensen and Mr. Rowe shall receive $10,000 per annum in consideration for their services on the Geological Advisory Board. In June 2013, Mr. Christensen and Mr. Rowe have resigned from their position as Geological Advisory Board of the Company. At September 30, 2013, accrued director fee’s amounted to $5,000 and is included in accounts payable and accrued expenses.

NOTE 9 – DISCONTINUED OPERATIONS

On July 17, 2013, the Company and its wholly-owned subsidiary Arttor Gold, executed an agreement for the Termination of Mining Claim Leases with Arthur Leger and F.R.O.G. Consulting, LLC (see Note 1).  Pursuant to the Termination Agreement, effective as of June 24, 2013, the Lessor and the Lessee terminated that certain North Battle Mountain Mineral Lease, dated as of May 24, 2011, and terminated that certain Red Rock Mineral Lease, dated as of May 24, 2011. The decision by the Company to terminate these leases followed changes in the direction of the Company and the decision to explore new strategic and developmental opportunities in other business sectors. Thus, the Company decided to discontinue its exploration stage gold and minerals business and prior periods have been restated in the Company’s consolidated financial statements and related footnotes to conform to this presentation.

The remaining assets and liabilities of discontinued operations are presented in the balance sheet under the caption “Assets and Liabilities of discontinued operation" and relates to the discontinued operations of the exploration stage gold and minerals business.  The carrying amounts of the major classes of these assets and liabilities are summarized as follows:

| | September 30, 2013 (unaudited) | December 31, 2012 |
|---|---|---|
| Assets: | | |
| Prepaid expenses | $ 22,073 | $ 144,986 |
| Deposits | 19,045 | 118,000 |
| Assets of discontinued operations | 41,118 | 262,986 |

| | | |
|---|---|---|
| Liabilities: | | |
| Liabilities of discontinued operations | $ - | $ - |

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The following table sets forth for the three and nine months ended September 30, 2013 and 2012 indicated selected financial data of the Company's discontinued operations of its exploration stage gold and minerals business.

| | For the Three Months ended September 30, 2013 | For the Three Months ended September 30, 2012 | For the Nine Months ended September 30, 2013 | For the Nine Months ended September 30, 2012 |
|---|---|---|---|---|
| Revenues | $ - | $ - | $ - | $ - |
| Cost of sales | - | - | - | - |
| Gross profit | - | - | - | - |
| Operating and other non-operating expenses | (30,962) | (107,428) | (482,710) | (895,795) |
| | | | | |
| Loss from discontinued operations | $ (30,962) | $ (107,428) | $ (482,710) | $ (895,795) |

NOTE 10– STOCKHOLDERS' (DEFICIT) EQUITY

Preferred and Common Stock

On March 27, 2012, the Company filed an Amended and Restated Certificate of Incorporation in order to increase the Company's authorized capital stock from 200,000,000 shares to 250,000,000 shares, which shall be divided into two classes as follows: 200,000,000 shares of common stock, par value $0.0001 per share, and 50,000,000 shares of "blank check" preferred stock, par value $0.0001 per share. Also on March 27, 2012, the board of directors of the Company authorized a 7.5 for one forward split of the outstanding common stock in the form of a dividend, whereby an additional 6.5 shares of common stock were issued for each one share of common stock held by each shareholder of record April 9, 2012. On May 17, 2012, the Company filed a certificate of designation of preferences, rights and limitations of Series A Convertible Preferred Stock designating and authorizing the issuance of 5,000,000 shares of Series A Convertible Preferred Stock (the "Series A Preferred Stock"). On September 11, 2013, Company filed an Amendment to the Certificate of Designation of Preferences, Rights And Limitations of the Series A Preferred Stock with the Secretary of State of the State of Delaware to increase the number of authorized shares of Series A Preferred Stock from 5,000,000 shares to 10,000,000 shares.

