SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

COLORADO GOLDFIELDS INC.

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SIC: **1000** Metal mining

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

FORM 10-Q

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

For the quarterly period ended **November 30, 2012**

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

For the transition period from _________ to ________

Commission File No. **000-51718**

COLORADO GOLDFIELDS INC.

(Exact name of small business issuer as specified in its charter)

Nevada	**20-0716175**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

10920 W. Alameda Avenue, Suite 201, Lakewood, Colorado, 80226, USA
(Address of principal executive offices)

303-984-5324
(Issuer's telephone number, including area code)

N/A
(Former Name, Former Address if Changed Since last Report)

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

Indicate by check mark whether the registrant 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	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☑

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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PROCEEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☐

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

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Class	Shares Outstanding at January 10, 2013
Class A Common Stock, $0.001 Par Value	73,167,462
Class B Common Stock (Restricted), $0.001 Par Value	490,371,533

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Colorado Goldfields Inc. (An Exploration Stage Company)
Balance Sheets

	November 30, 2012 (unaudited)	August 31, 2012
ASSETS		
Current Assets		
Cash	$ 4,540	$ 6,093
Prepaid expenses and other	-	18,550
Total Current Assets	4,540	24,643
Non-Current Assets		
Property, plant and equipment, net (Note 3)	1,439,066	1,396,414
Deferred acquisition costs (Note 4)	100,000	-
Mining rights and claims (Note 4)	199,479	158,889
Restricted cash (Note 3)	515,428	515,428
Deferred financing costs	18,517	15,580
Other	4,743	4,743
Total Non-Current Assets	2,277,233	2,091,054
Total Assets	$ 2,281,773	$ 2,115,697
LIABILITIES AND STOCKHOLDERS' (DEFICIT)		
Current Liabilities		
Accounts payable	$ 360,743	$ 330,519
Accrued liabilities	879,517	859,488
Convertible notes, less unamortized discount of $151,386 and $214,059 (Note 7)	84,636	141,082
Derivative liabilities (Note 8)	447,965	469,370
Promissory note payable, including accrued interest (Note 6)	87,803	25,081
Notes payable, including accrued interest - related parties (Note 5)	-	338,914
Mortgage notes payable, including accrued interest (Note 3)	470,194	456,900
Total Current Liabilities	2,330,858	2,621,354
Non-Current Liabilities		
Promissory note payable, including accrued interest (Note 6)	25,470	86,207
Notes payable, including accrued interest - related parties (Note 5)	343,488	-
Asset retirement obligation	515,500	515,500
Total Non-Current Liabilities	884,458	601,707
Total Liabilities	3,215,316	3,223,061
Contingencies and Commitments (Note 10)		
Stockholders' Deficit (Note 9)		
Class A common stock, 1,000,000,000 shares authorized, $0.001 par value; 53,612,445 and 5,647,989 issued and outstanding, respectively	53,611	5,647
Class B common stock, 500,000,000 shares authorized, $0.001 par value; 490,371,533 shares issued and outstanding, respectively	-	-
Additional paid in capital	23,990,107	22,361,563

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Donated capital	29,250	29,250
Deficit accumulated during the exploration stage	(25,006,511)	(23,503,824)
Total Stockholders' Deficit	(933,543)	(1,107,364)
Total Liabilities and Stockholders' Deficit	$ 2,281,773	$ 2,115,697

The accompanying notes are an integral part of these financial statements

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Colorado Goldfields Inc. (An Exploration Stage Company)
Statements of Operations
(Unaudited)

	For the Three Months Ended November 30, 2012	For the Three Months Ended November 30, 2011	Accumulated from February 11, 2004 (Date of Inception) to November 30, 2012
Revenue	$ -	$ -	$ -
Operating expenses			
Donated rent	-	-	9,750
Donated services	-	-	19,500
General and administrative	418,968	286,812	14,795,114
Mineral property and exploration costs	782,342	187,387	4,045,926
Professional fees	41,468	118,922	1,877,462
Total operating expenses	(1,242,778)	(593,121)	(20,747,752)
Other income (expense)			
Other income	2,950	1,350	190,936
Interest income	-	-	33,781
Gain (loss) on derivative liabilities	98,310	(13,441)	165,813
Interest expense	(361,169)	(365,741)	(4,649,289)
Total other expense	(259,909)	(377,832)	(4,258,759)
Net Loss	$ (1,502,687)	$ (970,953)	$ (25,006,511)
Net Loss Per Common Share - Basic and Diluted	$ (0.08)	$ (0.54)	
Weighted Average Number of Common Shares Outstanding	18,347,277	1,789,486	

The accompanying notes are an integral part of these financial statements

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Colorado Goldfields Inc. (An Exploration Stage Company)
Statements of Cash Flows
(Unaudited)

	For the Three Months Ended November 30, 2012	For the Three Months Ended November 30, 2011	Accumulated from February 11, 2004 (Date of Inception) to November 30, 2012
Cash Flows Used in Operating Activities:			
Net loss	$ (1,502,687)	$ (970,953)	$ (25,006,511)
Adjustments to reconcile net loss to net cash used in operating activities:			
Donated services and rent	-	-	29,250
Amortization of debt discount and deferred financing costs	336,529	332,512	4,026,008
Depreciation and amortization	1,153	5,278	149,027
(Gain) loss on derivative liabilities	(98,310)	13,441	(165,813)
Impairment of mining rights	21,910	33,958	420,521
Stock issued for services	251,110	181,998	10,722,190
Stock-based compensation - options	-	-	899,303
Accrued interest	23,411	32,607	510,358
Accretion expense on asset retirement obligation	-	11,475	191,635
Gain on sale of property, plant and equipment	-	-	(93,009)
Change in operating assets and liabilities:			
Increase in restricted cash	-	-	(515,428)
Increase in prepaid expenses and other	-	(17,390)	(3,763)
Increase in accounts payable	771,552	180,470	2,897,913
Increase in accrued liabilities	149,250	87,523	1,688,330
Increase in other assets	-	-	(4,743)
Net cash used in operating activities	(46,082)	(109,081)	(4,254,732)
Cash Flows from Investing Activities:			
Proceeds from sale of property, plant and equipment	-	-	240,632
Acquisition of property, plant and equipment	(43,805)	-	(764,602)
Net cash used in investing activities	(43,805)	-	(523,970)
Cash Flows from Financing Activities:			
Advances received	-	-	405,733
Repayment of advances	-	-	(405,733)
Proceeds from notes from related parties	-	-	581,452
Repayment of advances from related party	-	-	(20,596)
Proceeds from note payable	-	-	124,000
Repayment of notes payable	(3,166)	-	(699,657)
Proceeds from issuance of convertible debt	105,000	115,000	1,950,977
Loan acquisition costs	(13,500)	(12,500)	(211,998)
Proceeds from exercise of warrants	-	-	570
Net proceeds from issuance of common stock	-	-	3,058,494
Net cash provided by financing activities	88,334	102,500	4,783,242
(Decrease) increase in cash	(1,553)	(6,581)	4,540

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Cash - Beginning of Period		6,093		11,838		-
Cash - End of Period	$	4,540	$	5,257	$	4,540
Supplemental Disclosures:						
Interest paid	$	999	$	858	$	99,425
Income taxes paid	$	-	$	-	$	-
Non-cash investing and financing activities:						
Exchange of accounts payable and accrued liabilities for debt	$	-	$	80,000	$	246,036
Issuance of common stock to satisfy accounts payable	$	80,493	$	155,996	$	1,703,567
Issuance of common stock to satisfy accrued liabilities	$	125,400	$	-	$	807,960
Issuance of common stock for prepaid expenses	$	-	$	-	$	550,159
Issuance of common stock for mining rights	$	62,500	$	-	$	620,000
Issuance of common stock for Champion and Silver Wing mines	$	100,000	$	-	$	100,000
Issuance of common stock for work commitment	$	660,834	$	-	$	660,834
Exchange of convertible debt for common shares	$	414,721	$	498,894	$	5,186,203
Exchange of mortgage payable for convertible debt	$	-	$	-	$	50,000
Exchange of property, plant and equipment for accounts payable	$	-	$	-	$	2,750
Forgiveness of related party debt and accrued interest	$	-	$	-	$	288,361
Change in estimate of asset retirement obligation	$	-	$	-	$	176,135
Acquisition of land and building:						
Cash paid	$	-	$	-	$	250,677
Mortgage note given to seller		-		-		650,000
Asset retirement obligation assumed		-		-		500,000
Assets acquired	$	-	$	-	$	1,400,677

The accompanying notes are an integral part of these financial statements

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Colorado Goldfields Inc. (An Exploration Stage Company)
Statements of Stockholders' Equity (Deficit)
From February 11, 2004 (Date of Inception) to November 30, 2012

	Class A Common Stock		Class B Common Stock		Additional Paid in Capital	Donated Capital	Deficit Accumulated During the Exploration Stage	Total Stockholders' (Deficit) Equity
	Shares	Amount	Shares	Amount				
Balances - February 11, 2004 (Date of inception)	-	$ -	-	$ -	$ -	$ -	$ -	$ -
Issuance of common stock for cash	10,270	10	-	-	2,490	-	-	2,500
Donated services and rent	-	-	-	-	-	4,500	-	4,500
Net loss	-	-	-	-	-	-	(5,898)	(5,898)
Balances - August 31, 2004	10,270	$ 10	-	$ -	$ 2,490	$ 4,500	$ (5,898)	$ 1,102
Issuance of common stock for cash	12,632	13	-	-	53,737	-	-	53,750
Donated services and rent	-	-	-	-	-	9,000	-	9,000
Net loss	-	-	-	-	-	-	(35,319)	(35,319)
Balances - August 31, 2005	22,902	$ 23	-	$ -	$ 56,227	$13,500	$ (41,217)	$ 28,533
Donated services and rent	-	-	-	-	-	9,000	-	9,000
Net loss	-	-	-	-	-	-	(36,148)	(36,148)
Balances - August 31, 2006	22,902	$ 23	-	$ -	$ 56,227	$22,500	$ (77,365)	$ 1,385
Donated services and rent	-	-	-	-	-	6,750	-	6,750
Net loss	-	-	-	-	-	-	(300,193)	(300,193)
Balances - August 31, 2007	22,902	$ 23	-	$ -	$ 56,227	$29,250	$ (377,558)	$ (292,058)
Issuance of common stock for cash (net of offering costs of $282,231)	2,277	2	-	-	3,002,242	-	-	3,002,244
Shares issued for services	1,966	2	-	-	869,737	-	-	869,739
Stock-based compensation - options	-	-	-	-	895,209	-	-	895,209
Net loss	-	-	-	-	-	-	(3,721,021)	(3,721,021)
Balances - August 31, 2008	27,145	$ 27	-	$ -	$ 4,823,415	$29,250	$ (4,098,579)	$ 754,113
Shares issued for services	74,057	74	-	-	4,241,209	-	-	4,241,283
Issuance of common stock to satisfy accounts payable	5,878	6	-	-	370,009	-	-	370,015
Stock-based compensation - options	-	-	-	-	4,094	-	-	4,094

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Stock issued to beneficial owners of Class A Common Stock	-	-	35,732,285	-	-	-	-	-
Forgiveness of related party debt and accrued interest	-	-	-	-	288,361	-	-	288,361
Net loss	-	-	-	-	-	-	(5,281,857)	(5,281,857)
Balances - August 31, 2009	107,080	$ 107	35,732,285	$ -	$ 9,727,088	$29,250	$ (9,380,436)	$ 376,009
Shares issued for services	184,241	184	-	-	1,950,576	-	-	1,950,760
Issuance of common stock to satisfy accounts payable	28,962	29	-	-	343,799	-	-	343,828
Shares issued for mining rights	25,000	25	-	-	407,475	-	-	407,500
Shares issued for convertible debt	9,375	9	-	-	107,127	-	-	107,136
Stock issued to beneficial owners of Class A Common Stock	-	-	5,012,068	-	-	-	-	-
Net loss	-	-	-	-	-	-	(3,660,418)	(3,660,418)
Balances - August 31, 2010	354,658	$ 354	40,744,353	$ -	$12,536,065	$29,250	$ (13,040,854)	$ (475,185)
Shares issued for services	603,354	603	-	-	2,423,684	-	-	2,424,287
Issuance of common stock to satisfy accounts payable	116,710	117	-	-	458,907	-	-	459,024
Shares issued for convertible debt	429,433	429	-	-	2,771,073	-	-	2,771,502
Shares issued for mining rights	50,000	50	-	-	149,950	-	-	150,000
Stock issued to officers	-	-	449,623,244	-	-	-	-	-
Class B warrants exercised and shares issued	-	-	3,936	-	570	-	-	570
Net loss	-	-	-	-	-	-	(6,163,394)	(6,163,394)
Balances - August 31, 2011	1,554,155	$ 1,553	490,371,533	$ -	$18,340,249	$29,250	$ (19,204,248)	$ (833,196)
Shares issued for services	1,118,227	1,118	-	-	998,679	-	-	999,797
Issuance of common stock to satisfy accounts payable	513,050	513	-	-	449,694	-	-	450,207
Issuance of common stock to satisfy accrued liabilities	632,560	633	-	-	681,927	-	-	682,560
Shares issued for convertible debt	1,829,997	1,830	-	-	1,891,014	-	-	1,892,844
Net loss	-	-	-	-	-	-	(4,299,576)	(4,299,576)
Balances - August 31, 2012	5,647,989	$ 5,647	490,371,533	$ -	$22,361,563	$29,250	$ (23,503,824)	$ (1,107,364)
Shares issued to round fractional	224	-	-	-	-	-	-	-

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shares due to stock split								
Shares issued for services	2,280,000	2,280	-	-	230,280	-	-	232,560
Shares issued for mining rights	250,000	250	-	-	62,250	-	-	62,500
Shares issued for Silver Wing and Champion mines	36,000,000	36,000	-	-	64,000	-	-	100,000
Issuance of common stock to satisfy accounts payable	201,118	201	-	-	80,292	-	-	80,493
Issuance of common stock to satisfy accrued liabilities	601,102	601	-	-	124,799	-	-	125,400
Issuance of common stock for work commitment	6,397,300	6,397	-	-	654,437	-	-	660,834
Shares issued for convertible debt	2,234,712	2,235	-	-	412,486	-	-	414,721
Net loss	-	-	-	-	-	-	(1,502,687)	(1,502,687)
Balances -November 30, 2012 (unaudited)	53,612,445	$53,611	490,371,533	$ -	$23,990,107	$29,250	$ (25,006,511)	$ (933,543)

The accompanying notes are an integral part of these financial statements

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Colorado Goldfields Inc. (An Exploration Stage Company)
Notes to the Unaudited Financial Statements

November 30, 2012

1. Organization, Nature of Business, Going Concern and Management's Plans

Organization and Nature of Business

Colorado Goldfields Inc. (the "Company") was incorporated in the State of Nevada on February 11, 2004. The Company is considered to be an Exploration Stage Company. The Company's principal business is the reactivation of a mill facility, and acquisition and exploration of mineral resources. The Company has not presently determined whether the properties it has acquired and intends to acquire contain mineral reserves that are economically recoverable.

Going Concern and Management's Plans

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. Since its inception in February 2004, the Company has not generated revenue and has incurred net losses. The Company has a working capital deficit of $2,326,318 at November 30, 2012, has incurred a net loss of $1,502,687 for the three months ended November 30, 2012, and has incurred a deficit accumulated during the exploration stage of $25,006,511 for the period from February 11, 2004 (inception) through November 30, 2012. Accordingly, it has not generated cash flows from operations and has primarily relied upon advances from stockholders, promissory notes, advances from unrelated parties, and equity financing to fund its operations.

The Company is dependent upon the State of Colorado Division of Reclamation, Mining and Safety ("DRMS") and State of Colorado Mined Land Reclamation Board ("MLRB"), approving an amendment to the existing reclamation permit for the Company's Pride of the West Mill ("the Mill"). The amendment would cure a current cease and desist order, which was issued in 2005, and allow the Mill to become operational.

In December 2010, the Company presented a proposed permit amendment ("AM-02") to the MLRB. While portions of that permit amendment were approved, there remained deficiencies that required additional work.

The Company prepared additional material for consideration by the DRMS and the MLRB. Management submitted a new permit amendment application ("AM0-03"), to the DRMS on January 27, 2012 and April 23, 2012. On August 9, 2012, the DRMS approved, with conditions, AM-03.

The core of the permit consists of nine Environmental Protection Facilities ("EPFs"), which are: 1) Mill Building, 2) Ore Stockpile Area, 3) Laboratory Facility, 4) Leach Plant Building, 5) Flood Protection Dike, 6) Plant Waste Water Disposal, 7) Groundwater intercept Drain, 8) Upland Stormwater Intercept Ditch, and 9) Mill Tailings Repository. The DRMS approved the first eight EPFs, and work has commenced in these areas.

The conditions specified by the DRMS regard the ninth EPF, which is the Mill Tailings Repository. The DRMS requested 1) additional geotechnical substrate stability analysis, 2) structure specific engineering designs for the cover of the repository, 3) analysis of the repository's reserve capacity, 4) recalculation of financial warranty. The Company estimates that the conditions will be satisfied by the end of second quarter of fiscal 2013.

The Company currently faces a severe working capital shortage and is not presently generating any revenues. The Company will need to obtain additional capital to fund its operations, continue mining exploration activities, fulfill its obligations under its mineral property lease/option agreements, and satisfy existing creditors.

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These circumstances raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets, or the amounts or classification of liabilities that may result from the possible inability of the Company to continue as a going concern. Management's plans with regards to these conditions are described below.