On May 24, 2012, the Company entered into an Agreement of Conveyance, Transfer and Assignment of Assets and Assumption of Obligations (the "Conveyance Agreement"), whereby the Company transferred all of the pre-Merger assets and liabilities to the Company's newly formed wholly-owned subsidiary, Felafel Holdings, Inc. ("SplitCo"). Thereafter, pursuant to a stock purchase agreement, the Company transferred all of the outstanding capital stock of SplitCo to certain former shareholders of the Company in exchange for the cancellation of 52,500,000 shares of the Company's Common Stock that they owned, with 25,000,000 shares of the Company's Common Stock held by persons who acquired such shares prior to the Merger remaining outstanding.

On May 24, 2012, the Company issued 25,000,000 shares of the Company's common stock to Pershing in connection with the Merger Agreement between Red Battle, Pershing and Acquisition Sub (see Note 3). Additionally, the Company paid Pershing, as Red Battle's sole shareholder, $2,000,000 in cash and a promissory note in the principal

amount of $500,000 which has been recorded against paid in capital. The Company also recorded $427,724 against paid in capital which represents a distribution to former parent company and its subsidiary prior to Merger. The Merger was accounted for as a reverse-merger and recapitalization of the Company.



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On May 24, 2012, the Company sold 5,000,000 shares of Series A preferred stock to certain investors for an aggregate purchase price of $2,000,000 or a purchase price of $0.40 per share.

Between May 24, 2012 and June 27, 2012, the Company sold an aggregate 6,087,500 shares of common stock to certain investors for an aggregate purchase price of $2,435,000 or a purchase price of $0.40 per share.

On May 24, 2012, the Company and DRC Partners LLC entered into an agreement (the "DRC Consulting Agreement") pursuant to which the consultant agreed to provide investor relations services to the Company for consideration consisting of a (i) one-time fee of $10,000 and (ii) 100,000 shares of common stock per month. In May 2012, the Company issued such 100,000 shares and valued these common shares at the fair market value on the date of grant (based on the recent selling price of the Company's common stock at private placements) at approximately $0.40 per share or $40,000. In September 2012, Company issued 300,000 shares for investor relations services rendered and valued these common shares at the fair market value on the date of grant at approximately $0.61 per share or $182,000. In August 2013, such DRC Consulting Agreement was terminated and the consultant forgave all unpaid fees payable in cash and shares of the Company's common stock related to this agreement. Consequently, the Company recognized a gain from forgiveness of accrued expenses of $686,063 during the nine months ended September 30, 2013. The Company has no further obligation after the termination.

Additionally, on May 24, 2012, the Company and Interactive Investors, Inc. entered into an agreement (the "Interactive Consulting Agreement") pursuant to which the consultant agreed to provide investor relations services to the Company for consideration consisting of (i) a one- time fee of $1,750,000 (the "Cash Consideration") and (ii) 1,000,000 shares of the Company's Common Stock. In May 2012, the Company issued such 1,000,000 shares and valued these common shares at the fair market value on the date of grant (based on the recent selling price of the Company's common stock at private placements) at $0.40 per share and valued at $400,000. In May 2012, the Interactive Consulting Agreement was amended whereby the Cash Consideration was decreased to $1,000,000 from $1,750,000. In December 2012, the Company renegotiated the Consulting Agreement whereby the Cash Consideration was further decreased to $500,000 and such consultant refunded back $500,000 to the Company. The Company has paid its obligation under the Interactive Consulting Agreement.

On May 24, 2012, the Company appointed Arthur Leger, David Rector and Oliver-Barret Lindsay as directors of the Company. In addition, Arthur Leger was appointed as the Company's new Chief Executive Officer, President, Chief Financial Officer, Treasurer and Secretary. The Company had issued 4,000,000 shares of Common Stock to Mr. Leger, of which 2,000,000 shall vest immediately, 1,000,000 which shall vest upon the discovery of 500,000 ounces of gold on the Company's properties and the remaining 1,000,000 which shall vest on the discovery of an additional 500,000 ounces of gold on the Company's properties.

The Company issued 5,000,000 shares of Common Stock to Mr. Rector, of which 3,000,000 shall vest immediately, 1,000,000 which shall vest upon the discovery of 500,000 ounces of gold on the Company's properties and the remaining 1,000,000 which shall vest on the discovery of an additional 500,000 ounces of gold on the Company's properties. The Company issued 100,000 shares of Common Stock and options to purchase 400,000 shares of Common Stock to Mr. Lindsay. The shares of Common Stock issued to Mr. Lindsay shall vest immediately and, commencing six months from the date of issuance, one fourth of the options shall vest every six months provided that Mr. Lindsay remains on the Company's board of directors. Mr. Rector is currently a director of Pershing. During the

year ended December 31, 2012, the Company recorded stock-based compensation expense of $2,040,000 in connection with the vested restricted stock grants.

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On January 3, 2013, Mr. Lindsay resigned from his position as the Director of the Company. Consequently, during the nine months ended September 30, 2013, 400,000 options were forfeited in accordance with the resignation of the former director.

In November 2012, the Company entered into an Asset Purchase Agreement with X-Cal USA, Inc. and Paramount Gold & Silver Corp. pursuant to which the Sellers sold certain properties and mining claims to the Company in consideration for 6 million shares of the Company's common stock as well as the assumption of certain royalty obligation and reimbursement of $21,000 of annual maintenance fees with respect to mining claims paid in September 2012. The Company valued the 6 million common shares at the fair market value on the date of grants at approximately $0.40 per share (based on the recent selling price of the Company's common stock at private placements) or $2,400,000 and was recorded into mineral rights. During the year ended December 31, 2012, the Company recorded an impairment expense of $2,400,000 in connection with these mining claims and has been included in loss from discontinued operations.

Between October 29, 2012 and November 9, 2012, the Company sold an aggregate of 3,025,000 units (the "Units") with gross proceeds to the Company of $1,210,000 to certain accredited investors pursuant to a subscription agreement (the "Subscription Agreement"). Each Unit was sold for a purchase price of $0.40 per Unit and consisted of: (i) one share of the Company's common stock and (ii) a five-year warrant to purchase seventy-five (75%) percent of the number of shares of common stock purchased at an exercise price of $0.55 per share (2,268,750 warrants), subject to adjustment upon the occurrence of certain events such as stock splits and dividends. The warrants may be exercised on a cashless basis if at any time there is no effective registration statement covering the resale of the shares of common stock underlying the warrants. The Company paid placement agent fees of $76,000 and related legal fees of $8,000 in cash in connection with the sale of the Units.

In December 2012, the Company entered into a 1 year consulting agreement pursuant to which the consultant agreed to provide public relations services to the Company. In consideration for the services, the Company issued 1,500,000 shares of the Company's common stock and valued these common shares at the fair market value on the date of grant at $0.65 per share or $975,000. In connection with issuance of these common shares, the Company recorded public relations expenses for the nine months ended September 30, 2013 of $731,250 with a remaining prepaid expense at September 30, 2013 of $203,125 to be amortized over the remaining consulting agreement term.

Effective January 17, 2013, Arthur Leger resigned as the President, Chief Executive Officer, Chief Financial Officer, Secretary and Treasurer of the Company. Immediately upon Mr. Leger's resignation, on January 17, 2013, David Rector, a current director of the Company, was appointed as the Company's interim Chief Executive Officer. On May 22, 2013, Arthur Leger resigned from his position as director of the Company and the Company's Vice President of Exploration and Chief Geologist.

In consideration for Mr. Rector's services as interim Chief Executive Officer, the Company's Board of Directors awarded Mr. Rector a restricted stock grant under its 2012 Equity Incentive Plan equal to 3,000,000 shares of the Company's common stock, which shall vest in three equal installments on January 17, 2014, January 17, 2015 and January 17, 2016. Additionally, the Board of Directors agreed to pay Mr. Rector an annual salary of $185,000.

On January 17, 2013, the Board of Directors appointed James Davidson as a director of the Company. In connection with his appointment as a director, the Company's Board of Directors awarded Mr. Davidson a restricted stock grant under the Company's 2012 Equity Incentive Plan equal to 500,000 shares of the Company's common stock which shall vest in two equal installments on January 17, 2014 and January 17, 2015. On August 1, 2013, James Davidson resigned from his position as a director of the Company and such restricted stock grants cease to vest upon resignation.



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VALOR GOLD CORP. AND SUBSIDIARIES
(FORMERLY FELAFEL CORP.)
(A DEVELOPMENT STAGE COMPANY)
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

During the nine months ended September 30, 2013, the Company recorded stock-based compensation expense of $797,034 in connection with the vested restricted stock grants discussed above.