The Company continues to explore sources of additional financing to satisfy its current operating requirements. During the fiscal year ended August 31, 2012 and through November 30, 2012, the Company entered into funding arrangements with an institutional investor (the "Delaware Partnership Investor"), under which the Delaware Partnership Investor has provided convertible debt financing to the Company of $429,000, ($52,000 during the three months ended November 30, 2012) (Note 7).

During the fiscal year ended August 31, 2012 and through November 30, 2012, the Company also entered into three funding arrangements for a total of $153,000 ($53,000 during the three months ended November 30, 2012), with a group of New York private investors in the form of convertible notes (Note 7).

Considering the difficult U.S. and global economic conditions, along with the substantial stability problems in the capital and credit markets, there is a significant possibility that the Company will be unable to obtain financing to continue its operations.

There is no assurance that required funds during the next twelve months or thereafter will be generated from operations, or that those funds will be available from external sources, such as debt or equity financings or other potential sources. The lack of additional capital resulting from the inability to generate cash flow from operations or to raise capital from external sources would force the Company to substantially curtail or cease operations and would, therefore, have a material adverse effect on its business. Further, there can be no assurance that any such required funds, if available, will be available on attractive terms or that they will not have a significantly dilutive effect on the Company's existing shareholders. All of these factors have been exacerbated by the extremely unsettled credit and capital markets presently existing.

2. Summary of Significant Account Policies

Basis of Presentation

The accompanying interim financial statements have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The financial statements reflect all adjustments (consisting of only normal recurring entries) that, in the opinion of management, are necessary to present fairly the financial position at November 30, 2012 and the results of operations and cash flows of the Company for the three months ended November 30, 2012 and 2011, respectively. Operating results for the three months ended November 30, 2012, are not necessarily indicative of the results that may be expected for the fiscal year ending August 31, 2013.

These unaudited financial statements should be read in conjunction with the Company's audited financial statements and footnotes thereto included in its Annual Report on Form 10-K for the year ended August 31, 2012.

Basic and Diluted Net Loss per Share

Basic earnings (loss) per share ("EPS") is computed by dividing net loss available to common stockholders (numerator) by the weighted average number of shares of the Class A Common Stock outstanding (denominator) during the period. During the year ended August 31, 2011, the Company issued shares of Class B Common Stock, which are not publicly-traded. The Class B Common Stock share dividends equally with Class A Common Stock, and are defined as participating securities under US GAAP; however, they have no contractual obligation to share in losses of the Company. The Company has therefore not included the Class B Common Stock in determining basic EPS. Diluted EPS gives effect to all potential dilutive common shares outstanding during the periods using the treasury stock method (for options and warrants) and the two-class method (for Class B common stock). In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive. For the three months ended November 30, 2012 and 2011, the effect of the conversion of outstanding debt and Class B common shares would have been anti-dilutive.

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The following table represents the potential dilutive securities excluded from the calculation of diluted loss per share.

	November 30, 2012	November 30, 2011
Class B Common Stock	490,371,533	490,371,533
Convertible debt	7,284,525	637,353

Effective September 12, 2012, the Financial Regulatory Authority, Inc. ("FINRA"), approved a 1 for 5,000 reverse stock split. All references to Class A common stock in these financial statements have been adjusted to reflect the post-reverse split amounts.

Mining Rights and Claims

The Company has determined that its mining rights and claims meet the definition of mineral rights, as defined by accounting standards, and are tangible assets. As a result, the costs of mining rights are initially capitalized as tangible assets when purchased. If proven and probable reserves are established for a property and it has been determined that a mineral property can be economically developed, costs will be amortized using the units-of-production method over the estimated life of the probable reserves. The Company's rights to extract minerals are contractually limited by time. However, the Company has the ability to extend the leases (Note 4). For mining rights in which proven and probable reserves have not yet been established, the Company assesses the carrying value for impairment at the end of each reporting period. The Company recorded impairment charges of $21,910 and $33,958 during the three months ended November, 2012 and 2011, respectively.

Fair Value Measurements

Fair value is defined 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 in the principal or most advantageous market. The Company uses a fair value hierarchy that has three levels of inputs, both observable and unobservable, with use of the lowest possible level of input to determine fair value.

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – observable inputs other than Level 1, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and model-derived prices whose inputs are observable or whose significant value drivers are observable; and

Level 3 – assets and liabilities whose significant value drivers are unobservable.

Observable inputs are based on market data obtained from independent sources, while unobservable inputs are based on the Company's market assumptions. Unobservable inputs require significant management judgment or estimation. In some cases, the inputs used to measure an asset or liability may fall into different levels of the fair value hierarchy. In those instances, the fair value measurement is required to be classified using the lowest level of input that is significant to the fair value measurement. Such determination requires significant management judgment.

As of November 30, 2012, the Company had the following financial assets and liabilities that are measured at fair value:

	Level 1	Level 2	Level 3
Restricted cash	-	$ 515,428	-
Derivative liabilities	-	$ 447,965	-

The fair values of financial instruments, which include cash, accounts payable, short-term notes payable, and convertible debt, were estimated to approximate their carrying values due to the immediate or short-term maturity of these financial instruments. The fair value of amounts due to related parties are not practicable to estimate, due to the related party nature of the underlying transactions. The long-term fixed-rate note payable approximates fair value as it bears interest at a rate commensurate with market rates. The fair value of the restricted cash deposit held by the State of Colorado (Note 3) approximates the amount of fees to obtain it.

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Asset Retirement Obligation

The fair value of a liability for an asset retirement obligation is required to be recognized in the period that it is incurred if a reasonable estimate of fair value can be made. In connection with the Company's acquisition of the Mill in June 2007, an asset retirement obligation of $500,000 was estimated and recorded. The associated asset retirement costs were capitalized as part of the carrying amount of the Mill (See Note 3). Accretion expense is recorded in each subsequent period to recognize the estimated changes in the liability resulting from the passage of time. During the three months ended November 30, 2012 and 2011, the Company recorded accretion expense of nil and $11,475, respectively. Changes resulting from revisions to the original fair value of the liability are recognized as an increase or decrease in the carrying amount of the liability and the related asset retirement costs capitalized as part of the carrying amount of the long-lived asset.

During fiscal year 2012, the Company re-evaluated the original fair value asset retirement obligation as it relates to the Mill. Unique to this asset, the reclamation permit for the Mill requires that the cost of retirement (reclamation), be calculated by the DRMS on a continuing basis, and a financial warranty be provided to guarantee that obligation.

As of November 30, 2012, the State of Colorado Division of Reclamation, Mining, and Safety has determined that $515,130 would be required to close and reclaim the asset and the Company has placed those funds as cash held as a restricted cash deposit with the State of Colorado.

Recent accounting pronouncements

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (Topic 220) – Presentation of Comprehensive Income* ("ASU 2011-05"). ASU 2011-05 requires entities to present net income and other comprehensive income in either a single continuous statement or in two separate, but consecutive, statements of net income and other comprehensive income. ASU 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 (the interim period ended November 30, 2012 for the Company). The adoption of ASU 2011-05 did not have a material impact on its results of operations, financial condition, or cash flows.

3. Property, Plant and Equipment

On June 29, 2007, the Company acquired the Mill located in Howardsville, Colorado. The cost of the Mill was $1,400,677. In connection with the acquisition, the Company entered into a $650,000 mortgage with the seller, which is collateralized by the property and bears interest at 12% per year. All unpaid principal was originally due June 29, 2009. The due date on the mortgage was extended and is currently due in full on June 1, 2013.

Interest expense in connection with the Mill mortgage for the three months ended November 30, 2012 and 2011 was $13,295 and $13,295, respectively.

In connection with the acquisition of the Mill, the Company replaced a financial warranty that the seller had provided to the DRMS in the amount $318,654. During the 2011 fiscal year, the DRMS required and the Company provided an additional $196,476 of financial warranty. As of November 30, 2012, the total funds, which are held as a restricted cash deposit with the State of Colorado, related to the Mill financial warranty is $515,130.

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Property, plant and equipment consist of the following as of November 30, 2012 and August 31, 2012:

	November 30, 2012	August 31, 2012
Computer equipment	$ 5,179	$ 5,179
Mine and drilling equipment	4,650	4,650
Mobile mining equipment	13,300	13,300
Land and mill	1,434,846	1,391,041
	1,457,975	1,414,170
Less accumulated depreciation	(18,909)	(17,756)
	$1,439,066	$1,396,414

Depreciation expense was $1,153 and $5,278 for the three months ended November 30, 2012 and 2011, respectively. Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives ranging from three to five years. However, a significant portion of the Company's property, plant and equipment has not yet been placed in service and accordingly is not being depreciated.

4. Mining Rights and Claims

Silver Wing and Champion Mines

On October 31, 2012, the Company entered into a contract for purchase of the Silver Wing Mine. The terms of the contract provide that the Company:

1. Issue to Jo Grant Mining Company, Inc. ("Jo Grant"), 12,000,000 four-year restricted shares of Class A Common Stock on or before January 6, 2013. The Company issued the 12,000,000 shares on November 1, 2012.

2. Pay off Jo Grant's existing note in favor of a Colorado bank, dated March, 6, 2008, assigned to Jo Grant on October 17, 2012, having a present balance of approximately $60,353, as of October 31, 2012 on or before March 6, 2013, which was extended from January 6, 2013.

3. Pay to Jo Grant a sum of $50,000, no later than March 6, 2013, which was extended from January 6, 2013. This note is collateralized by the Silver Wing Mine.

4. Provide Jo Grant for a period of 99 years a 5% Net Smelter Royalty ("NSR"), with a minimum of $10 per ton for the first 54,350 tons of ore produced from the Silver Wing Mining Claims. The payment of the NSR shall be made not more than 45 days after the close of the month during which the payment is received from the smelter or buyer on which such NSR is calculated.

The Silver Wing Mine consists of 10 patented mining claims (70 acres) in San Juan County, in southwestern Colorado. The Company intends to develop a mining and milling operation to produce gold, silver, copper, lead, and zinc concentrates.

On November 2, 2012, the Company entered into a contract for purchase of the Champion Mine. The terms of the contract provide that the Company:

1. Issue to Jo Grant 24,000,000 four-year restricted shares of Class A Common Stock on or before March 6, 2013. The Company issued the 24,000,000 shares on November 2, 2012.

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2. Pay $3,000,000 to Jo Grant, only for the purpose of consummating the contract to buy and sell real estate (Land), between Jo Grant (as the Buyer), and a Texas limited liability company, (as the Seller), dated October 9, 2012, no later than March 6, 2013, which was extended from January 6, 2013. The contract to buy and sell real estate (land) is for the purchase of the Champion Mine.

3. Pay to Jo Grant a sum of $50,000, no later than March 6, 2013, which was extended from January 6, 2013.

4. Provide Jo Grant for a period of 99 years a 5% Net Smelter Royalty ("NSR"), on the Champion Mining Claims. The payment of the NSR shall be made not more than 45 days after the close of the month during which the payment is received from the smelter or buyer on which such NSR is calculated.

The Champion Mine consists of approximately 354 acres located in the San Juan Mountains at Silverton, Colorado. The Mine is located within the rim of the Silverton Caldera complex at the southwestern extremity of the Colorado Mineral Belt.

The purchase of the Silver Wing and Champion mines from Jo Grant will not be consummated until the Company provides additional cash of approximately $3.2 million to complete the acquisition of these assets. Therefore, until this occurs, the Company does not own the mines. As of November 30, 2012, as noted above, the Company has issued 36 million shares of its Class A common stock to Jo Grant in connection with these purchase transactions. The shares issued are non-refundable, and represented approximately 80% of the Company's total shares of Class A common stock outstanding as of November 2, 2012. In addition, these shares are restricted for four years from the dates of issuance.

The Silver Wing mine was acquired by Jo Grant on October 17, 2012 for cash consideration of approximately $20,000 and the assumption of a note payable totaling approximately $60,000. The right to acquire the Champion Mine was obtained by Jo Grant on October 9, 2012 for cash consideration of approximately $20,000, which represents a non-refundable payment made in connection with $3 million contract to purchase the Champion Mine discussed above.

Management estimated the fair value of the 36 million restricted, non-refundable shares was approximately $100,000, based on the assets acquired. Therefore, the shares of common stock issued by the Company in November 2012 were recorded on the balance sheet as "Deferred acquisition costs" as of November 30, 2012, in the amount of $100,000.

King Solomon Mine

On September 18, 2009, the Company entered into a lease with an option to purchase the King Solomon Mine, in consideration for which the Company issued 10,000 shares of restricted Class A Common Stock valued at $17.50 per share (the quoted market price on the date the Company entered into the agreement and obtained the mining rights) totaling $175,000. The lease/option was for a period of three years. The stock was restricted from sale during the initial term of the lease. The lease/option automatically renewed and continued so long as ores, minerals, or metals are produced or sold. The lease granted the Company the exclusive right to perform exploration, mining, development, production, processing or any other activity that benefits the leased premises and required a minimum work commitment of $50,000 to be expended by the Company for each successive three year term during the term of the lease/option. The lease also required the Company to pay the lessor a 3.5% NSR on all mineral bearing ores. In addition, before royalties are computed, 5% of the value of NSR on all materials produced and sold from the mining property must be deducted for the purpose of a contingency reclamation reserve fund for paying potential reclamation costs, up to $200,000. The Company had the sole and exclusive option to purchase all of lessor's right, title and interest in the property for a total purchase price of $1,250,000. This amount may be paid in cash or other cash equivalents as mutually agreed by the lessor and the Company.

On October 11, 2012, the Company entered into an extension and renewal of mining lease with option to purchase, effective September 18, 2012, for which the Company issued 250,000 shares of restricted Class A Common Stock, with an additional 25,000 shares to be issued upon each yearly anniversary. The Company recorded $62,500 as mining rights and claims based upon the share price on the date of the transaction of $0.25 per share. The stock is restricted for two years. The original work commitment outlined above is considered fulfilled. All other terms and conditions of the original lease remain in effect.

Pay Day and Rage Uranium Claim Group

On June 13, 2011, the Company purchased mineral rights to 63 mining claims. The claims are referred to as The Pay Day and Rage Uranium Claim Group and are located in San Juan County northeast of Monticello, Utah. In consideration for the acquisition of these claims, the Company issued 50,000 shares of restricted Class A Common Stock, which had a value of $150,000 on the purchase date, (based on the quoted market price on the date the Company entered into the agreement and obtained the mineral rights). The shares were

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issued in two blocks of 25,000 shares each and are subject to lock-up provisions for periods of one and two years respectively, during which no sales or other conveyances of the shares may be undertaken.

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Brooklyn Mine

On September 30, 2009, the Company entered into a lease with an option to purchase the Brooklyn Mine, in consideration for which the Company issued 15,000 shares of restricted Class A Common Stock valued at $15.50 per share (the quoted market price on the date of the Company entered into the agreement and obtained the mining rights) totaling $232,500. The lease/option was for a period of three years. The stock was restricted from sale during the initial term of the lease. The lease/option automatically renewed and continued so long as ores, minerals, or metals are produced or sold. The lease granted the Company the exclusive right to perform exploration, mining, development, production, processing or any other activity that benefits the leased premises and required a minimum work commitment of $150,000 for the first year, $200,000 for the second year and $250,000 for the third year to be expended by the Company. The lease also required the Company to pay the lessor a 5% NSR on all mineral bearing ores. In addition, before royalties are computed, 5% of the value of NSR on all materials produced and sold from the mining property must be deducted for the purpose of a contingency reclamation reserve fund for paying potential reclamation costs, up to $500,000. The Company had the sole and exclusive option to purchase all of lessor's right, title and interest in the property for a total purchase price of $4,000,000, plus a perpetual 2% NSR. This amount was to be paid in cash or other cash equivalents as mutually agreed by the Company and the lessor.

The lease with an option to purchase for the Brooklyn Mine was terminated on September 6, 2012. After extensive analysis of potential acid mine drainage problems, the Company decided not to seek to renew the lease. Pursuant to the lease, work commitment expenses not spent on the properties were due to the lessors in cash or cash equivalents, including additional shares of Company stock. Failing to negotiate the anticipated lease renewal, on November 1, 2012 the Company issued 6,397,300 shares of restricted Class A Common Stock, valued at $660,834 on the date of issue to satisfy all terms of the lease.

5. Notes payable – related parties

As of November 30, 2012, the Company has notes payable to related parties, including accrued interest, of $92,280 and $251,208 with its chief executive officer ("CEO") and its chief financial officer ("CFO"), respectively. In connection with the borrowings, the Company executed unsecured promissory notes ("Notes") which are due six months from the dates of issue and accrue interest at 6.5% per annum (or 18% per annum, if the Notes are in default). The funds received in exchange for the Notes have primarily been used by the Company to finance working capital requirements. On April 8, 2011, the Company secured the amounts owed to the CEO and CFO, with the Mill, and filed Second Deeds of Trust in San Juan County, Colorado. In connection with the Deeds of Trust, all of the individual Notes were combined into two promissory Notes, and are now due in their entirety on December 31, 2013. None of the Notes are currently in default. During the three months ended November 30, 2012 and 2011 the Company recorded interest expense of $4,573 and $4,573, respectively.

6. Promissory notes payable

On September 12, 2011, the Company entered into a settlement agreement and mutual general release with an individual that had originally filed a breach of contract complaint against the Company in November 2009 (the "Plaintiff") and the Company agreed to pay the Plaintiff $80,000 with interest of 8.00% per annum due in full on September 12, 2013. The Company has recorded interest expense of $1,596 and $1,385 for the three months ended November 30, 2012 and 2011, respectively.