In March 2013, the Company entered into a 90 day consulting agreement pursuant to which the consultant agreed to provide public relations services to the Company. In consideration for the services, the Company issued 250,000 shares of the Company's common stock and valued these common shares at the fair market value on the date of grant at approximately $0.53 per share or $132,450. In connection with issuance of these common shares, the Company recorded public relations expenses for the nine months ended September 30, 2013 of $132,450.

Pursuant to the Termination Agreement, effective as of June 24, 2013, the Lessor and Arttor Gold terminated the North Battle Mountain Mineral Lease and Red Rock Mineral Lease (see Note 8). Furthermore, pursuant to the Termination Agreement, on July 23, 2013, the Lessor transferred to the Company for cancellation the 4,000,000 shares of the Company's common stock owned by Arthur Leger. The Company valued and recorded the cancelled shares at par value or $400 in additional paid in capital.

In September 2013, the Company issued an aggregate of 9,112,500 shares of the Company's common stock and an aggregate of 5,000,000 shares of the Company's Series A Convertible Preferred Stock (collectively the "Tru-Up Shares") to certain of its prior investors (the "Prior Investors"). Each share of Series A preferred stock is convertible into one share of common stock, at the option of the holder, subject to certain beneficial ownership limitations. The Company issued the Tru-Up Shares in connection with certain "Most Favored Nations" provisions contained in the Prior Investors' respective governing purchase agreements that occurred between April 2012 and November 2012 as a result of the Company's subsequent issuance in July 2013 of its securities related to a convertible note payable at a per share price lower than the per share price paid by the Prior Investors. The Company was only required to make a single adjustment with respect to any lower price issuance and no adjustment to the effective per share purchase price shall be made for any lower price issuance that is made by the Company that is below $0.20. The Company valued and recorded the Tru-Up Shares at par value or $1,411 for preferred and common stock and offset additional paid in capital to reflect no change in stockholders' equity for this transaction.

Stock Options

In October 2012, the Board approved the Company's 2012 Equity Incentive Plan, which reserves 7,000,000 shares of common stock for issuance thereunder in the form of qualified incentive stock options, non-qualified stock options and restricted stock grants, issuable to the Company's officers, directors, employees and consultants. In October 2012, the holders of a majority of the Company's outstanding capital stock approved the 2012 Equity Incentive Plan.

In October 2012, the Company granted 300,000 10-year options to purchase shares of common stock exercisable at $0.40 per share to a consultant of the Company pursuant to a consulting agreement for business advisory services. The stock options shall vest 25% every three months and were granted under the Company's 2012 Equity Incentive Plan. The 300,000 options were valued on the grant date at approximately $0.96 per option or a total of $286,500 using a Black-Scholes option pricing model with the following assumptions: stock price of $1.05 per share, volatility of 116% (estimated using volatilities of similar companies), expected term of 6 years, and a risk free interest rate of 0.62%. On July 30, 2013 such consulting agreement was terminated and the Company has fulfilled its entire obligation under the agreement. During the nine months ended September 30, 2013, the Company recorded stock based consulting expense

of $143,250 in connection with vested options prior to termination.

VALOR GOLD CORP. AND SUBSIDIARIES
(FORMERLY FELAFEL CORP.)
(A DEVELOPMENT STAGE COMPANY)
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

A summary of the stock options as of September 30, 2013 and changes during the period are presented below:

| | Number of Options | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (Years) |
|---|---|---|---|
| Balance at December 31, 2012 | 700,000 | 0.40 | 9.55 |
| Granted | - | - | - |
| Exercised | - | - | - |
| Forfeited | (400,000) | 0.40 | 9.39 |
| Cancelled | - | - | - |
| Balance outstanding at September 30, 2013 | 300,000 | $ 0.40 | 9.01 |
| | | | |
| Options exercisable at September 30, 2013 | 225,000 | $ 0.40 | |
| Options expected to vest | - | | |
| Weighted average fair value of options granted during the period | | $ - | |

Stock options outstanding at September 30, 2013 as disclosed in the above table have no intrinsic value at the end of the period.