On December 22, 2011, the Company entered into a promissory note with one of its vendors in exchange for $24,000. The promissory note bears interest at 6.5% per annum and was due on June 22, 2012. In June 2012, the note was extended, and was extended again on December 30, 2012 and is now due on December 31, 2013. All other terms remain the same. If the Company fails to pay off the note on its due date, the entire principal and accrued interest will bear interest at 18% per annum. The Company recorded interest expense of $389 and nil for the three months ended November 30, 2012 and 2011, respectively.

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7. Convertible notes

Delaware Partnership Investor

At September 1, 2012, the Company owed the Delaware Partnership Investor $60,536 (net of unamortized discounts of $136,465), under multiple funding arrangements. During the three months ended November 30, 2012, the Company issued one convertible note under a funding arrangement with the Delaware Partnership Investor, totaling $52,000, which bears interest at 6.25% per annum and matures on October 3, 2013. The note is convertible at any time, at the option of the holder, into shares of Class A common stock of the Company at a conversion rate of 50% of the average of the two lowest volume-weighted average closing prices of the Company's Class A common stock for the ten trading days immediately prior to the date a conversion notice is received by the Company. The Company recorded a discount in the amount of $52,000 related to the conversion feature on the note issued during the three months ended November 30, 2012 (Note 8). During the three months ended November 30, 2012, $85,000 of the convertible notes were converted into common stock (any unamortized debt discount related to the converted notes was immediately charged to interest expense on the day the notes were converted). During the three months ended November 30, 2012, the Company recorded $46,930 of debt discount amortization and the carrying value of the notes was $58,678 (net of unamortized discounts of $105,322) as of November 30, 2012.

New York Private Investors

At September 1, 2012, the Company owed the New York Private Investors $69,913 (net of unamortized discount of $12,087), under multiple funding arrangements. During the three months ended November 30, 2012, the Company issued one convertible note for $53,000 under a funding arrangement with the group of New York Private Investors. The note bears interest at 8% per annum. The note matures on July 29, 2013. The note is convertible at any time after 180 days from the date of the note's execution, at the option of the holder, into shares of Class A common stock of the Company at a conversion rate of 35% of the average of the three lowest volume-weighted average closing prices of the Company's Class A common stock for the ten trading days immediately prior to the date a conversion notice is received by the Company. The Company recorded a debt discount of $53,000 relating to the conversion feature of the note. During the three months ended November 30, 2012, $71,000 of the convertible notes were converted into Class A common stock (any unamortized debt discount related to the converted notes was immediately charged to interest expense on the day the notes were converted). For the three months ended November 30, 2012, the Company recorded debt discount amortization of $18,614 and the carrying value of the notes as of November 30, 2012 was $18,054 (net of unamortized discounts of $45,945).

Conversion of accounts payable

During the year ended August 31, 2011, the Company entered into an agreement with a vendor whereby the balance owed to the vendor for past services of $28,661 was exchanged for a convertible promissory note bearing interest at 6.5% per annum. The Company is required to make monthly payments under the terms of the note; however, the note holder has the right at its election to convert all or part of the outstanding principal and interest into the Company's Class A common stock at a conversion rate of 70% of the average of the two lowest volume-weighted average closing prices of the Company's Class A common stock for the ten trading days immediately prior to the date a conversion notice is received by the Company. The Company recorded a debt discount of $27,550 relating to the conversion feature of the note. In August 2011, the Company and the vendor agreed to increase the amount of the convertible promissory note for additional past services owed totaling $2,081 and agreed to defer the initial monthly payment on the note until January 2012, while all other terms of the note were unchanged. The Company recorded a debt discount of $2,081 related to the conversion feature of the increased portion of the note. For the three months ending November 30, 2012, the Company recorded debt discount amortization of $389 and the carrying value of the note as of November 30, 2012 was $7,904 (net of unamortized discount of $119).

8. Derivative Liabilities

In accordance with ASC 815-15, *Embedded Derivatives*, the Company determined that the conversion features of the convertible notes described in Note 7 meet the criteria of an embedded derivative, and therefore the conversion features of the debt have been bifurcated and accounted for as derivatives. The debt does not meet the definition of "conventional convertible debt" because the number of shares which may be issued upon the conversion of the debt is not fixed. Therefore, the conversion features, pursuant to ASC 815-40, *Contracts in Entity's Own Equity*, have been accounted for as derivative liabilities. The Company adjusts the fair value of these derivative liabilities to fair value at each reporting date.

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The Company uses a valuation pricing model to calculate the fair value of its derivative liabilities. Key assumptions used to apply this model were as follows:

	Three months ended November 30, 2012	Year ended August 31, 2012
Expected term	0 to 12 months	1 to 12 months
Volatility	294%-419%	186% - 570%
Risk-free interest rate	0.06 - 0.19%	0.01 - 0.20%
Dividend yield	0%	0%

The following table represents the Company's derivative liability activity for the embedded conversion features for the three months ended November 30, 2012:

Balance at September 1, 2012	$ 469,370
Issuance of derivative liabilities	328,293
Derecognition of derivative liabilities related to conversion of convertible debt	(251,342)
Derecognition of derivative liabilities related to paydown of convertible debt	(46)
Gain on derivative liabilities	(98,310)
Balance at November 30, 2012	$ 447,965

9. Stockholders' Deficit

Class A Common Stock

As a result of the rounding provision of the reverse stock split, which stated that fractional shares always be rounded up to the nearest whole share, 224 new Class A shares were issued on September 12, 2012.

On October 22, 2012, the Company amended its Articles of Incorporation in part to establish and fix the total number of authorized shares of Class A Common Stock, par value $0.001 per share, that the Company is authorized to issue, at one billion (1,000,000,000).

During the three months ended November 30, 2012, the Company converted debt and derecognized derivative liabilities totaling $414,721 into 2,234,712 shares of restricted Class A Common Stock.

During the three months ended November 30, 2012, the Company issued 36,250,000 non-refundable shares of restricted Class A Common Stock in partial satisfaction of costs associated with the King Solomon mining lease renewal and in partial satisfaction of the acquisition of the Silver Wing and Champion properties. The Company also issued 6,397,300 shares of restricted Class A Common Stock in satisfaction of costs associated with the Brooklyn work commitment.

As of November 30, 2012, the Company is authorized to grant up to 43,695,160 shares under the 2008 Stock Compensation Plan (formerly the 2008 Employee Stock Compensation Plan), and 2008 Non-qualified Consultants and Advisors Stock Compensation Plan of which 5,885,131 have been issued as of November 30, 2012. During the three months ended November 30, 2012, 3,082,220 shares of Class A Common Stock valued at $0.102 to $0.46 per share (the quoted market prices at the dates of the respective stock grants), were issued to employees and consultants for services rendered, which resulted in $232,560 being recorded as expense, $80,493 recorded as a reduction in accounts payable and $125,400 as a reduction in accrued liabilities.

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On November 16, 2012, the Company filed amendments to its two stock compensation plans. The amendments provided for an additional 20,000,000 Class A common stock shares to be available for issuance under the 2008 Non-qualified Consultants and Advisors Stock Compensation Plan and the 2008 Stock Compensation Plan.

Common Stock Transactions Subsequent to November 30, 2012

Subsequent to November 30, 2012, the Company issued 12,167,300 shares of its Class A Common Stock to employees, directors, consultants, and advisors for services from general authorized capital and under the 2008 Stock Compensation Plan (formerly the 2008 Employee Stock Compensation Plan), and 2008 Non-qualified Consultants and Advisors Stock Compensation Plan valued at $526,226. The Company issued 7,387,717 shares of restricted Class A Common Stock pursuant to the conversion of debt with value totaling $199,295.

On December 13, 2012, the Company issued two convertible notes for $62,500 and $22,500 respectively under a funding arrangement with a lower Manhattan based Investor Group. The notes bear interest at 12% per annum. The $62,500 note, whose proceeds were used to reduce the mill mortgage, matures immediately and is convertible into shares of Class A stock. The $22,500 note matures on August 4, 2013. Both notes are convertible at any time from the date of the note's execution, at the option of the holder, into shares of Class A common stock of the Company at a conversion rate of 45% of the lowest volume-weighted average closing prices of the Company's Class A common stock for the five trading days immediately prior to the date a conversion notice is received by the Company.

10. Litigation

The Company is involved in the following legal proceeding:

San Juan Properties and Hennis Proceedings

On April 6, 2009, Todd C. Hennis (the former President and CEO of the Company), and entities San Juan Corp., and Salem Minerals Inc. (which are substantially owned by Mr. Hennis), served upon the Company a Complaint seeking among other things, a $100,000 payment pursuant to the option agreement, and release from his shareholder lock-up agreement and from Rule 144 trading restrictions on approximately 10,300 shares of Class A Common Stock held by Mr. Hennis. On May 12, 2009, a counter-claim with jury demand was filed against Mr. Hennis and his entities for wrongful conversion, breach of duty of loyalty, lack of good faith, breach of fiduciary duty, and significant conflicts of interest.

Hennis filed a Motion for Summary Judgment on October 16, 2009. On September 2, 2010, the court granted partial summary judgment in favor of Mr. Hennis and awarded him damages of $230,707. On September 22, 2010, the court awarded additional damages in the amount of $114,896 to Mr. Hennis for a total of $345,603, which has been recorded as an accrued liability by the Company as of August 31, 2012. On March 25, 2011, the court awarded an additional $58,989 to Hennis for attorney's fees, which was accrued as of August 31, 2011 and 2012. However, in April 2012, the Court of Appeals remanded the award of attorney's fees and therefore the accrual has been reduced by $58,989.

The Company filed motions for (a) a new trial on all or part of the issues; (b) an amendment of findings; and (c) an amendment of judgment pursuant to C.R.C.P. Rule 58(a). On March 25, 2011, the court evoked C.R.C.P. 59(j) and denied the post-trial motions by not ruling on them.

The Company filed a Notice of Appeal with the Colorado Court of Appeals on January 7, 2011. On April 5, 2012, the Colorado Court of Appeals affirmed the judgment ($345,603), however the order awarding plaintiffs their trial attorney fees ($58,989) and costs was vacated, and the case was remanded to the district court for further proceedings. The Company filed a Petition for Rehearing in the Court of Appeals on April 9, 2012, which was denied on May 17, 2012.

On August 31, 2012, The Company filed a Petition of Certiorari with the Colorado Supreme Court. As of the date of this report, the Company is awaiting the Supreme Court's decision.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

This Form 10-Q may contain certain "forward-looking" statements as such term is defined in the private securities litigation reform act of 1995 and by the securities and exchange commission in its rules, regulations and releases, which represent the company's expectations or beliefs, including but not limited to, statements concerning the company's operations, economic performance, financial condition, growth and acquisition strategies, investments, and future operational plans. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as "may", "will", "expect", "believe", "anticipate", "intent", "could", "estimate", "might", "plan", "predict" or "continue" or the negative or other variations thereof or comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, certain of which are beyond the company's control, and actual results may differ materially depending on a variety of important factors, including uncertainty related to acquisitions, governmental regulation, managing and maintaining growth, the operations of the company and its subsidiaries, volatility of stock price and any other factors discussed in this and other registrant filings with the securities and exchange commission. The company does not intend to undertake to update the information in this Form 10-Q if any forward-looking statement later turns out to be inaccurate.

This discussion addresses matters we consider important for an understanding of our financial condition and results of operations as of and for the three months ended November 30, 2012, as well as our future results. It consists of the following subsections:

- "Results and Plan of Operation" which provides a brief summary of our consolidated results and financial position and the primary factors affecting those results, as well as a summary of our expectations for fiscal 2013;
- "Liquidity and Capital Resources," which contains a discussion of our cash flows and liquidity, investing activities and financing activities, contractual obligations, and critical obligations;
- "Results of Operations and Comparison"," which sets forth an analysis of the operating results for the last three months;
- "Critical Accounting Policies," which provides an analysis of the accounting policies we consider critical because of their effect on the reported amounts of assets, liabilities, income and/or expenses in our consolidated financial statements and/or because they require difficult, subjective or complex judgments by our management;
- "Recent Accounting Pronouncements and Developments," which summarizes recently published authoritative accounting guidance, how it might apply to us and how it might affect our future results.

This item should be read in conjunction with our financial statements and the notes thereto included in this report.

Results and Plan of Operation

Plan of Operation

Our plan of operation for fiscal 2013 is to: 1) complete all necessary permitting requirements, 2) bring the Mill into operation, 3) complete the acquisition transactions for the Silver Wing and Champion mines, 4) continue seeking funding for our operations and mining exploration program, and 5) commence milling of ore.

The following discussion updates our plan of operation for the foreseeable future. The discussion also summarizes the results of our operations for the three months ended November 30, 2012 and compares those results to the three months ended November 30, 2011.

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During the first quarter of fiscal year 2013, we continued to experience the negative effects of the financial markets upheaval, which made capital acquisition extremely difficult.

During the first quarter of fiscal year 2013, we focused primarily on re-activation of the Pride of the West Mill, working towards satisfying the remaining conditions for full permit approval, securing agreements for "custom" or "toll" milling, and acquiring new properties to explore and develop. Additionally, with the pending acquisitions of the Silver Wing and Champion Mines, a new funding presentation has been created to penetrate the difficult financing arena.

Operations at the Pride of the West Mill:

During the quarter ended November 30, 2012, we began very specific analysis to satisfy conditions that were imposed on full permit approval by the DRMS. The core of the permit consists of nine Environmental Protection Faculties ("EPFs"), which are: 1) Mill Building, 2) Ore Stockpile Area, 3) Laboratory Facility, 4) Leach Plant Building, 5) Flood Protection Dike, 6) Plant Waste Water Disposal, 7) Groundwater intercept Drain, 8) Upland Stormwater Intercept Ditch, 9) Mill Tailings Repository.

The conditions specified by the DRMS regard the ninth EPF, the Mill Tailings Repository and simply request additional geotechnical substrate stability analysis, structure specific engineering designs for the cover of the repository, the repository's reserve capacity, and the always on-going recalculation of financial warranty.

Management believes that these conditions will be satisfied by the end of second quarter, 2013. However, operations within the approved areas have been rapidly initiated.

Operations at the Silver Wing Mine:

On October 31, 2012, the Company entered into a contract for purchase of the Silver Wing Mine from Jo Grant Mining Company, Inc.. The terms of the contract provide that the Company:

1. Issue to Jo Grant Mining Company, Inc. ("Jo Grant"), 12,000,000 four-year restricted shares of Class A Common Stock on or before March 6, 2013, which was extended from January 6, 2013. These shares were issued in November 2012.

2. Pay off Jo Grant's existing note in favor of a Colorado bank, dated March, 6, 2008, assigned to Jo Grant on October 17, 2012, having a present balance of approximately $60,353, as of October 31, 2012 on or before March 6, 2013 which was extended from January 6, 2013.

3. To pay to Jo Grant a sum of $50,000, no later than March 6, 2013, which was extended from January 6, 2013. This note is collateralized by the Silver Wing Mine.

4. Provide Jo Grant for a period of 99 years a 5% Net Smelter Royalty ("NSR"), with a minimum of $10 per ton for the first 54,350 tons of ore produced from the Silver Wing Mining Claims. The payment of the NSR shall be made not more than 45 days after the close of the month during which the payment is received from the smelter or buyer on which such NSR is calculated.

Activities to be completed at the Silver Wing Mine will include re-sampling key areas of the mine by taking approximately 250 channel samples to verify records of sample data taken by prior operators and consultants. In preparation for drilling, work will also include the verification of underground mine maps, evaluation of prior underground development work and the condition of existing workings. This information will be utilized to develop an on-going core drilling program and an initial mining plan.

This project is particularly significant because it allows for an investigation to be made to determine the source of the existing mine drainage of approximately 20 gallons per minute and evaluate the potential for controlling or eliminating this discharge with an underground grouting program which could avoid the need for a discharge permit. If it is determined that the discharge cannot be eliminated, then an evaluation will be made of what actions can be taken to minimize the discharge, and assuming a permit is required, what permit conditions would be most effective and appropriate for preventing discharges of pollutants into the Animas River.

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As of the date of this report, we are in the process of constructing the necessary permit application materials so the work may commence. Furthermore, the Company has prepared a preliminary technical report using NI 43-101 guidelines report for the Silver Wing to be used in fund raising activities.

Operations at the Champion Mine:

On November 2, 2012, the Company entered into a contract for purchase of the Champion Mine. The terms of the contract provide that the Company:

1. Issue to Jo Grant 24,000,000 four-year restricted shares of Class A Common Stock on or before March 6, 2013, which was extended from January 6, 2013. These shares were issued in November 2012.

2. Pay $3,000,000 to Jo Grant, only for the purpose of consummating the contract to buy and sell real estate (Land), between Jo Grant Mining, Inc. (as the Buyer), and a Texas limited liability company, (as the Seller), dated October 9, 2012, no later than March 6, 2013, which was extended from January 6, 2013. The contract to buy and sell real estate (land) is for the purchase of the Champion Mine.

3. To pay to Jo Grant a sum of $50,000, no later than March 6, 2013, which was extended from January 6, 2013.

4. Provide Jo Grant for a period of 99 years a 5% Net Smelter Royalty (“NSR”), from the Champion Mining Claims. The payment of the NSR shall be made not more than 45 days after the close of the month during which the payment is received from the smelter or buyer on which such NSR is calculated.

The Champion Mine consists of approximately 354 acres located in the San Juan Mountains at Silverton, Colorado. The mine is located within the rim of the Silverton Caldera complex at the southwestern extremity of the Colorado Mineral Belt.