Stock Warrants

A summary of the status of the Company's outstanding stock warrants as of September 30, 2013 and changes during the period then ended is as follows:

| | Number of Warrants | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life (Years) |
|---|---|---|---|
| Balance at December 31, 2012 | 2,268,750 | $ 0.55 | 4.84 |
| Granted | 1,875,000 | 0.05 | 5.00 |
| Cancelled | - | - | - |
| Forfeited | - | - | - |
| Exercised | (1,250,000) | 0.07 | 5.00 |
| Balance at September 30, 2013 | 2,893,750 | $ 0.43 | 4.27 |
| | | | |
| Warrants exercisable at September 30, 2013 | 2,893,750 | $ 0.43 | 4.27 |
| | | | |
| Weighted average fair value of warrants granted during the nine months ended September 30, 2013 | | $ 0.22 | |

On July 24, 2013, the Company granted a 5-year warrant to purchase 375,000 shares of the Company's common stock at an exercise price of $0.20 per share for gross proceeds to the Company of $75,000 in connection with a convertible note payable (see Note 6).

Between August 20, 2013 and August 29, 2013, the Company granted a 5-year warrant to purchase 1,500,000 shares of the Company's common stock at an exercise price of $0.01 per share for gross proceeds to the Company of $175,000 in connection with convertible notes payable (see Note 6).

In August 2013, the Company issued an aggregate of 1,187,500 shares of common stock in connection with the exercise of the 1,250,000 warrants on a cashless basis. Such warrants were related to the convertible notes issued in July 2013 and August 2013.The Company valued these common shares at par value.

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

This Report on Form 10-Q and other written and oral statements made from time to time by us may contain so-called "forward-looking statements," all of which are subject to risks and uncertainties. Forward-looking statements can be identified by the use of words such as "expects," "plans," "will," "forecasts," "projects," "intends," "estimates," and other w similar meaning. One can identify them by the fact that they do not relate strictly to historical or current facts. These statements are likely to address our growth strategy, financial results and product and development programs. One must carefully consider any such statement and should understand that many factors could cause actual results to differ from our forward looking statements. These factors may include inaccurate assumptions and a broad variety of other risks and uncertainties, including some that are known and some that are not. No forward looking statement can be guaranteed and actual future results may vary materially.

Information regarding market and industry statistics contained in this Report is included based on information available to us that we believe is accurate. It is generally based on industry and other publications that are not produced for purposes of securities offerings or economic analysis. We have not reviewed or included data from all sources, and cannot assure investors of the accuracy or completeness of the data included in this Report. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and the additional uncertainties accompanying any estimates of future market size, revenue and market acceptance of products and services. We do not assume any obligation to update any forward-looking statement. As a result, investors should not place undue reliance on these forward-looking statements.

Recent Events

On July 17, 2013, we and our wholly-owned subsidiary Arttor Gold (the "Lessee"), executed an agreement for the Termination of Mining Claim Leases (the "Termination Agreement") with Arthur Leger and F.R.O.G. Consulting, LLC (Mr. Leger and F.R.O.G. Consulting, LLC, collectively, the "Lessor"). Pursuant to the Termination Agreement, effective as of June 24, 2013, the Lessor and the Lessee terminated that certain North Battle Mountain Mineral Lease, dated as of May 24, 2011, and terminated that certain Red Rock Mineral Lease, dated as of May 24, 2011. As a result of the Termination Agreement, we released to the Lessor all of our rights to the 269 unpatented lode mining claims under the North Battle Mountain Lease, the 36 unpatented lode mining claims under the Red Rock Lease and any added claims staked by Arthur Leger during the term of the North Battle Mountain Lease and Red Rock Lease (the "Claims Release"). In consideration for the Claims Release, the Lessor agreed to pay us $10,592 in bond payments we made to the BLM in connection with claims underlying the Claims Release. Furthermore, pursuant to the Termination Agreement, on July 23, 2013, the Lessor transferred to us, and we cancelled, 4,000,000 shares of our common stock owned by Arthur Leger. Our decision to enter into the Claims release followed changes in the direction of the Company and the decision to explore new strategic and developmental opportunities in other business sectors. Thus, we decided to discontinue our exploration stage gold and minerals business and prior periods have been restated in our consolidated financial statements and related footnotes to conform to this presentation. We are now considered a development stage company.