The property has been intermittently developed and mined by numerous separate operators between 1876 and 1942, during which period an estimated 375,000 ounces of gold and 15,000,000 ounces of silver have been produced from a northwesterly trending and steeply south dipping vein system. Production was halted in 1942 as a result of the US Government's Gold Mine Closing Order, brought on by World War II.

The Company has prepared a preliminary technical report using NI 43-101 guidelines report for the Champion Mine to be used in fund raising activities.

The stock issued for both the Silver Wing and Champion Mines is non-refundable and represents one component of a contemplated comprehensive funding transaction.

Operations at the Brooklyn Mine:

The Lease with an Option to Purchase for the Brooklyn was terminated on September 6, 2012. After extensive analysis of potential acid mine drainage problems, we decided not to seek to renew the lease. Pursuant to the lease, work commitment expenses not spent on the properties were due to the lessors in cash or cash equivalents, including additional shares of Company stock. Failing to negotiate the anticipated lease renewal, we issued 6,397,300 shares of restricted Class A Common Stock, valued at $660,834 on the date of issue.

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Operations at the King Solomon Mine:

We completed our 2011 exploration program on the King Solomon Mine during first the quarter of fiscal 2012.

On October 11, 2012, we entered into a three-year Extension and Renewal of Mining Lease with Option to Purchase the King Solomon Mine under substantially the same terms as the original lease. Plans to develop the King Solomon property are moving forward.

Operations at the Pay Day and Rage Uranium Claim Group

On June 13, 2011, we purchased the Pay Day and Rage Uranium Claim Group. These claim groups consist of 63 (55 Pay Day and 8 Rage) claims. The Pay Day claim group is located in Township 32 South, Range 24 East of the Salt Lake Meridian in Sections 26, 27, 34, and 35, in San Juan County northeast of Monticello, Utah. The Rage claim group spans Stevens Canyon on the southeast flank of the Seven Sisters Buttes in Township 33 South, Range 20 East of the Salt Lake Meridian in Section 33, San Juan County, Utah.

An initial internal analysis by Company president Lee R. Rice indicates that the historical information used by others did not account for all possible sources and additional potential resource at depth. For that reason, we have engaged Allan P. Juhas, Ph.D. in Economic Geology, University of Manitoba 1973, to undertake the preparation of an NI43-101 technical report based upon the Company's exploration plan and previous work that can be verified. Dr. Juhas has over 50 years' experience in a broad spectrum of precious metals and base metals geological pursuits. He is well recognized in the industry, and prepares a number of NI43-101 reports each year.

We are in the process of constructing an NI 43-101 compliant report to confirm and verify the value of these assets.

General Operations

Weather conditions in San Juan County, Colorado vary by season. During the winter season, our activities are concentrated on analysis, planning, and development of properties in more temperate climates. Surface drilling and property exploration in San Juan County can reasonably take place between May and late October. Of course, underground operations continue year-round.

Liquidity and Capital Resources

We were formed in early 2004 and have had limited activity until our acquisition of the option to acquire interests in the San Juan Properties. Since we have received no revenue from the production of gold or other metals, we have relied on funds received in connection with our equity and debt offerings to finance our ongoing operations. We have experienced net losses since inception, and we expect we will continue to incur losses for the next several years. As of the date of this filing, we do not have any available external source of funds. We require additional capital in the near term to maintain our current operations. Although we are actively seeking additional equity and debt financing, such financing may not be available on acceptable terms, if at all.

We have a working capital deficit of $2,326,318 at November 30, 2012, have incurred a net loss of $1,502,687 for the three months ended November 30, 2012, and have incurred a deficit accumulated during the exploration stage of $25,006,511 for the period from February 11, 2004 (inception) through November 30, 2012. Accordingly, we have not generated cash flows from operations and primarily rely upon advances from stockholders, promissory notes, advances from unrelated parties, and equity financing to fund its operations.

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We currently have minimal cash on hand. Accordingly, we do not have sufficient cash resources or current assets to pay our obligations, and we have been meeting many of our obligations through the issuance of our common stock to our employees, consultants and advisors as payment for goods and services. Considering the foregoing, we are dependent on additional financing to continue our operations and exploration efforts and, if warranted, to develop and commence mining operations. Our significant capital requirements for the foreseeable future are payment of $470,194 on a promissory note and accrued interest, which is collateralized by the Mill (due June 1, 2013), payment on notes payable to related parties including accrued interest totaling $343,000, re-activation expenses for the Mill, and our corporate overhead expenses. Additionally, we must raise and pay approximately $3,160,000 to consummate fully the acquisition of the Silver Wing and Champion Mines.

We are actively seeking additional equity or debt financing, and have secured two sources of funding. However, there can be no assurance that the total funds required during the next twelve months or thereafter will be available from external sources. The lack of additional capital resulting from the inability to generate cash flow from operations or to raise capital from external sources would force us to substantially curtail or cease operations and would, therefore, have a material adverse effect on our business. Further, there can be no assurance that any such required funds, if available, will be available on attractive terms or that they will not have a significantly dilutive effect on our existing shareholders. All of these factors have been exacerbated by the extremely unsettled credit and capital markets presently existing.

We are dependent upon the DRMS and State of Colorado Mined Land Reclamation Board ("MLRB"), fully approving an amendment to the existing reclamation permit for the Mill. Full approval of the amendment would cure the current cease and desist order, which was issued in 2005, and allow the Mill to become operational. The permit amendment process is lengthy and complex. We submitted an amendment to our existing reclamation permit on January 27, 2012 and the DRMS approved the amendment with conditions on August 9, 2012. We are now preparing material that will satisfy the remaining conditions of the approval.

Ultimately, should the Company not be able to satisfy the conditions of approval and bring the Mill into operation, management anticipates that the Mill will be reclaimed and liquidated.

Coincident with the approval of the Mill permit, the Board of Directors approved a 1 for 5,000 reverse stock split of the Company's Class A Common Stock. The Board of Directors believes that the current market price of the Company's Class A Common Stock is impairing its acceptability to certain investors, clearing firms, and other members of the investing public, and approved the reverse split in anticipation that it could result in a significant improvement in the per share price of the stock.

We effected a reverse stock split to better align the stock price with our accomplishments and operational objectives. We believe this transaction will broaden our shareholder base, increase the appeal of the stock to investors, and help facilitate electronic transactions of our stock through Depository Trust & Clearing Corporation. We strongly believe that this split will provide benefits to our shareholders by improving trading accessibility and liquidity, thereby enhancing long-term shareholder value.

Effective September 12, 2012, every 5,000 shares of Class A common stock of CGFIA were automatically combined into one share of Class A common stock. The reverse split reduced the number of shares of outstanding Class A common stock from approximately 28.2 billion pre-split to approximately 5.7 million post-split at August 31, 2012. The number of authorized shares of Class A common stock was reduced from 35 billion to 7 million. Proportional adjustments were made to our convertible notes and equity compensation plans. All fractional shares were rounded up to the nearest whole number. The reverse split will did not negatively affect any of the rights that accrue to holders of CGFIA common stock or common stock equivalents. The reverse split was not a taxable event to existing stockholders. All references to Class A common stock in this document have been adjusted to reflect the post-split amounts.

On October 10, 2012 pursuant to Nevada Revised Statutes ("NRS") 78.320 we received written consents in lieu of a Meeting of Stockholders from the Officer and Director Stockholders holding 92% of the total possible votes outstanding, to establish and fix the total number of authorized shares of Class A Common Stock, par value $0.001 per share, that the Company is authorized to issue, at one billion.

The increase to the authorized capital was made, in part, to provide us with more flexibility and opportunities to conduct equity financings, acquisitions, satisfy the reserved but unissued requirements of convertible debt financings, option agreements, and warrant reserves in connection with potential financings. Having such additional authorized shares of capital stock available for issuance in the future should give us greater flexibility and may allow such shares to be issued without the expense and delay of a special shareholders' meeting or obtaining written consents. Although such issuance of additional shares with respect to future financings and acquisitions would dilute existing shareholders, management believes that such transactions would increase the total value of the Company to its shareholders. The increase in authorized Class A Common Stock will not have any immediate effect on the rights of existing shareholders.

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Results of Operations

Three Months Ended November 30, 2012 compared to the Three Months Ended November 30, 2011

For the three months ended November 30, 2012, we incurred a net loss of approximately $1,503,000 compared to a net loss of approximately $971,000 for the three months ended November 30, 2011 a 55% increase of $532,000.

Mineral property and exploration costs were $782,000 and $187,000 for the three months ended November 30, 2012 and 2011, respectively. The increase of $595,000 was due to unforeseen expenses associated with the termination of the Brooklyn mining lease.

Professional fees decreased $78,000 from $119,000 for the three months ended November 30, 2011 to $41,000 for the three month ended November 30, 2012. The decrease was due to reduced legal expenses related to the Mill permit and Hennis lawsuit. (See "*Legal Proceedings*".)

General and administrative costs were approximately $419,000 and $287,000 for the three months ended November 30, 2012 and 2011, respectively, a 46% increase of $132,000. The increase was primarily due to the specific reasons presented below.

Consulting expenses were $233,000 and $131,000 for the three months ended November 30, 2012 and 2011, respectively, an increase of $102,000. The increase was due to increased use of outside services for corporate communications, economic imaging, arising from activities related to permit approval in August, 2012.

Salaries were $116,000 and $111,000 for the three months ended November 30, 2012 and 2011, respectively. Salaries are generally either accrued as an unpaid liability or, paid in the form of stock awards in lieu of cash, which are exempt under Rule 16b-3. Amounts owed pursuant to our executive employment agreements have been fully accrued as of November 30, 2012.

Filing fees and transfer agent fees were $13,000 and $5,000 for the three months ended November 30, 2012 and November 30, 2011, respectively. The $8,000 increase was due to filing and transfer agent fees associated with the reverse split, which was effective September 12, 2012.

Interest expense was $35,000 and $53,000 for the three months ended November 30, 2012 and 2011, respectively. The decrease of $18,000 is primarily related to the required accounting treatment of convertible debt derivative liabilities and the amortization of debt discounts, and lower total outstanding debt balances.

Critical Accounting Policies

We have identified the following critical accounting policies which were used in the preparation of our financial statements.

Exploration and Development Costs: Costs of exploration and development costs are expensed as incurred unless proven and probable reserves exist and the property is a commercially minable property. When it has been determined that a mineral property can be economically developed as a result of established proven and probable reserves, the costs to develop such property will be capitalized. Costs of abandoned projects will be charged to operations upon abandonment.

Long-lived Assets: We periodically evaluate the carrying value of property, plant and equipment costs, to determine if these costs are in excess of their net realizable value and if a permanent impairment needs to be recorded. The periodic evaluation of carrying value of capitalized costs and any related property, plant and equipment costs are based upon expected future cash flows expected to result from the use and the eventual disposal of the asset, as well as specific appraisal in certain circumstances.

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Property Retirement Obligation: Asset retirement costs are capitalized as part of the carrying amount of certain long-lived assets. Accretion expense is recorded in each subsequent period to recognize the changes in the liability resulting from the passage of time. Changes resulting from revisions to the original fair value of the liability are recognized as an increase or decrease in the carrying amount of the liability and the related asset retirement costs capitalized as part of the carrying amount of the related long-lived asset.

Mining Rights: The Company has determined that its mining rights meet the definition of mineral rights and are tangible assets. As a result, the costs of mining rights are initially capitalized as tangible assets when purchased. If proven and probable reserves are established for a property and it has been determined that a mineral property can be economically developed, costs will be amortized using the units-of-production method over the estimated life of the probable reserves. For mining rights in which proven and probable reserves have not yet been established, the Company assesses the carrying value for impairment at the end of each reporting period. Mining rights are stated at cost less accumulated amortization and any impairment losses. Mining rights for which probable reserves have been established will be amortized based on actual units of production over the estimated reserves of the mines.

Derivatives: The Company follows the relevant accounting guidance and records derivative instruments (including certain derivative instruments embedded in other contracts) in the balance sheet as either an asset or liability measured at its fair value, with changes in the derivative's fair value recognized currently in earnings unless specific hedge accounting criteria are met. The Company values these derivative securities under the fair value method at the end of each reporting period (quarter), and their value is marked to market at the end of each reporting period with the gain or loss recognition recorded in earnings. The Company continues to revalue these instruments each quarter to reflect their current value in light of the current market price of our Common Stock. The Company utilizes a valuation pricing model to estimate fair value. Key assumptions of the valuation pricing model include applicable volatility rates, risk-free interest rates and the instrument's expected remaining life. These assumptions require significant management judgment.

Recent Accounting Pronouncements

In June 2011, FASB issued ASU No. 2011-05, *Comprehensive Income (Topic 220) – Presentation of Comprehensive Income* ("ASU 2011-05"). ASU 2011-05 requires entities to present net income and other comprehensive income in either a single continuous statement or in two separate, but consecutive, statements of net income and other comprehensive income. ASU 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 (the interim period ended November 30, 2012 for the Company). The adoption of ASU 2011-05 did not have a material impact on its results of operations, financial condition, or cash flows.

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ITEM 4. CONTROLS AND PROCEDURES.

(a) Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures" as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended (the "Exchange Act") that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms, and is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure.

Under the supervision of, and the participation of, our management, including our Chief Executive Officer and Chief Financial Officer, we have conducted an evaluation of our disclosure controls and procedures as of November 30, 2012. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective as of November 30, 2012 as a result of the material weaknesses in internal control over financial reporting due to lack of segregation of duties and a limited corporate governance structure as discussed in Item 9A of the Company's Form 10-K for the fiscal year ended August 31, 2012.

While we strive to segregate duties as much as practicable, there is an insufficient volume of transactions at this point in time to justify additional full time staff. We believe that this is typical in most exploration stage companies. We may not be able to fully remediate the material weakness until we commence mining operations at which time we would expect to hire more staff. We will continue to monitor and assess the costs and benefits of additional staffing.

(b) Changes in Internal Control over Financial Reporting

There were no changes in internal control over financial reporting that occurred during the last fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

The Company is involved in the following legal proceeding:

San Juan Properties and Hennis Proceedings

On April 6, 2009, Todd C. Hennis (the former President and CEO of the Company), and entities San Juan Corp., and Salem Minerals Inc. (which are substantially owned by Mr. Hennis), served upon the Company a Complaint seeking among other things, a $100,000 payment pursuant to the option agreement, and release from his shareholder lock-up agreement and from Rule 144 trading restrictions on approximately 10,300 shares of Class A Common Stock held by Hennis. On May 12, 2009, a counter-claim with jury demand was filed against Mr. Hennis and his entities for wrongful conversion, breach of duty of loyalty, lack of good faith, breach of fiduciary duty, and significant conflicts of interest.

Hennis filed a Motion for Summary Judgment on October 16, 2009. On September 2, 2010, the court granted partial summary judgment in favor of Mr. Hennis and awarded him damages of $230,707. On September 22, 2010, the court awarded additional damages in the amount of $114,896 to Mr. Hennis for a total of $345,603, which has been recorded as an accrued liability by the Company as of August 31, 2011 and 2012. On March 25, 2011, the court awarded an additional $58,989 to Hennis for attorney's fees, which has been accrued as of August 31, 2011 and 2012. However, in April 2012, the Court of Appeals remanded the award of attorney's fees and therefore the accrual has been reduced by $58,989.

The Company filed motions for (a) a new trial on all or part of the issues; (b) an amendment of findings; and (c) an amendment of judgment pursuant to C.R.C.P. Rule 58(a). On March 25, 2011, the court evoked C.R.C.P. 59(j) and denied the post-trial motions by not ruling on them.

The Company filed a Notice of Appeal with the Colorado Court of Appeals on January 7, 2011. On April 5, 2012, the Colorado Court of Appeals affirmed the judgment ($345,603), however the order awarding plaintiffs their trial attorney fees ($58,989) and costs was vacated, and the case was remanded to the district court for further proceedings. The Company filed a Petition for Rehearing in the Court of Appeals on April 9, 2012, which was denied on May 17, 2012.

On August 31, 2012, The Company filed a Petition of Certiorari with the Colorado Supreme Court. As of the date of this report, the Company is awaiting the Supreme Court's decision.

Other Legal Proceedings

The Company is not involved in any other legal proceedings, however mines and mining claims near to the CGFI Mineral Properties are owned by other parties. Because the various mines possibly have interconnections between adits and tunnels and common stormwater conveyances and treatment sites, the environmental issues are both factually and legally complex. Disputes among the various property owners, over environmental liabilities, responsibility for clean-up and maintenance of the sites and facilities, and responsibility for site remediation continue.

Permitting requirements can be a costly undertaking and we could be at risk for fines and penalties if required permits are not timely in place.

Mines and mining claims near to the CGFI Mineral Properties are owned by other parties. Because the various mines possibly have interconnections between adits and tunnels and common stormwater conveyances and treatment sites, the environmental issues are both factually complex and legally complex. Disputes among the various property owners, over environmental liabilities, responsibility for clean-up and maintenance of the sites and facilities, and responsibility for site remediation continue.

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ITEM 1A. RISK FACTORS.

A description of some of the risk factors associated with our business is set forth below. This description includes any material changes to and supersedes the description of the risk factors included in our Annual Report on Form 10-K for the fiscal year ended August 31, 2012. The risks and uncertainties described below are not the only ones facing us. Other events that we do not currently anticipate or that we currently deem immaterial also may affect our results of operations and financial condition.

We Have Material Future Financing Needs

Our business model requires additional financing. No assurance can be given that additional financing will be available to us on acceptable terms, if at all. If we raise additional funds by issuing additional equity securities, further dilution to existing equity holders will result. If adequate additional funds are not available, we may be required to curtail significantly our long-term business objectives and our results from operations may be materially and adversely affected. Accordingly, there is substantive doubt whether we can fulfill our business plan or commence revenue generating operations.