Between July 24, 2013 and August 29, 2013, we entered into Securities Purchase Agreements with two accredited investor pursuant to which we sold an aggregate of (i) $250,000 of 10% secured convertible promissory notes due one year from the date of issuance and (ii) 5-year warrant to purchase 1,875,000 shares of our common stock for gross proceeds of $250,000. The notes are convertible into shares of our common stock at an initial conversion price of $0.20 per share.

On September 12, 2013, we loaned $50,000 to an unrelated party in exchange for a demand promissory note. The note is due on demand and bears interest at 12% per annum. Additionally, the Company and the borrower signed a non-binding Letter of Intent (the “LOI”) to acquire certain assets of the borrower by us. The note includes a condition whereby the borrower shall pay a $250,000 breakup fee upon the occurrence of certain events such as the termination of the LOI by the borrower or the transactions under the LOI are not consummated on or before the agreed termination date as defined in the promissory note.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following critical accounting policies affect the significant judgments and estimates used in the preparation of the financial statements.

Principles of Consolidation

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America and present the financial statements of the Company and our wholly-owned subsidiary. In the preparation of our consolidated financial statements, intercompany transactions and balances are eliminated.

Development Stage Company

We are presented as a development stage company. Activities during the development stage include organizing the business and raising capital.  We are a development stage company with no revenues and no profits. The Company has not commenced significant operations and, in accordance with Accounting Standards Codification (“ASC”) Topic 915 “Development Stage Entities”, is considered a development stage company.

Use of Estimates

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated balance sheet, and revenues and expenses for the period then ended.  Actual results may differ significantly from those estimates.

Long-Lived Assets

We review for impairment whenever events or circumstances indicate that the carrying amount of assets may not be recoverable, pursuant to guidance established in ASC 360-10-35-15, “Impairment or Disposal of Long-Lived Assets”. We recognize an impairment loss when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The amount of impairment is measured as the difference between the asset’s estimated fair value and its book value.

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Recent Accounting Pronouncements

In April 2013, the FASB ASU 2013-07, "Presentation of Financial Statements: Topic Liquidation Basis of Accounting". ASU 2013-07 requires an entity to prepare its financial statements using the liquidation basis of accounting when liquidation is imminent. Liquidation is considered imminent when the likelihood is remote that the organization will return from liquidation and either: (a) a plan for liquidation is approved by the person or persons with the authority to make such a plan effective and the likelihood is remote that the execution of the plan will be blocked by other parties; or (b) a plan for liquidation is being imposed by other forces. ASU 2013-07 will be effective for the Company beginning on January 1, 2014. We do not expect the adoption of ASU 2013-07 to have a material impact on our financial position, results of operations nor cash flows.

In July 2013, the FASB issued ASU 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists." ASU 2013-11 provides guidance on the presentation of unrecognized tax benefits related to any disallowed portion of net operating loss carryforwards, similar tax losses, or tax credit carryforwards, if they exist. ASU 2013-11 is effective for fiscal years beginning after December 15, 2013. The adoption of ASU 2013-11 is not expected to have a material impact on our consolidated financial statements.

Accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on our consolidated financial statements upon adoption.

Results of Operations

Valor Gold Corp.'s business began on April 28, 2011. We are a development stage company and have generated no revenues for the nine months ended September 30, 2013 and 2012.

Operating Expenses

Total operating expenses for the nine months ended September 30, 2013 as compared to the nine months ended September 30, 2012, were approximately $2.6 million and $4.3 million, respectively. The approximately $1.7 million decrease in operating expenses for the nine months ended September 30, 2013 is primarily attributable to a decrease in approximately $1.2 million of compensation expense related primarily to stock based compensation expense, decrease of approximately $0.5 million in consulting fees related primarily to a decrease in investor relation expenses of approximately $1.0 million offset by an increase in stock based consulting expenses of approximately $0.5 million , decrease of approximately $17,000 of professional fees primarily related to accounting and legal services and an increase of approximately $7,000 in general and administrative expenses primarily for rent, insurance and office expenses.