Our Operations are Subject to Permitting Requirements Which Could Require Us to Delay, Suspend or Terminate Our Operation.

Our operations, including our planned re-activation of the Pride of the West Mill, require permits from the state and federal governments. We may be unable to obtain these permits in a timely manner, on reasonable terms or at all. If we cannot obtain or maintain the necessary permits, or if there is a delay in receiving these permits, our timetable and business plan for re-activating the Pride of the West Mill will be adversely affected. Furthermore, we cannot generate any income from the Mill until such time as we (i) cure the deficiencies contained in the cease and desist order, (ii) obtain approval from the State of Colorado Mined Land Reclamation Board of a comprehensive permit amendment, and (iii) refurbish it to operational status.

The Market Price for Our Common Stock Will Likely Be Volatile and May Change Dramatically At Any Time

The market price of our common stock, like that of the securities of other early-stage companies, may be highly volatile. Our stock price may change dramatically as the result of announcements of our quarterly results, the rate of our expansion, significant litigation or other factors or events that would be expected to affect our business or financial condition, results of operations and other factors specific to our business and future prospects. In addition, the market price for our common stock may be affected by various factors not directly related to our business, including the following:

- intentional manipulation of our stock price by existing or future stockholders;
- short selling activity by certain investors, including any failures to timely settle short sale transactions;
- a single acquisition or disposition, or several related acquisitions or dispositions, of a large number of our shares;
- the interest, or lack of interest, of the market in our business sector, without regard to our financial condition or results of operations;
- the adoption of governmental regulations and similar developments in the United States or abroad that may affect our ability to offer our products and services or affect our cost structure;
- developments in the businesses of companies that purchase our products; and
- economic and other external market factors, such as a general decline in market prices due to poor economic indicators or investor distrust.

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Although DTC eligible, our stock is "chilled for deposits" at DTCC, and the National Securities Clearing Corporation has exited our stock from the Continuous Net Settlement System, therefore, trades are executed and cleared on a trade for trade basis in certificate form.

As a result, the settlement of physical certificated positions can carry significant pass-through charges, including: execution fees, DTC fees, deposit fees, and transfer agent fees. These fees, which can vary and may be substantial, increase the cost that shareholders must bear for clearing and execution of trades. Furthermore, pass-through charges described above may not be immediately charged to a customer account following a trade in non-DTC eligible securities, as our clearing firms may receive notice of such fees as late as three weeks following the trade. Broker-dealers may reserve the right to withhold funds in a customer account pending potential assessment of fees associated with trading in low priced or sub-penny securities.

In addition to the other information provided in this Form 10-Q, you should carefully consider the risk factors contained in our Annual Report on Form 10-K for the fiscal year ended August 31, 2012, which may be accessed at: http://www.sec.gov/Archives/edgar/data/1344394/000135448812005991/cgfia_10k.htm

when evaluating our business before purchasing our common stock. Our exploration activities are highly risky and speculative; accordingly, an investment in our common stock shares involves a high degree of risk. You should not invest in our common stock if you cannot afford to lose your entire investment. In considering an investment in our common shares, you should carefully consider all of the other information contained in our filings with the Securities and Exchange Commission.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable.

ITEM 5. OTHER INFORMATION.

None.

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ITEM 6. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibit Index

Exhibit Number	Description
2	Articles of Merger between Colorado Goldfields Inc. (surviving entity) and Garpa Resources, Inc., effective June 18, 2007. Filed with Form 8-K dated June 20, 2007, and incorporated herein by reference.
3.1	Amended and Restated Bylaws filed as Exhibit 3.1 to Form 8-K dated September 4, 2008 and incorporated herein by reference.
3.2	Amendment to Articles of Incorporation as Exhibit A to Schedule DEF 14C dated November 4, 2010 and incorporated herein by reference.
3.3	Amendment to Articles of Incorporation as Exhibit A to Schedule DEF 14C dated March 9, 2011 and incorporated herein by reference.
3.4	Amendment to Articles of Incorporation as Exhibit A to Schedule DEF 14C dated January 9, 2012, and incorporated herein by reference.
3.5	Amendment to Articles of Incorporation as Exhibit A to Schedule DEF 14C dated October 23, 2012, and incorporated herein by reference.
10.1	Mining Lease Agreement between Colorado Goldfields Inc. and Larry H. Killian dated September 18, 2009. Filed as Exhibit 10.1 to Form 8-K filed on September 23, 2009 and incorporated herein by reference.
10.2	Mining Lease Agreement between Colorado Goldfields Inc. and Frank J. Montonati and Don Laeding dated September 30, 2009. Filed as Exhibit 10.1 to Form 8-K filed on October 6, 2009 and incorporated herein by reference.
10.3	Amendment to 2008 Employee and Director Stock Compensation Plan. Filed as exhibit 4.1 to Form S-8 filed on April 23, 2010 and incorporated herein by reference.
10.4	Amendment to 2008 Non-Qualified Consultants & Advisors Stock Compensation. Filed as exhibit 4.1 to Form S-8 filed on October 4, 2010 and incorporated herein by reference.
10.5	Amendment to 2008 Employee and Director Stock Compensation Plan. Filed as exhibit 4.1 to Form S-8 filed on October 4, 2010 and incorporated herein by reference.
10.6	Amendment to 2008 Employee and Director Stock Compensation Plan. Filed as exhibit 4.1 to Form S-8 filed on June 14, 2011 and incorporated herein by reference.
10.7	Employment Agreement of C. Stephen Guyer dated July 1, 2011. Filed as Exhibit 10.2 to Form 8-K filed on June 17, 2011, and incorporated herein by reference.
10.8	Purchase Agreement dated as of June 13, 2011, between Algae Farm (USA), Inc. and Colorado Goldfields Inc, filed as exhibit 10.1 to Form 8-K filed on June 17, 2011, and incorporated herein by reference.
10.9	Amendment to 2008 Stock Compensation Plan. Filed as exhibit 4.1 to Form S-8 filed on February 28, 2012 and incorporated herein by reference.

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10.10	Contract for Purchase of the Silver Wing Mine dated October 31, 2012 between Colorado Goldfields Inc. and Jo Grant Mining, Co., Inc. Filed as Exhibit 10.1 to Form 8-K filed on November 6, 2012.
10.11	Contract for Purchase of the Champion Mine dated November 2, 2012 between Colorado Goldfields Inc. and Jo Grant Mining, Co., Inc. Filed as Exhibit 10.2 to Form 8-K filed on November 6, 2012.
10.12	Amendment to 2008 Stock Compensation Plan. Filed as exhibit 4.1 to Form S-8 filed on November 16, 2012, and incorporated herein by reference.
10.13	Amendment to 2008 Non-Qualified Consultants & Advisors Stock Compensation Plan. Filed as exhibit 4.1 to Form S-8 filed on November 16, 2012 and incorporated herein by reference.
14	Code of Business Conduct and Ethics. Filed as Exhibit 14 to Form 8-K filed February 20, 2008, and incorporated herein by reference.
31.1	Certification Pursuant to Rule 13A-14 or 15D-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 signed by the Principal Executive Officer.*
31.2	Certification Pursuant to Rule 13A-14 or 15D-14 of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 signed by the Principal Financial Officer.*
32.1	Certification Required by 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 signed by Principal Executive Officer.*
32.2	Certification Required by 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 signed by Chief Financial Officer.*
101††	The following financial statements from Colorado Goldfields Inc.'s Quarterly Report on Form 10-Q for the three months ended November 30, 2012 as filed with the SEC on January 11, 2013, formatted in XBRL, as follows:
	(i) the Condensed Consolidated Balance Sheets
	(ii) the Condensed Consolidated Statement of Income
	(iii) the Condensed Consolidated Statements of Cash Flows

* Filed herewith.

†† As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

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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.

Colorado Goldfields Inc.

January 11, 2013

By: /s/ Lee R. Rice
Lee R. Rice
Chief Executive Officer

By: /s/ C. Stephen Guyer
C. Stephen Guyer
Chief Financial Officer & Principal Accounting Officer

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EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
(Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, Lee R. Rice, certify that:

1. I have reviewed this Interim Report on Form 10-Q of Colorado Goldfields Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Interim report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

January 11, 2013

By: /s/ LEE R. RICE
Lee R. Rice
Chief Executive Officer

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EXHIBIT 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
(Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002)

I, C. Stephen Guyer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Colorado Goldfields Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an Interim report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

January 11, 2013

By: /s/ C. STEPHEN GUYER
C. Stephen Guyer
Chief Financial Officer
(Principal Accounting Officer and Principal Financial Officer)

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EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
(Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Quarterly Report on Form 10-Q of Colorado Goldfields Inc. (the "Company") for the period ended November 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report") and pursuant to 18. U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Lee R. Rice, Chief Executive Officer of the Company, certify, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

January 11, 2013

By: /s/ LEE R. RICE
Lee R. Rice
Chief Executive Officer

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EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
(Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Quarterly Report on Form 10-Q of Colorado Goldfields Inc. (the "Company") for the period ended November 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report") and pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, C. Stephen Guyer, Chief Financial Officer of the Company, certify, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

January 11, 2013

By: /s/ C. STEPHEN GUYER
C. Stephen Guyer
Chief Financial Officer
(Principal Accounting Officer and Principal Financial Officer)

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8. Derivative Liabilities (Details 1) (USD $)	3 Months Ended Nov. 30, 2012
Derivative Liabilities Details 1	
Balance at September 1, 2012	$ 469,370
Issuance of derivative liabilities	328,293
Derecognition of derivative liabilities related to conversion of convertible debt	(251,342)
Derecognition of derivative liabilities related to paydown of convertible debt	(46)
Loss on derivative liabilities	(98,310)
Balance at November 30, 2012	$ 447,965

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3. Property, Plant and Equipment	3 Months Ended Nov. 30, 2012
Property, Plant and Equipment [Abstract]	
3. Property, Plant and Equipment	

3. Property, Plant and Equipment

On June 29, 2007, the Company acquired the Mill located in Howardsville, Colorado. The cost of the Mill was $1,400,677. In connection with the acquisition, the Company entered into a $650,000 mortgage with the seller, which is collateralized by the property and bears interest at 12% per year. All unpaid principal was originally due June 29, 2009. The due date on the mortgage was extended and is currently due in full on June 1, 2013.

Interest expense in connection with the Mill mortgage for the three months ended November 30, 2012 and 2011 was $13,295 and $13,295, respectively.

In connection with the acquisition of the Mill, the Company replaced a financial warranty that the seller had provided to the DRMS in the amount $318,654. During the 2011 fiscal year, the DRMS required and the Company provided an additional $196,476 of financial warranty. As of November 30, 2012, the total funds, which are held as a restricted cash deposit with the State of Colorado, related to the Mill financial warranty is $515,130.

Property, plant and equipment consist of the following as of November 30, 2012 and August 31, 2012:

	November 30, 2012	August 31, 2012
Computer equipment	$ 5,179	$ 5,179
Mine and drilling equipment	4,650	4,650
Mobile mining equipment	13,300	13,300
Land and mill	1,434,846	1,391,041
	1,457,975	1,414,170
Less accumulated depreciation	(18,909)	(17,756)
	$ 1,439,066	$ 1,396,414

Depreciation expense was $1,153 and $5,278 for the three months ended November 30, 2012 and 2011, respectively. Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives ranging from three to five years. However, a significant portion of the Company' s property, plant and equipment has not yet been placed in service and accordingly is not being depreciated.

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6. Promissory notes payable (Details Narrative) (USD $)	3 Months Ended	
	Nov. 30, 2012	Nov. 30, 2011
Promissory Notes Payable Details Narrative		
Interest expense related to long-term note payable related to settlement agreement	$ 1,596	$ 1,385
Interest expense related to promissory note with one of its vendors	$ 389	$ 0

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5. Notes payable related parties (Details Narrative) (USD $)	3 Months Ended		
	Nov. 30, 2012	Nov. 30, 2011	Aug. 31, 2012
Notes payable to related parties	$ 0		$ 338,914
Interest expense related party payables	4,573	4,573	
CEO			
Notes payable to related parties	92,280		
CFO			
Notes payable to related parties	$ 251,208		

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7. Convertible notes (Details Narrative) (USD $)	Nov. 30, 2012	Aug. 31, 2012	3 Months Ended		
			Nov. 30, 2012 Delaware Partnership Investor	Nov. 30, 2012 New York Private Investors	Nov. 30, 2012 Conversion of accounts payable
Note carrying value			$ 58,678	$ 18,054	$ 7,904
Unamortized discount	151,386	214,059	105,322	45,945	389
Discount amortization			46,930	18,054	119
Convertible notes issued during period			52000	53000	
Discount recorded for convertible notes			52,000	53,000	
Convertible notes were converted into common stock			$ 85,000	$ 71,000	

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9. Stockholders Deficit (Details Narrative) (USD $)	3 Months Ended		12 Months Ended			103 Months Ended
	Nov. 30, 2012	Nov. 30, 2011	Aug. 31, 2012	Aug. 31, 2011	Aug. 31, 2010	Nov. 30, 2012
Shares issued for convertible debt and derecognition of derivative liabilities, amount	$ 414,721		$ 1,892,844	$ 2,771,502	$ 107,136	
2008 Stock Compensation Plan expense recorded as prepaid expense	0	17,390				3,763
2008 Stock Compensation Plan expense recorded as reduction in accounts payable	771,552	180,470				2,897,913
2008 Stock Compensation Plan expense recorded as reduction in accrued liabilities	149,250	87,523				1,688,330
2008 Stock Compensation Plan						
Shares Company is authorized to grant	43,695,160					43,695,160
Shares issued to consultants and advisors	5,885,131					
2008 Stock Compensation Plan expense recorded as prepaid expense	232,560					
2008 Stock Compensation Plan expense recorded as reduction in accounts payable	80,493					
2008 Stock Compensation Plan expense recorded as reduction in accrued liabilities	$ 125,400					

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2. Summary of Significant Account Policies

3 Months Ended Nov. 30, 2012

Accounting Policies [Abstract]

2. Summary of Significant Account Policies

2. Summary of Significant Account Policies

Basis of Presentation

The accompanying interim financial statements have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The financial statements reflect all adjustments (consisting of only normal recurring entries) that, in the opinion of management, are necessary to present fairly the financial position at November 30, 2012 and the results of operations and cash flows of the Company for the three months ended November 30, 2012 and 2011, respectively. Operating results for the three months ended November 30, 2012, are not necessarily indicative of the results that may be expected for the fiscal year ending August 31, 2013.

These unaudited financial statements should be read in conjunction with the Company' s audited financial statements and footnotes thereto included in its Annual Report on Form 10-K for the year ended August 31, 2012.

Basic and Diluted Net Loss per Share

Basic earnings (loss) per share ("EPS") is computed by dividing net loss available to common stockholders (numerator) by the weighted average number of shares of the Class A Common Stock outstanding (denominator) during the period. During the year ended August 31, 2011, the Company issued shares of Class B Common Stock, which are not publicly-traded. The Class B Common Stock share dividends equally with Class A Common Stock, and are defined as participating securities under US GAAP; however, they have no contractual obligation to share in losses of the Company. The Company has therefore not included the Class B Common Stock in determining basic EPS. Diluted EPS gives effect to all potential dilutive common shares outstanding during the periods using the treasury stock method (for options and warrants) and the two-class method (for Class B common stock). In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive. For the three months ended November 30, 2012 and 2011, the effect of the conversion of outstanding debt and Class B common shares would have been anti-dilutive.

The following table represents the potential dilutive securities excluded from the calculation of diluted loss per share.

	November 30, 2012	November 30, 2011
Class B Common Stock	490,371,533	490,371,533
Convertible debt	7,284,525	637,353

Effective September 12, 2012, the Financial Regulatory Authority, Inc. ("FINRA"), approved a 1 for 5,000 reverse stock split. All references to Class A common stock in these financial statements have been adjusted to reflect the post-reverse split amounts.

Mining Rights and Claims

The Company has determined that its mining rights and claims meet the definition of mineral rights, as defined by accounting standards, and are tangible assets. As a result, the costs of mining rights are initially capitalized as tangible assets when purchased. If proven and probable reserves are established for a property and it has been determined that a mineral property can be economically developed, costs will be amortized using the units-of-production method over the estimated life of the probable reserves. The Company' s rights to extract minerals are contractually limited by time. However, the Company has the ability to extend the leases (Note 4). For mining rights in which proven and probable reserves have not yet been established, the Company assesses the carrying value for impairment at the end of each reporting period. The Company recorded impairment charges of $21,910 and $33,958 during the three months ended November, 2012 and 2011, respectively.

Fair Value Measurements

Fair value is defined 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 in the principal or most advantageous market. The Company uses a

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fair value hierarchy that has three levels of inputs, both observable and unobservable, with use of the lowest possible level of input to determine fair value.

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – observable inputs other than Level 1, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and model-derived prices whose inputs are observable or whose significant value drivers are observable; and

Level 3 – assets and liabilities whose significant value drivers are unobservable.

Observable inputs are based on market data obtained from independent sources, while unobservable inputs are based on the Company' s market assumptions. Unobservable inputs require significant management judgment or estimation. In some cases, the inputs used to measure an asset or liability may fall into different levels of the fair value hierarchy. In those instances, the fair value measurement is required to be classified using the lowest level of input that is significant to the fair value measurement. Such determination requires significant management judgment.

As of November 30, 2012, the Company had the following financial assets and liabilities that are measured at fair value:

	Level 1	Level 2	Level 3
Restricted cash	-	$ 515,428	-
Derivative liabilities	-	$ 447,965	-

The fair values of financial instruments, which include cash, accounts payable, short-term notes payable, and convertible debt, were estimated to approximate their carrying values due to the immediate or short-term maturity of these financial instruments. The fair value of amounts due to related parties are not practicable to estimate, due to the related party nature of the underlying transactions. The long-term fixed-rate note payable approximates fair value as it bears interest at a rate commensurate with market rates. The fair value of the restricted cash deposit held by the State of Colorado (Note 3) approximates the amount of fees to obtain it.

Asset Retirement Obligation

The fair value of a liability for an asset retirement obligation is required to be recognized in the period that it is incurred if a reasonable estimate of fair value can be made. In connection with the Company' s acquisition of the Mill in June 2007, an asset retirement obligation of $500,000 was estimated and recorded. The associated asset retirement costs were capitalized as part of the carrying amount of the Mill (See Note 3). Accretion expense is recorded in each subsequent period to recognize the estimated changes in the liability resulting from the passage of time. During the three months ended November 30, 2012 and 2011, the Company recorded accretion expense of nil and $11,475, respectively. Changes resulting from revisions to the original fair value of the liability are recognized as an increase or decrease in the carrying amount of the liability and the related asset retirement costs capitalized as part of the carrying amount of the long-lived asset.

During fiscal year 2012, the Company re-evaluated the original fair value asset retirement obligation as it relates to the Mill. Unique to this asset, the reclamation permit for the Mill requires that the cost of retirement (reclamation), be calculated by the DRMS on a continuing basis, and a financial warranty be provided to guarantee that obligation.

As of November 30, 2012, the State of Colorado Division of Reclamation, Mining, and Safety has determined that $515,130 would be required to close and reclaim the asset and the Company has placed those funds as cash held as a restricted cash deposit with the State of Colorado.

Recent accounting pronouncements

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (Topic 220) – Presentation of Comprehensive Income* ("ASU 2011-05"). ASU 2011-05 requires entities to present net income and other comprehensive income in either a single continuous statement or in two separate, but consecutive, statements of net income and other comprehensive income. ASU 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 (the interim period ended November 30, 2012 for the Company). The adoption of ASU 2011-05 did not have a material impact on its results of operations, financial condition, or cash flows.

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Balance Sheets (USD $)	Nov. 30, 2012	Aug. 31, 2012	Jan. 10, 2013 Class A Common Stock	Aug. 31, 2012 Class A Common Stock	Jan. 10, 2013 Class B Common Stock	Aug. 31, 2012 Class B Common Stock
ASSETS						
Cash	$ 4,540	$ 6,093				
Prepaid expenses and other	0	18,550				
Total Current Assets	4,540	24,643				
Non-Current Assets						
Property, plant and equipment, net (Note 3)	1,439,066	1,396,414				
Deferred acquisition costs (Note 4)	100,000	0				
Mining rights and claims (Note 4)	199,479	158,889				
Restricted cash (Note 3)	515,428	515,428				
Deferred financing costs	18,517	15,580				
Other	4,743	4,743				
Total Non-Current Assets	2,277,233	2,091,054				
Total Assets	2,281,773	2,115,697				
LIABILITIES AND STOCKHOLDERS' DEFICIT						
Accounts payable	360,743	330,519				
Accrued liabilities	879,517	859,488				
Convertible notes, less unamortized discount of $151,386 and $214,059 (Note 7)	84,636	141,082				
Derivative liabilities (Note 8)	447,965	469,370				
Promissory note payable, including accrued interest (Note 6)	87,803	25,081				
Notes payable, including accrued interest - related parties (Note 5)	0	338,914				
Mortgage notes payable, including accrued interest (Note 3)	470,194	456,900				
Total Current Liabilities	2,330,858	2,621,354				
Non-Current Liabilities						
Promissory note payable, including accrued interest (Note 6)	25,470	86,207				
Notes payable, including accrued interest - related parties (Note 5)	343,488	0				
Asset retirement obligation	515,500	515,500				
Total Non-Current Liabilities	884,458	601,707				
Total Liabilities	3,215,316	3,223,061				
Stockholders' Deficit (Note 9)						
Class A common stock, 1,000,000,000 shares authorized, $0.001 par value; 53,612,445 and 5,647,989 issued and outstanding, respectively. Class B common stock,			53,611	5,647	0	0

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500,000,000 shares authorized, $0.001 par value; 490,371,533 shares issued and outstanding, respectively		
Additional paid in capital	23,990,107	22,361,563
Donated capital	29,250	29,250
Deficit accumulated during the exploration stage	(25,006,511)	(23,503,824)
Total Stockholders' Deficit	(933,543)	(1,107,364)
Total Liabilities and Stockholders' Deficit	$ 2,281,773	$ 2,115,697

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Statements of Cash Flows (USD $)	3 Months Ended		103 Months Ended
	Nov. 30, 2012	Nov. 30, 2011	Nov. 30, 2012
Cash Flows Used in Operating Activities:			
Net loss	$ (1,502,687)	$ (970,953)	$ (25,006,511)
Adjustments to reconcile net loss to net cash used in operating activities:			
Donated services and rent	0	0	29,250
Amortization of debt discount and deferred financing costs	336,529	332,512	4,026,008
Depreciation and amortization	1,153	5,278	149,027
(Gain) loss on derivative liabilities	(98,310)	13,441	(165,813)
Impairment of mining rights	21,910	33,958	420,521
Stock issued for services	251,110	181,998	10,722,190
Stock-based compensation - options	0	0	899,303
Accrued interest	23,411	32,607	510,358
Accretion expense on asset retirement obligation	0	11,475	191,635
Gain on sale of property, plant and equipment	0	0	(93,009)
Change in operating assets and liabilities:			
Increase in restricted cash	0	0	(515,428)
Increase in prepaid expenses and other	0	(17,390)	(3,763)
Increase in accounts payable	771,552	180,470	2,897,913
Increase in accrued liabilities	149,250	87,523	1,688,330
Increase in other assets	0	0	(4,743)
Net cash used in operating activities	(46,082)	(109,081)	(4,254,732)
Cash Flows from Investing Activities:			
Proceeds from sale of property, plant and equipment	0	0	240,632
Acquisition of property, plant and equipment	(43,805)	0	(764,602)
Net cash used in investing activities	(43,805)	0	(523,970)
Cash Flows from Financing Activities:			
Advances received	0	0	405,733
Repayment of advances	0	0	(405,733)
Proceeds from notes from related parties	0	0	581,452
Repayment of advances from related party	0	0	(20,596)
Proceeds from note payable	0	0	124,000
Repayment of notes payable	(3,166)	0	(699,657)
Proceeds from issuance of convertible debt	105,000	115,000	1,950,977
Loan acquisition costs	(13,500)	(12,500)	(211,998)
Proceeds from exercise of warrants	0	0	570
Net proceeds from issuance of common stock	0	0	3,058,494
Net cash provided by financing activities	88,334	102,500	4,783,242
(Decrease) increase in cash	(1,553)	(6,581)	4,540
Cash - Beginning of Period	6,093	11,838	

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Cash - End of Period	4,540	5,257	4,540
Supplemental Disclosures:			
Interest paid	999	858	99,425
Income taxes paid	0	0	0
Non-cash investing and financing activities:			
Exchange of accounts payable and accrued liabilities for debt	0	80,000	246,036
Issuance of common stock to satisfy accounts payable	80,493	155,996	1,703,567
Issuance of common stock to satisfy accrued liabilities	125,400	0	807,960
Issuance of common stock for prepaid expenses	0	0	550,159
Issuance of common stock for mining rights	62,500	0	620,000
Issuance of common stock for Champion and Silver Wing mines	100,000		100,000
Issuance of common stock for work commitment	660,834	0	660,834
Exchange of convertible debt for common shares	414,721	498,894	5,186,203
Exchange of mortgage payable for convertible debt	0		50,000
Exchange of property, plant and equipment for accounts payable	0	0	2,750
Forgiveness of related party debt and accrued interest	0	0	288,361
Change in estimate of asset retirement obligation	0	0	176,135
Acquisition of land and building:			
Cash paid	0	0	250,677
Mortgage note given to seller	0	0	650,000
Asset retirement obligation assumed	0	0	500,000
Assets acquired	$ 0	$ 0	$ 1,400,677

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2. Summary of Significant Account Policies (Details 1) (USD $)	Nov. 30, 2012
Restricted cash	$ 515,130
Level 1	
Restricted cash	0
Derivative liabilities	0
Level 2	
Restricted cash	515,428
Derivative liabilities	447,965
Level 3	
Restricted cash	0
Derivative liabilities	$ 0

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8. Derivative Liabilities (Details) (USD $)	3 Months Ended Nov. 30, 2012	12 Months Ended Aug. 31, 2012
Minimum		
Expected term	0 years 0 months	0 years 1 month
Volatility	294.00%	186.00%
Risk-free interest rate	0.06%	0.01%
Dividend yield	$ 0	$ 0
Maximum		
Expected term	0 years 12 months	0 years 12 months
Volatility	419.00%	570.00%
Risk-free interest rate	0.19%	0.20%
Dividend yield	$ 0	$ 0

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1. Organization, Nature of Business, Going Concern and Managements Plans	3 Months Ended Nov. 30, 2012
Accounting Policies [Abstract]	
1. Organization, Nature of Business, Going Concern and Management's Plans	

1. Organization, Nature of Business, Going Concern and Management' s Plans

Organization and Nature of Business

Colorado Goldfields Inc. (the "Company") was incorporated in the State of Nevada on February 11, 2004. The Company is considered to be an Exploration Stage Company. The Company' s principal business is the reactivation of a mill facility, and acquisition and exploration of mineral resources. The Company has not presently determined whether the properties it has acquired and intends to acquire contain mineral reserves that are economically recoverable.

Going Concern and Management' s Plans

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. Since its inception in February 2004, the Company has not generated revenue and has incurred net losses. The Company has a working capital deficit of $2,326,318 at November 30, 2012, has incurred a net loss of $1,502,687 for the three months ended November 30, 2012, and has incurred a deficit accumulated during the exploration stage of $25,006,511 for the period from February 11, 2004 (inception) through November 30, 2012. Accordingly, it has not generated cash flows from operations and has primarily relied upon advances from stockholders, promissory notes, advances from unrelated parties, and equity financing to fund its operations.

The Company is dependent upon the State of Colorado Division of Reclamation, Mining and Safety ("DRMS") and State of Colorado Mined Land Reclamation Board ("MLRB"), approving an amendment to the existing reclamation permit for the Company' s Pride of the West Mill ("the Mill"). The amendment would cure a current cease and desist order, which was issued in 2005, and allow the Mill to become operational.

In December 2010, the Company presented a proposed permit amendment ("AM-02") to the MLRB. While portions of that permit amendment were approved, there remained deficiencies that required additional work.

The Company prepared additional material for consideration by the DRMS and the MLRB. Management submitted a new permit amendment application ("AM0-03"), to the DRMS on January 27, 2012 and April 23, 2012. On August 9, 2012, the DRMS approved, with conditions, AM-03.

The core of the permit consists of nine Environmental Protection Facilities ("EPFs"), which are: 1) Mill Building, 2) Ore Stockpile Area, 3) Laboratory Facility, 4) Leach Plant Building, 5) Flood Protection Dike, 6) Plant Waste Water Disposal, 7) Groundwater intercept Drain, 8) Upland Stormwater Intercept Ditch, and 9) Mill Tailings Repository. The DRMS approved the first eight EPFs, and work has commenced in these areas.

The conditions specified by the DRMS regard the ninth EPF, which is the Mill Tailings Repository. The DRMS requested 1) additional geotechnical substrate stability analysis, 2) structure specific engineering designs for the cover of the repository, 3) analysis of the repository' s reserve capacity, 4) recalculation of financial warranty. The Company estimates that the conditions will be satisfied by the end of second quarter of fiscal 2013.

The Company currently faces a severe working capital shortage and is not presently generating any revenues. The Company will need to obtain additional capital to fund its operations, continue mining exploration activities, fulfill its obligations under its mineral property lease/option agreements, and satisfy existing creditors.

These circumstances raise substantial doubt about the Company' s ability to continue as a going concern. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets, or the amounts or classification of liabilities that may result from the possible inability of the Company to continue as a going concern. Management' s plans with regards to these conditions are described below.

The Company continues to explore sources of additional financing to satisfy its current operating requirements. During the fiscal year ended August 31, 2012 and through November 30, 2012, the Company entered into funding arrangements with an institutional investor (the "Delaware Partnership Investor"), under which the Delaware Partnership Investor has provided convertible debt financing to the Company of $429,000, ($52,000 during the three months ended November 30, 2012) (Note 7).

During the fiscal year ended August 31, 2012 and through November 30, 2012, the Company also entered into three funding arrangements for a total of $153,000 ($53,000 during the three months ended November 30, 2012), with a group of New York private investors in the form of convertible notes (Note 7).

Considering the difficult U.S. and global economic conditions, along with the substantial stability problems in the capital and credit markets, there is a significant possibility that the Company will be unable to obtain financing to continue its operations.

There is no assurance that required funds during the next twelve months or thereafter will be generated from operations, or that those funds will be available from external sources, such as debt or equity financings or other potential sources. The lack of additional capital resulting from the inability to generate cash flow from operations or to raise capital from external sources would force the Company to substantially curtail or cease operations and would, therefore, have a material adverse effect on its business. Further, there can be no assurance that any such required funds, if available, will be available on attractive terms or that they will not have a significantly dilutive effect on the Company's existing shareholders. All of these factors have been exacerbated by the extremely unsettled credit and capital markets presently existing.

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Balance Sheets (Parenthetical) (USD $)	Jan. 10, 2013 Class A Common Stock	Aug. 31, 2012 Class A Common Stock	Jan. 10, 2013 Class B Common Stock	Aug. 31, 2012 Class B Common Stock
Common stock, par value per share	$ 0.001	$ 0.001	$ 0.001	$ 0.001
Common stock, shares authorized	1,000,000,000	1,000,000,000	500,000,000	500,000,000
Common stock, shares issued	53,612,445	53,612,445	490,371,533	490,371,533
Common stock, shares outstanding	5,647,989	5,647,989	490,371,533	490,371,533

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2. Summary of Significant Account Policies (Policies)

	3 Months Ended
	Nov. 30, 2012

Accounting Policies [Abstract]

Basis of Presentation

Basis of Presentation

The accompanying interim financial statements have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The financial statements reflect all adjustments (consisting of only normal recurring entries) that, in the opinion of management, are necessary to present fairly the financial position at November 30, 2012 and the results of operations and cash flows of the Company for the three months ended November 30, 2012 and 2011, respectively. Operating results for the three months ended November 30, 2012, are not necessarily indicative of the results that may be expected for the fiscal year ending August 31, 2013.

These unaudited financial statements should be read in conjunction with the Company' s audited financial statements and footnotes thereto included in its Annual Report on Form 10-K for the year ended August 31, 2012.

Basic and Diluted Net Loss per Share

Basic and Diluted Net Loss per Share

Basic earnings (loss) per share ("EPS") is computed by dividing net loss available to common stockholders (numerator) by the weighted average number of shares of the Class A Common Stock outstanding (denominator) during the period. During the year ended August 31, 2011, the Company issued shares of Class B Common Stock, which are not publicly-traded. The Class B Common Stock share dividends equally with Class A Common Stock, and are defined as participating securities under US GAAP; however, they have no contractual obligation to share in losses of the Company. The Company has therefore not included the Class B Common Stock in determining basic EPS. Diluted EPS gives effect to all potential dilutive common shares outstanding during the periods using the treasury stock method (for options and warrants) and the two-class method (for Class B common stock). In computing diluted EPS, the average stock price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive. For the three months ended November 30, 2012 and 2011, the effect of the conversion of outstanding debt and Class B common shares would have been anti-dilutive.

The following table represents the potential dilutive securities excluded from the calculation of diluted loss per share.

	November 30, 2012	November 30, 2011
Class B Common Stock	490,371,533	490,371,533
Convertible debt	7,284,525	637,353

Effective September 12, 2012, the Financial Regulatory Authority, Inc. ("FINRA"), approved a 1 for 5,000 reverse stock split. All references to Class A common stock in these financial statements have been adjusted to reflect the post-reverse split amounts.

Mining Rights and Claims

Mining Rights and Claims

The Company has determined that its mining rights and claims meet the definition of mineral rights, as defined by accounting standards, and are tangible assets. As a result, the costs of mining rights are initially capitalized as tangible assets when purchased. If proven and probable reserves are established for a property and it has been determined that a mineral property can be

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economically developed, costs will be amortized using the units-of-production method over the estimated life of the probable reserves. The Company' s rights to extract minerals are contractually limited by time. However, the Company has the ability to extend the leases (Note 4). For mining rights in which proven and probable reserves have not yet been established, the Company assesses the carrying value for impairment at the end of each reporting period. The Company recorded impairment charges of $21,910 and $33,958 during the three months ended November, 2012 and 2011, respectively.

Fair Value Measurements

Fair Value Measurements

Fair value is defined 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 in the principal or most advantageous market. The Company uses a fair value hierarchy that has three levels of inputs, both observable and unobservable, with use of the lowest possible level of input to determine fair value.

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - observable inputs other than Level 1, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and model-derived prices whose inputs are observable or whose significant value drivers are observable; and

Level 3 - assets and liabilities whose significant value drivers are unobservable.