Total operating expenses for the three months ended September 30, 2013 as compared to the three months ended September 30, 2012, were approximately $0.6 million and $0.4 million, respectively. The approximately $0.2 million increase in operating expenses for the three months ended September 30, 2013 is primarily attributable to an increase in approximately $0.2 million of compensation expense related primarily to stock based compensation expense, decrease of approximately $70,000 in consulting fees, an increase of approximately $54,000 of professional fees primarily related to accounting and legal services and a decrease of approximately $24,000 in general and administrative expenses primarily for rent, insurance and office expenses.

Operating Loss from Continuing Operations

We reported an operating loss from continuing operations of approximately $2.2 million and $4.3 million for the nine months ended September 30, 2013 and 2012, respectively. We reported an operating loss from continuing operations of approximately $0.3 million and $0.5 million for the three months ended September 30, 2013 and 2012, respectively. The decrease in operating loss was due to the decreases in operating expenses described above.

Other Income (Expenses)

Total other income (expense) was approximately $0.4 million and ($9,000) for the nine months ended September 30, 2013 and 2012, respectively. Total other income (expense) was approximately $0.4 million and ($6,000) for the three months ended September 30, 2013 and 2012, respectively. The change in other income (expense) of approximately $0.3 million is primarily attributable to i) an increase of $0.7 million gain from forgiveness of accrued expenses due to the termination of a certain consulting agreement, offset by ii) an increase of $34,000 interest expense in connection with the issuance of convertible notes payable and, iii) an increase of $0.3 million of derivative expense.

Loss from Discontinued Operations

The following table sets forth for the three and nine months ended September 30, 2013 and 2012 indicated selected financial data of the Company's discontinued operations of its exploration stage gold and minerals business.

| | For the Three Months ended September 30, 2013 | For the Three Months ended September 30, 2012 | For the Nine Months ended September 30, 2013 | For the Nine Months ended September 30, 2012 |
|---|---|---|---|---|
| Revenues | $ - | $ - | $ - | $ - |
| Cost of sales | - | - | - | - |
| Gross profit | - | - | - | - |
| Operating and other non-operating expenses | (30,962) | (107,428) | (482,710) | (895,795) |
| | | | | |
| Loss from discontinued operations | $ (30,962) | $ (107,428) | $ (482,710) | $ (895,795) |

Net Loss

As a result of the operating expense and other expense discussed above, we reported a net loss of approximately $2.7 million and $5.2 million for the nine months ended September 30, 2013 and 2012, respectively. As a result of the operating expense and other expense discussed above, we reported a net loss of approximately $0.3 million and $0.6 million for the three months ended September 30, 2013 and 2012, respectively. We reported a net loss of approximately $12.1 million for the period from April 28, 2011 (Inception) to September 30, 2013.

Liquidity and Capital Resources

At September 30, 2013, our cash and cash equivalents totaled approximately $97,000 compared to $813,000 at December 31, 2012. At September 30, 2013 we have working capital deficit of approximately $41,000. The decrease in cash was primarily attributable to approximately $483,000 in exploration costs, $35,000 of cash

based investor relations and consulting fees, $184,000 of cash based compensation, $86,000 in professional fees, $118,000 in general and administrative expenses .

Between July 24, 2013 and August 29, 2013, the Company issued 10% secured convertible promissory notes and received gross proceeds of $250,000. The Company used proceeds from the sale of the note to repay amounts owed for general working capital purposes and for an investment in a note receivable amounting to $50,000.

We spent approximately $483,000 on exploration activities which has been included in the loss from discontinued operations during the nine months ended September 30, 2013. We will require external funding to explore additional business opportunities and strategic alliances and also to maintain our operations beginning in November 2013. We will not have sufficient capital to fund and maintain our operations and we will need to raise additional funds. We expect that the legal and accounting costs of being a public company will continue to impact our liquidity and we may need to obtain funds to pay those expenses. Those fees will be higher if our business volume and activity increases.