Observable inputs are based on market data obtained from independent sources, while unobservable inputs are based on the Company' s market assumptions. Unobservable inputs require significant management judgment or estimation. In some cases, the inputs used to measure an asset or liability may fall into different levels of the fair value hierarchy. In those instances, the fair value measurement is required to be classified using the lowest level of input that is significant to the fair value measurement. Such determination requires significant management judgment.

As of November 30, 2012, the Company had the following financial assets and liabilities that are measured at fair value:

	Level 1	Level 2	Level 3
Restricted cash	-	$ 515,428	-
Derivative liabilities	-	$ 447,965	-

The fair values of financial instruments, which include cash, accounts payable, short-term notes payable, and convertible debt, were estimated to approximate their carrying values due to the immediate or short-term maturity of these financial instruments. The fair value of amounts due to related parties are not practicable to estimate, due to the related party nature of the underlying transactions. The long-term fixed-rate note payable approximates fair value as it bears interest at a rate commensurate with market rates. The fair value of the restricted cash deposit held by the State of Colorado (Note 3) approximates the amount of fees to obtain it.

Asset Retirement Obligation

Asset Retirement Obligation

The fair value of a liability for an asset retirement obligation is required to be recognized in the period that it is incurred if a reasonable estimate of fair value can be made. In connection with the Company' s acquisition of the Pride of the West Mill (the "Mill") in June 2007, an asset retirement obligation of $500,000 was estimated and recorded. The associated asset retirement costs were capitalized as part of the carrying amount of the Mill (See Note 3). Accretion expense is recorded in each subsequent period to recognize the estimated changes in the liability resulting

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from the passage of time. During the three months ended November 30, 2012 and 2011, the Company recorded accretion expense of nil and $11,475, respectively. Changes resulting from revisions to the original fair value of the liability are recognized as an increase or decrease in the carrying amount of the liability and the related asset retirement costs capitalized as part of the carrying amount of the long-lived asset.

During fiscal year 2012, the Company re-evaluated the original fair value asset retirement obligation as it relates to the Mill. Unique to this asset, the reclamation permit for the Mill requires that the cost of retirement (reclamation), be calculated by the DRMS on a continuing basis, and a financial warranty be provided to guarantee that obligation.

As of November 30, 2012, the State of Colorado Division of Reclamation, Mining, and Safety has determined that $515,130 would be required to close and reclaim the asset and the Company has placed those funds as cash held as a restricted cash deposit with the State of Colorado.

Recent accounting pronouncements

Recent accounting pronouncements

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (Topic 220) – Presentation of Comprehensive Income* ("ASU 2011-05"). ASU 2011-05 requires entities to present net income and other comprehensive income in either a single continuous statement or in two separate, but consecutive, statements of net income and other comprehensive income. ASU 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011 (the interim period ended November 30, 2012 for the Company). The adoption of ASU 2011-05 did not have a material impact on its results of operations, financial condition, or cash flows for the three months ended November 30, 2012.

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Document and Entity Information	3 Months Ended Nov. 30, 2012	Jan. 10, 2013 Class A Common Stock	Jan. 10, 2013 Class B Common Stock
Entity Registrant Name	COLORADO GOLDFIELDS INC.		
Entity Central Index Key	0001344394		
Document Type	10-Q		
Document Period End Date	Nov. 30, 2012		
Amendment Flag	false		
Current Fiscal Year End Date	--08-31		
Is Entity a Well-known Seasoned Issuer?	No		
Is Entity a Voluntary Filer?	No		
Is Entity's Reporting Status Current?	Yes		
Entity Filer Category	Smaller Reporting Company		
Entity Common Stock, Shares Outstanding		73,167,462	490,371,533
Document Fiscal Period Focus	Q1		
Document Fiscal Year Focus	2013		

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2. Summary of Significant Account Policies (Tables)

3 Months Ended Nov. 30, 2012

Accounting Policies [Abstract]

Potential dilutive securities excluded from diluted loss per share

	November 30, 2012	November 30, 2011
Class B Common Stock	490,371,533	490,371,533
Convertible debt	7,284,525	637,353

Financial assets and liabilities that are measured at fair value

	Level 1	Level 2	Level 3
Restricted cash	-	$515,428	-
Derivative liabilities	-	$447,965	-

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Statements of Operations (USD $)	3 Months Ended		103 Months Ended
	Nov. 30, 2012	Nov. 30, 2011	Nov. 30, 2012
Income Statement [Abstract]			
Revenue	$ 0	$ 0	$ 0
Operating expenses			
Donated rent	0	0	9,750
Donated services	0	0	19,500
General and administrative	418,968	286,812	14,795,114
Mineral property and exploration costs	782,342	187,387	4,045,926
Professional fees	41,468	118,922	1,877,462
Total operating expenses	(1,242,778)	(593,121)	(20,747,752)
Other income (expense)			
Other income	2,950	1,350	190,936
Interest income	0	0	33,781
Gain (Loss) gain on derivative liabilities	98,310	(13,441)	165,813
Interest expense	(361,169)	(365,741)	(4,649,289)
Total other expense	(259,909)	(377,832)	(4,258,759)
Net Loss	$ (1,502,687)	$ (970,953)	$ (25,006,511)
Net Loss Per Common Share - Basic and Diluted	$ (0.08)	$ (0.54)	
Weighted Average Number of Common Shares Outstanding	18,347,277	1,789,486	

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6. Promissory notes payable	3 Months Ended Nov. 30, 2012

[Notes to Financial Statements]
[6. Promissory notes payable]

6. Promissory notes payable

On September 12, 2011, the Company entered into a settlement agreement and mutual general release with an individual that had originally filed a breach of contract complaint against the Company in November 2009 (the "Plaintiff") and the Company agreed to pay the Plaintiff $80,000 with interest of 8.00% per annum due in full on September 12, 2013. The Company has recorded interest expense of $1,596 and $1,385 for the three months ended November 30, 2012 and 2011, respectively.

On December 22, 2011, the Company entered into a promissory note with one of its vendors in exchange for $24,000. The promissory note bears interest at 6.5% per annum and was due on June 22, 2012. In June 2012, the note was extended, and was extended again on December 30, 2012 and is now due on December 31, 2013. All other terms remain the same. If the Company fails to pay off the note on its due date, the entire principal and accrued interest will bear interest at 18% per annum. The Company recorded interest expense of $389 and nil for the three months ended November 30, 2012 and 2011, respectively.

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5. Notes payable related parties	3 Months Ended Nov. 30, 2012
Related Party Transactions [Abstract]	
5. Notes payable – related parties	**5. Notes payable - related parties** As of November 30, 2012, the Company has notes payable to related parties, including accrued interest, of $92,280 and $251,208 with its chief executive officer (“CEO”) and its chief financial officer (“CFO”), respectively. In connection with the borrowings, the Company executed unsecured promissory notes (“Notes”) which are due six months from the dates of issue and accrue interest at 6.5% per annum (or 18% per annum, if the Notes are in default). The funds received in exchange for the Notes have primarily been used by the Company to finance working capital requirements. On April 8, 2011, the Company secured the amounts owed to the CEO and CFO, with the Mill, and filed Second Deeds of Trust in San Juan County, Colorado. In connection with the Deeds of Trust, all of the individual Notes were combined into two promissory Notes, and are now due in their entirety on December 31, 2013. None of the Notes are currently in default. During the three months ended November 30, 2012 and 2011 the Company recorded interest expense of $4,573 and $4,573, respectively.

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3. Property, Plant and Equipment (Details) (USD $)	Nov. 30, 2012	Aug. 31, 2012
Property Plant And Equipment Details		
Computer equipment	$ 5,179	$ 5,179
Mine and drilling equipment	4,650	4,650
Mobile mining equipment	13,300	13,300
Land and mill	1,434,846	1,391,041
Gross	1,457,975	1,414,170
Less accumulated depreciation	(18,909)	(17,756)
Net	$ 1,439,066	$ 1,396,414

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3. Property, Plant and Equipment (Tables)	3 Months Ended Nov. 30, 2012
Property, Plant and Equipment [Abstract]	
Property, plant and equipment	

	November 30, 2012	August 31, 2012
Computer equipment	$ 5,179	$ 5,179
Mine and drilling equipment	4,650	4,650
Mobile mining equipment	13,300	13,300
Land and mill	1,434,846	1,391,041
	1,457,975	1,414,170
Less accumulated depreciation	(18,909)	(17,756)
	$1,439,066	$1,396,414

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9. Stockholders Deficit

3 Months Ended Nov. 30, 2012

Equity [Abstract]

Stockholders Deficit

9. Stockholders' Deficit

Class A Common Stock

As a result of the rounding provision of the reverse stock split, which stated that fractional shares always be rounded up to the nearest whole share, 224 new Class A shares were issued on September 12, 2012.

On October 22, 2012, the Company amended its Articles of Incorporation in part to establish and fix the total number of authorized shares of Class A Common Stock, par value $0.001 per share, that the Company is authorized to issue, at one billion (1,000,000,000).

During the three months ended November 30, 2012, the Company converted debt and derecognized derivative liabilities totaling $414,721 into 2,234,712 shares of restricted Class A Common Stock.

During the three months ended November 30, 2012, the Company issued 36,250,000 non-refundable shares of restricted Class A Common Stock in partial satisfaction of costs associated with the King Solomon mining lease renewal and in partial satisfaction of the acquisition of the Silver Wing and Champion properties. The Company also issued 6,397,300 shares of restricted Class A Common Stock in satisfaction of costs associated with the Brooklyn work commitment.

As of November 30, 2012, the Company is authorized to grant up to 43,695,160 shares under the 2008 Stock Compensation Plan (formerly the 2008 Employee Stock Compensation Plan), and 2008 Non-qualified Consultants and Advisors Stock Compensation Plan of which 5,885,131 have been issued as of November 30, 2012. During the three months ended November 30, 2012, 3,082,220 shares of Class A Common Stock valued at $0.102 to $0.46 per share (the quoted market prices at the dates of the respective stock grants), were issued to employees and consultants for services rendered, which resulted in $232,560 being recorded as expense, $80,493 recorded as a reduction in accounts payable and $125,400 as a reduction in accrued liabilities.

On November 16, 2012, the Company filed amendments to its two stock compensation plans. The amendments provided for an additional 20,000,000 Class A common stock shares to be available for issuance under the 2008 Non-qualified Consultants and Advisors Stock Compensation Plan and the 2008 Stock Compensation Plan.

Common Stock Transactions Subsequent to November 30, 2012

Subsequent to November 30, 2012, the Company issued 12,167,300 shares of its Class A Common Stock to employees, directors, consultants, and advisors for services from general authorized capital and under the 2008 Stock Compensation Plan (formerly the 2008 Employee Stock Compensation Plan), and 2008 Non-qualified Consultants and Advisors Stock Compensation Plan valued at $526,226. The Company issued 7,387,717 shares of restricted Class A Common Stock pursuant to the conversion of debt with value totaling $199,295.

On December 13, 2012, the Company issued two convertible notes for $62,500 and $22,500 respectively under a funding arrangement with a lower Manhattan based Investor Group. The notes bear interest at 12% per annum. The $62,500 note, whose proceeds were used to reduce the mill mortgage, matures immediately and is convertible into shares of Class A stock. The $22,500 note matures on August 4, 2013. Both notes are convertible at any time from the date of the note's execution, at the option of the holder, into shares of Class A common stock of the Company at a conversion rate of 45% of the lowest volume-weighted average closing prices of the Company's Class A common stock for the five trading days immediately prior to the date a conversion notice is received by the Company.

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7. Convertible notes

3 Months Ended
Nov. 30, 2012

7. Convertible notes

Delaware Partnership Investor

At September 1, 2012, the Company owed the Delaware Partnership Investor $60,536 (net of unamortized discounts of $136,465), under multiple funding arrangements. During the three months ended November 30, 2012, the Company issued one convertible note under a funding arrangement with the Delaware Partnership Investor, totaling $52,000, which bears interest at 6.25% per annum and matures on October 3, 2013. The note is convertible at any time, at the option of the holder, into shares of Class A common stock of the Company at a conversion rate of 50% of the average of the two lowest volume-weighted average closing prices of the Company' s Class A common stock for the ten trading days immediately prior to the date a conversion notice is received by the Company. The Company recorded a discount in the amount of $52,000 related to the conversion feature on the note issued during the three months ended November 30, 2012 (Note 8). During the three months ended November 30, 2012, $85,000 of the convertible notes were converted into common stock (any unamortized debt discount related to the converted notes was immediately charged to interest expense on the day the notes were converted). During the three months ended November 30, 2012, the Company recorded $46,930 of debt discount amortization and the carrying value of the notes was $58,678 (net of unamortized discounts of $105,322) as of November 30, 2012.

New York Private Investors

At September 1, 2012, the Company owed the New York Private Investors $69,913 (net of unamortized discount of $12,087), under multiple funding arrangements. During the three months ended November 30, 2012, the Company issued one convertible note for $53,000 under a funding arrangement with the group of New York Private Investors. The note bears interest at 8% per annum. The note matures on July 29, 2013. The note is convertible at any time after 180 days from the date of the note' s execution, at the option of the holder, into shares of Class A common stock of the Company at a conversion rate of 35% of the average of the three lowest volume-weighted average closing prices of the Company' s Class A common stock for the ten trading days immediately prior to the date a conversion notice is received by the Company. The Company recorded a debt discount of $53,000 relating to the conversion feature of the note. During the three months ended November 30, 2012, $71,000 of the convertible notes were converted into Class A common stock (any unamortized debt discount related to the converted notes was immediately charged to interest expense on the day the notes were converted). For the three months ended November 30, 2012, the Company recorded debt discount amortization of $18,614 and the carrying value of the notes as of November 30, 2012 was $18,054 (net of unamortized discounts of $45,945).

Conversion of accounts payable

During the year ended August 31, 2011, the Company entered into an agreement with a vendor whereby the balance owed to the vendor for past services of $28,661 was exchanged for a convertible promissory note bearing interest at 6.5% per annum. The Company is required to make monthly payments under the terms of the note; however, the note holder has the right at its election to convert all or part of the outstanding principal and interest into the Company' s Class A common stock at a conversion rate of 70% of the average of the two lowest volume-weighted average closing prices of the Company' s Class A common stock for the ten trading days immediately prior to the date a conversion notice is received by the Company. The Company recorded a debt discount of $27,550 relating to the conversion feature of the note. In August 2011, the Company and the vendor agreed to increase the amount of the convertible promissory note for additional past services owed totaling $2,081 and agreed to defer the initial monthly payment on the note until January 2012, while all other terms of the note were unchanged. The Company recorded a debt discount of $2,081 related to the conversion feature of the increased portion of the note. For the three months ending November 30, 2012, the Company recorded debt discount amortization of $389 and the carrying value of the note as of November 30, 2012 was $7,904 (net of unamortized discount of $119).

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8. Derivative Liabilities

3 Months Ended
Nov. 30, 2012

Notes to Financial Statements
8. Derivative Liabilities

8. Derivative Liabilities

In accordance with ASC 815-15, *Embedded Derivatives*, the Company determined that the conversion features of the convertible notes described in Note 7 meet the criteria of an embedded derivative, and therefore the conversion features of the debt have been bifurcated and accounted for as derivatives. The debt does not meet the definition of "conventional convertible debt" because the number of shares which may be issued upon the conversion of the debt is not fixed. Therefore, the conversion features, pursuant to ASC 815-40, *Contracts in Entity's Own Equity*, have been accounted for as derivative liabilities. The Company adjusts the fair value of these derivative liabilities to fair value at each reporting date.

The Company uses a valuation pricing model to calculate the fair value of its derivative liabilities. Key assumptions used to apply this model were as follows:

	Three months ended November 30, 2012	Year ended August 31, 2012
Expected term	0 to 12 months	1 to 12 months
Volatility	294%-419%	186% - 570%
Risk-free interest rate	0.06 - 0.19%	0.01 - 0.20%
Dividend yield	0%	0%

The following table represents the Company's derivative liability activity for the embedded conversion features for the three months ended November 30, 2012:

Balance at September 1, 2012	$ 469,370
Issuance of derivative liabilities	328,293
Derecognition of derivative liabilities related to conversion of convertible debt	(251,342)
Derecognition of derivative liabilities related to paydown of convertible debt	(46)
Gain on derivative liabilities	(98,310)
Balance at November 30, 2012	$ 447,965

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10. Litigation	3 Months Ended Nov. 30, 2012
Commitments and Contingencies Disclosure [Abstract]	
10. Litigation	

10. Litigation

The Company is involved in the following legal proceeding:

San Juan Properties and Hennis Proceedings

On April 6, 2009, Todd C. Hennis (the former President and CEO of the Company), and entities San Juan Corp., and Salem Minerals Inc. (which are substantially owned by Mr. Hennis), served upon the Company a Complaint seeking among other things, a $100,000 payment pursuant to the option agreement, and release from his shareholder lock-up agreement and from Rule 144 trading restrictions on approximately 10,300 shares of Class A Common Stock held by Mr. Hennis. On May 12, 2009, a counter-claim with jury demand was filed against Mr. Hennis and his entities for wrongful conversion, breach of duty of loyalty, lack of good faith, breach of fiduciary duty, and significant conflicts of interest.

Hennis filed a Motion for Summary Judgment on October 16, 2009. On September 2, 2010, the court granted partial summary judgment in favor of Mr. Hennis and awarded him damages of $230,707. On September 22, 2010, the court awarded additional damages in the amount of $114,896 to Mr. Hennis for a total of $345,603, which has been recorded as an accrued liability by the Company as of August 31, 2012. On March 25, 2011, the court awarded an additional $58,989 to Hennis for attorney' s fees, which was accrued as of August 31, 2011 and 2012. However, in April 2012, the Court of Appeals remanded the award of attorney' s fees and therefore the accrual has been reduced by $58,989.