We will need to raise additional funds, particularly if we are unable to generate positive cash flow as a result of our operations. We estimate that based on current plans and assumptions, that our available cash is insufficient to satisfy our cash requirements for the next 12 months. We presently have no other alternative source of working capital. We may not have sufficient working capital to fund the development of our operations and to provide working capital necessary for our ongoing operations and obligations for the next 12 months. We have no revenues and do not expect to have revenues for 2013. Therefore our future operations will be dependent on our ability to secure additional financing. Financing transactions may include the issuance of equity or debt securities, obtaining credit facilities, or other financing mechanisms. We may be unable to secure additional financing on terms acceptable to us, or at all. Our inability to raise additional funds on a timely basis could prevent us from achieving our business objectives and could have a negative impact on our business, financial condition, results of operations and the value of our securities. If we raise additional funds by issuing additional equity or convertible debt securities, the ownership of existing stockholders may be diluted and the securities that we may issue in the future may have rights, preferences or privileges senior to those of the current holders of our common stock. Such securities may also be issued at a discount to the market price of our common stock, resulting in possible further dilution to the market or book value per share of common stock. If we raise additional funds by issuing debt, we could be subject to debt covenants that could place limitations on our operations and financial flexibility and we may need to pledge our assets as collateral. The inability to obtain additional capital may restrict our ability to grow and may reduce our ability to continue to conduct business operations. If we are unable to obtain additional financing, we will likely be required to curtail our development plans and possibly cease our operations. Our ability to pursue our development activities is contingent on our ability to raise funds. If we do not raise sufficient funds, then we may not be able to implement our business strategy in the timeframe or manner we have envisioned.

Off-balance Sheet Arrangements

We have not entered into any other financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as stockholder’s equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not required for smaller reporting companies.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures.

We maintain “disclosure controls and procedures,” as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer, who is also our Chief Financial Officer, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

With respect to the quarterly period ended September 30, 2013, under the supervision and with the participation of our management, we conducted an evaluation of the effectiveness of the design and operations of our disclosure controls and procedures. Based upon this evaluation, the Company’s management has concluded that certain disclosure controls and procedures were not effective as of September 30, 2013 due to the Company’s limited internal resources and lack of ability to have multiple levels of transaction review. However, to the extent possible, we will implement procedures to assure that the initiation of transactions, the custody of assets and the recording of transactions will be performed by separate individuals. We believe that the foregoing steps will remediate the significant deficiency identified above, and we will continue to monitor the effectiveness of these steps and make any changes that our management deems appropriate.

Management is in the process of determining how best to change our current system and implement a more effective system to ensure that information required to be disclosed in this quarterly report on Form 10-Q has been recorded, processed, summarized and reported accurately. Our management acknowledges the existence of this problem, and intends to developed procedures to address them to the extent possible given limitations in financial and manpower resources. While management is working on a plan, no assurance can be made at this point that the implementation of such controls and procedures will be completed in a timely manner or that they will be adequate once implemented.

Changes in Internal Controls.

There have been no changes in our internal control over financial reporting during the quarter ended September 30, 2013 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None.

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

In August 2013, the Company issued an aggregate of 1,187,500 shares of common stock in connection with the exercise of the 1,250,000 warrants on a cashless basis. Such warrants were related to the convertible notes issued in July 2013 and August 2013.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

| | |
|---|---|
| 31.1 | Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002* |
| 32.1 | Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002* |

| | |
|---|---|
| 101.ins | XBRL Instance Document** |
| 101.sch | XBRL Taxonomy Schema Document** |
| 101.cal | XBRL Taxonomy Calculation Document** |
| 101.def | XBRL Taxonomy Linkbase Document** |
| 101.lab | XBRL Taxonomy Label Linkbase Document** |
| 101.pre | XBRL Taxonomy Presentation Linkbase Document** |

* Filed herein

101** The following materials from Valor Gold Corp.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 are formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Statements of Income, (ii) the Consolidated Statements of Cash Flow, (iii) the Consolidated Balance Sheets, and (iv) the Notes to the Consolidated Financial statements tagged as blocks of text.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VALOR GOLD CORP.

| | | |
|---|---|---|
| Date: November 13, 2013 | By: | /s/ David Rector<br>David Rector<br>President and Chief Executive Officer<br>(Principal Executive Officer and Principal Financial and Accounting Officer) |