The Company filed motions for (a) a new trial on all or part of the issues; (b) an amendment of findings; and (c) an amendment of judgment pursuant to C.R.C.P. Rule 58(a). On March 25, 2011, the court evoked C.R.C.P. 59(j) and denied the post-trial motions by not ruling on them.

The Company filed a Notice of Appeal with the Colorado Court of Appeals on January 7, 2011. On April 5, 2012, the Colorado Court of Appeals affirmed the judgment ($345,603), however the order awarding plaintiffs their trial attorney fees ($58,989) and costs was vacated, and the case was remanded to the district court for further proceedings. The Company filed a Petition for Rehearing in the Court of Appeals on April 9, 2012, which was denied on May 17, 2012.

On August 31, 2012, The Company filed a Petition of Certiorari with the Colorado Supreme Court. As of the date of this report, the Company is awaiting the Supreme Court' s decision.

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2. Summary of Significant Account Policies (Details)	3 Months Ended	
	Nov. 30, 2012	Nov. 30, 2011
Summary Of Significant Account Policies Details		
Class B Common Stock	490,371,533	490,371,533
Convertible debt	7,284,525	637,353

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2. Summary of Significant Account Policies (Details Narrative) (USD $)	3 Months Ended		103 Months Ended
	Nov. 30, 2012	Nov. 30, 2011	Nov. 30, 2012
Mining Rights and Claims			
Impairment charges	$ 21,910	$ 33,958	
Asset Retirement Obligation			
Required to close and reclaim the Mill as determined by State of Colorado Division of Reclamation, Mining, and Safety	515,130		515,130
Accretion expense	$ 0	$ 11,475	$ 191,635

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Statements of Stockholders (Deficit) Equity (USD $)	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Additional Donated Capital	Deficit Accumulated During the Exploration Stage	Total
Beginning balance, Amount at Feb. 10, 2004	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Beginning balance, Shares at Feb. 10, 2004	0	0				
Issuance of common stock for cash, shares	10,270					
Issuance of common stock for cash, amount	10		2,490			2,500
Donated services and rent				4,500		4,500
Net loss					(5,898)	(5,898)
Ending balance, Amount at Aug. 31, 2004	10	0	2,490	4,500	(5,898)	1,102
Ending balance, Shares at Aug. 31, 2004	10,270					
Issuance of common stock for cash, shares	12,632					
Issuance of common stock for cash, amount	13		53,737			53,750
Donated services and rent				9,000		9,000
Net loss					(35,319)	(35,319)
Ending balance, Amount at Aug. 31, 2005	23	0	56,227	13,500	(41,217)	28,533
Ending balance, Shares at Aug. 31, 2005	22,902	0				
Donated services and rent				9,000		9,000
Net loss					(36,148)	(36,148)
Ending balance, Amount at Aug. 31, 2006	23	0	56,227	22,500	(77,365)	1,385
Ending balance, Shares at Aug. 31, 2006	22,902	0				
Donated services and rent				6,750		6,750
Net loss					(300,193)	(300,193)
Ending balance, Amount at Aug. 31, 2007	23	0	56,227	29,250	(377,558)	(292,058)
Ending balance, Shares at Aug. 31, 2007	22,902	0				
Issuance of common stock for cash, shares	2,277					
Issuance of common stock for cash, amount	2 [1]		3,002,242 [1]			3,002,244 [1]

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Shares issued for services, shares	1,966					
Shares issued for services, amount	2		869,737			869,739
Stock-based compensation - options			895,209			895,209
Net loss					(3,721,021)	(3,721,021)
Ending balance, Amount at Aug. 31, 2008	27	0	4,823,415	29,250	(4,098,579)	754,113
Ending balance, Shares at Aug. 31, 2008	27,145	0				
Shares issued for services, shares	74,057					
Shares issued for services, amount	74		4,241,209			4,241,283
Stock-based compensation - options			4,094			4,094
Issuance of common stock to satisfy accounts payable, shares	5,878					
Issuance of common stock to satisfy accounts payable, amount	6		370,009			370,015
Stock issued to beneficial owners of Class A Common Stock, shares		35,732,285				
Stock issued to beneficial owners of Class A Common Stock, amount						
Forgiveness of related party debt and accrued interest			288,361			288,361
Net loss					(5,281,857)	(5,281,857)
Ending balance, Amount at Aug. 31, 2009	107	0	9,727,088	29,250	(9,380,436)	376,009
Ending balance, Shares at Aug. 31, 2009	107,080	35,732,285				
Shares issued for services, shares	184,241					
Shares issued for services, amount	184		1,950,576			1,950,760
Issuance of common stock to satisfy accounts payable, shares	28,962					
Issuance of common stock to satisfy accounts payable, amount	29		343,799			343,828

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Stock issued to beneficial owners of Class A Common Stock, shares		5,012,068				
Stock issued to beneficial owners of Class A Common Stock, amount						
Shares issued for mining rights, shares	25,000					
Shares issued for mining rights, amount	25		407,475			407,500
Shares issued for convertible debt, shares	9,375					
Shares issued for convertible debt, amount	9		107,127			107,136
Net loss					(3,660,418)	(3,660,418)
Ending balance, Amount at Aug. 31, 2010	354	0	12,536,065	29,250	(13,040,854)	(475,185)
Ending balance, Shares at Aug. 31, 2010	354,657	40,744,353				
Shares issued for services, shares	603,354					
Shares issued for services, amount	603		2,423,684			2,424,287
Issuance of common stock to satisfy accounts payable, shares	116,710					
Issuance of common stock to satisfy accounts payable, amount	117		458,907			459,024
Shares issued for mining rights, shares	50,000					
Shares issued for mining rights, amount	50		149,950			150,000
Shares issued for convertible debt, shares	429,433					
Shares issued for convertible debt, amount	429		2,771,073			2,771,502
Stock issued to officers, shares		449,623,244				
Stock issued to officers, amount						
Class B warrants exercised and shares issued, shares		3,936				
Class B warrants exercised and shares issued, amount			570			570
Net loss					(6,163,394)	(6,163,394)
Ending balance, Amount at Aug. 31, 2011	1,553	0	18,340,249	29,250	(19,204,248)	(833,196)

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Ending balance, Shares at Aug. 31, 2011	1,554,155	490,371,533				
Shares issued for services, shares	1,118,227					
Shares issued for services, amount	1,118		998,679			999,797
Issuance of common stock to satisfy accounts payable, shares	513,050					
Issuance of common stock to satisfy accounts payable, amount	513		449,694			450,207
Shares issued for convertible debt, shares	1,829,997					
Shares issued for convertible debt, amount	1,830		1,891,014			1,892,844
Issuance of common stock to satisfy accrued liabilities, shares	632,560					
Issuance of common stock to satisfy accrued liabilities, amount	633		681,927			682,560
Net loss					(4,299,576)	(4,299,576)
Ending balance, Amount at Aug. 31, 2012	5,647	0	22,361,563	29,250	(23,503,824)	(1,107,364)
Ending balance, Shares at Aug. 31, 2012	5,647,989	490,371,533				
Shares issued to round fractional shares due to stock split, Shares	224					
Shares issued for services, shares	2,280,000					
Shares issued for services, amount	2,280		230,280			232,560
Issuance of common stock to satisfy accounts payable, shares	201,118					
Issuance of common stock to satisfy accounts payable, amount	201		80,292			80,493
Shares issued for mining rights, shares	250,000					
Shares issued for mining rights, amount		250	62,250			62,500
Shares issued for Silver Wing and Champion mines, shares	36,000,000					

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Shares issued for Silver Wing and Champion mines, amount	36,000		64,000			100,000
Shares issued for convertible debt, shares	2,234,712					
Shares issued for convertible debt, amount	2,235		412,486			414,721
Issuance of common stock to satisfy accrued liabilities, shares	601,102					
Issuance of common stock to satisfy accrued liabilities, amount	601		124,799			125,400
Issuance of common stock for work commitment, Shares	6,397,300					
Issuance of common stock for work commitment, Amount	6,397		654,437			660,834
Net loss					(1,502,687)	(1,502,687)
Ending balance, Amount at Nov. 30, 2012	$ 53,611	$ 0	$ 29,315,307	$ 29,250	$ (25,006,511)	$ (933,543)
Ending balance, Shares at Nov. 30, 2012	53,612,445	490,371,533				

[1] net of offering costs of $282,231

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4. Mining Rights and Claims

3 Months Ended
Nov. 30, 2012

Goodwill and Intangible Assets Disclosure [Abstract]

4. Mining Rights and Claims

4. Mining Rights and Claims

Silver Wing and Champion Mines

On October 31, 2012, the Company entered into a contract for purchase of the Silver Wing Mine. The terms of the contract provide that the Company:

1. Issue to Jo Grant Mining Company, Inc. ("Jo Grant"), 12,000,000 four-year restricted shares of Class A Common Stock on or before January 6, 2013. The Company issued the 12,000,000 shares on November 1, 2012.
2. Pay off Jo Grant' s existing note in favor of a Colorado bank, dated March, 6, 2008, assigned to Jo Grant on October 17, 2012, having a present balance of approximately $60,353, as of October 31, 2012 on or before March 6, 2013, which was extended from January 6, 2013.
3. Pay to Jo Grant a sum of $50,000, no later than March 6, 2013, which was extended from January 6, 2013. This note is collateralized by the Silver Wing Mine.
4. Provide Jo Grant for a period of 99 years a 5% Net Smelter Royalty ("NSR"), with a minimum of $10 per ton for the first 54,350 tons of ore produced from the Silver Wing Mining Claims. The payment of the NSR shall be made not more than 45 days after the close of the month during which the payment is received from the smelter or buyer on which such NSR is calculated.

The Silver Wing Mine consists of 10 patented mining claims (70 acres) in San Juan County, in southwestern Colorado. The Company intends to develop a mining and milling operation to produce gold, silver, copper, lead, and zinc concentrates.

Champion Mine

On November 2, 2012, the Company entered into a contract for purchase of the Champion Mine. The terms of the contract provide that the Company:

1. Issue to Jo Grant 24,000,000 four-year restricted shares of Class A Common Stock on or before March 6, 2013. The Company issued the 24,000,000 shares on November 2, 2012.
2. Pay $3,000,000 to Jo Grant, only for the purpose of consummating the contract to buy and sell real estate (Land), between Jo Grant (as the Buyer), and a Texas limited liability company, (as the Seller), dated October 9, 2012, no later than March 6, 2013, which was extended from January 6, 2013. The contract to buy and sell real estate (land) is for the purchase of the Champion Mine.
3. Pay to Jo Grant a sum of $50,000, no later than March 6, 2013, which was extended from January 6, 2013.
4. Provide Jo Grant for a period of 99 years a 5% Net Smelter Royalty ("NSR"), on the Champion Mining Claims. The payment of the NSR shall be made not more than 45 days after the close of the month during which the payment is received from the smelter or buyer on which such NSR is calculated.

The Champion Mine consists of approximately 354 acres located in the San Juan Mountains at Silverton, Colorado. The Mine is located within the rim of the Silverton Caldera complex at the southwestern extremity of the Colorado Mineral Belt.

The purchase of the Silver Wing and Champion mines from Jo Grant will not be consummated until the Company provides additional cash of approximately $3.2 million to complete the acquisition of these assets. Therefore, until this occurs, the Company does not own the mines. As of November 30, 2012, as noted above, the Company has issued 36 million shares of its Class A common stock to Jo Grant in connection with these purchase transactions. The shares issued are non-refundable, and represented approximately 80% of the Company's total shares of Class A common stock outstanding as of November 2, 2012. In addition, these shares are restricted for four years from the dates of issuance.

The Silver Wing mine was acquired by Jo Grant on October 17, 2012 for cash consideration of approximately $20,000 and the assumption of a note payable totaling approximately $60,000. The right to acquire the Champion Mine was obtained by Jo Grant on October 9, 2012 for cash consideration of approximately $20,000, which represents a non-refundable payment made in connection with $3 million contract to purchase the Champion Mine discussed above.

Management estimated the fair value of the 36 million restricted, non-refundable shares was approximately $100,000, based on the assets acquired. Therefore, the shares of common stock issued by the Company in November 2012 were recorded on the balance sheet as "Deferred acquisition costs" as of November 30, 2012, in the amount of $100,000.

King Solomon Mine

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On September 18, 2009, the Company entered into a lease with an option to purchase the King Solomon Mine, in consideration for which the Company issued 10,000 shares of restricted Class A Common Stock valued at $17.50 per share (the quoted market price on the date the Company entered into the agreement and obtained the mining rights) totaling $175,000. The lease/option was for a period of three years. The stock was restricted from sale during the initial term of the lease. The lease/option automatically renewed and continued so long as ores, minerals, or metals are produced or sold. The lease granted the Company the exclusive right to perform exploration, mining, development, production, processing or any other activity that benefits the leased premises and required a minimum work commitment of $50,000 to be expended by the Company for each successive three year term during the term of the lease/option. The lease also required the Company to pay the lessor a 3.5% NSR on all mineral bearing ores. In addition, before royalties are computed, 5% of the value of NSR on all materials produced and sold from the mining property must be deducted for the purpose of a contingency reclamation reserve fund for paying potential reclamation costs, up to $200,000. The Company had the sole and exclusive option to purchase all of lessor's right, title and interest in the property for a total purchase price of $1,250,000. This amount may be paid in cash or other cash equivalents as mutually agreed by the lessor and the Company.

On October 11, 2012, the Company entered into an extension and renewal of mining lease with option to purchase, effective September 18, 2012, for which the Company issued 250,000 shares of restricted Class A Common Stock, with an additional 25,000 shares to be issued upon each yearly anniversary. The Company recorded $62,500 as mining rights and claims based upon the share price on the date of the transaction of $0.25 per share. The stock is restricted for two years. The original work commitment outlined above is considered fulfilled. All other terms and conditions of the original lease remain in effect.

Pay Day and Rage Uranium Claim Group

On June 13, 2011, the Company purchased mineral rights to 63 mining claims. The claims are referred to as The Pay Day and Rage Uranium Claim Group and are located in San Juan County northeast of Monticello, Utah. In consideration for the acquisition of these claims, the Company issued 50,000 shares of restricted Class A Common Stock, which had a value of $150,000 on the purchase date, (based on the quoted market price on the date the Company entered into the agreement and obtained the mineral rights). The shares were issued in two blocks of 25,000 shares each and are subject to lock-up provisions for periods of one and two years respectively, during which no sales or other conveyances of the shares may be undertaken.

Brooklyn Mine

On September 30, 2009, the Company entered into a lease with an option to purchase the Brooklyn Mine, in consideration for which the Company issued 15,000 shares of restricted Class A Common Stock valued at $15.50 per share (the quoted market price on the date of the Company entered into the agreement and obtained the mining rights) totaling $232,500. The lease/option was for a period of three years. The stock was restricted from sale during the initial term of the lease. The lease/option automatically renewed and continued so long as ores, minerals, or metals are produced or sold. The lease granted the Company the exclusive right to perform exploration, mining, development, production, processing or any other activity that benefits the leased premises and required a minimum work commitment of $150,000 for the first year, $200,000 for the second year and $250,000 for the third year to be expended by the Company. The lease also required the Company to pay the lessor a 5% NSR on all mineral bearing ores. In addition, before royalties are computed, 5% of the value of NSR on all materials produced and sold from the mining property must be deducted for the purpose of a contingency reclamation reserve fund for paying potential reclamation costs, up to $500,000. The Company had the sole and exclusive option to purchase all of lessor's right, title and interest in the property for a total purchase price of $4,000,000, plus a perpetual 2% NSR. This amount was to be paid in cash or other cash equivalents as mutually agreed by the Company and the lessor.

The lease with an option to purchase for the Brooklyn Mine was terminated on September 6, 2012. After extensive analysis of potential acid mine drainage problems, the Company decided not to seek to renew the lease. Pursuant to the lease, work commitment expenses not spent on the properties were due to the lessors in cash or cash equivalents, including additional shares of Company stock. Failing to negotiate the anticipated lease renewal, on November 1, 2012 the Company issued 6,397,300 shares of restricted Class A Common Stock, valued at $660,834 on the date of issue to satisfy all terms of the lease.

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3. Property, Plant and Equipment (Details Narrative) (USD $)	3 Months Ended	
	Nov. 30, 2012	Nov. 30, 2011
Property Plant And Equipment Details Narrative		
Interest expense in connection with the Mill mortgage	$ 13,295	$ 13,295
Total funds, which are held as a restricted cash deposit with the State of Colorado, related to the Mill financial warranty	515,130	
Depreciation expense	$ 1,153	$ 5,278

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8. Derivative Liabilities (Tables)	3 Months Ended Nov. 30, 2012
Notes to Financial Statements	
Key assumptions used to apply valuation pricing model to calculate the fair value	
Derivative liability activity	The following table represents the Company' s derivative liability activity for the embedded conversion features for the three months ended November 30, 2012:

	Three months ended November 30, 2012	Year ended August 31, 2012
Expected term	0 to 12 months	1 to 12 months
Volatility	294%-419%	186% - 570%
Risk-free interest rate	0.06 - 0.19%	0.01 - 0.20%
Dividend yield	0%	0%

Balance at September 1, 2012	$ 469,370
Issuance of derivative liabilities	328,293
Derecognition of derivative liabilities related to conversion of convertible debt	(251,342)
Derecognition of derivative liabilities related to paydown of convertible debt	(46)
Gain on derivative liabilities	(98,310)
Balance at November 30, 2012	$ 447,965

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