UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended **June 30, 2012**

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number **001-12974**

SANTA FE GOLD CORPORATION

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**84-1094315** (I.R.S. Employer Identification No.)
1128 Pennsylvania NE, Suite 200, Albuquerque, NM (Address of principal executive offices)	**87110** (Zip Code)

(505) 255-4852
(Registrant's telephone number, including area code)

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

Securities registered pursuant to Section 12(g) of the Act:
Common stock, $.002 par value
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes [X] No [ ]

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

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

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 [X]
Non-accelerated filer [ ]	Smaller reporting company [ ]

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

The aggregate market value of the Common Stock of Santa Fe Gold Corporation held by non-affiliates as of the last business day of the registrant's most recently completed second fiscal quarter was $89,236,672.

As of September 28, 2012, there were 117,537,970 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: None.

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ADDITIONAL INFORMATION

Descriptions of agreements or other documents contained in this report are intended as summaries and are not necessarily complete. Please refer to the agreements or other documents filed or incorporated herein by reference as exhibits. Please see the exhibit index at the end of this report for a complete list of those exhibits.

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K or incorporated by reference may contain certain “forward-looking” statements as such term is defined by the Securities and Exchange Commission in its rules, regulations and releases, which represent the registrant’s expectations or beliefs, including but not limited to, statements concerning the registrant’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. This information may involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from the future results, performance or achievements expressed or implied by any forward-looking statements.

This annual report contains forward-looking statements, many assuming that the Company secures adequate financing and is able to continue as a going concern, including statements regarding, among other things, (a) our projected sales and profitability, (b) our growth strategies, (c) anticipated trends in our industry, (d) our future financing plans, (e) our anticipated needs for working capital, (f) unfavorable weather conditions, (g) the lack of commercial acceptance of our product or by-products, (h) changes in environmental laws, (i) problems regarding availability of materials and equipment, (j) failure of equipment to process or operate in accordance with specifications, including expected throughput, which could prevent the production of commercially viable output, (k) our lack of necessary financial resources to complete development of our projects, successfully market our products and fund our other capital commitments and (l) our ability to seek out and acquire high quality gold, silver and/or copper properties. These statements may be found under “Management’s Discussion and Analysis or Plan of Operations” and “Business,” as well as in this annual report generally. Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors, including, without limitation, the risks outlined under “Risk Factors” and matters described in this annual report generally. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this annual report will in fact occur. In addition to the information expressly required to be included in this annual report, we will provide

such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading.

These risks and uncertainties and other factors include, but are not limited to, those set forth under **Item 1A. "Risk Factors"**. All subsequent written and oral forward-looking statements attributable to the company or to persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Except as required by federal securities laws, we do not intend to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Given these risks and uncertainties, readers are cautioned not to place undue reliance on our forward-looking statements.

PART I

ITEM 1. BUSINESS

History and Organization

Santa Fe Gold Corporation ("Santa Fe", "the Company", "our" or "we") is a U.S. mining company, incorporated in 1991 in the state of Delaware. Our general business strategy is to acquire and develop mining properties amenable to low cost production. Presently, we have four projects: Our Summit silver-gold and Ortiz gold projects located in New Mexico; and our Black Canyon mica and Planet micaceous iron oxide projects located in Arizona. *See* **"Item 2. Properties"** for more information about our properties. We have constructed a mill and are developing an underground mine at our Summit silver-gold project, which successfully began processing ore in 2010. The Summit project achieved commercial production in second quarter of calendar 2012. Information about the Company, including a link to our most recent financial reports filed with the Securities and Exchange Commission ("SEC"), can be viewed on our website at www.santafegoldcorp.com.

From July 1, 2006 through the current date, we completed private placements of our common stock, and notes convertible into our common stock, for amounts aggregating $3,556,757. Additionally, in December 2007, we raised capital pursuant to a private placement of convertible debentures aggregating $13,500,000. In September 2009, we entered into a gold sale agreement with an investor that included an upfront payment of $4,000,000. In January 2010 and December 2010, we raised $10,000,000 and $2,000,000 respectively through registered direct offerings pursuant to an S-3 Registration Statement. In August 2011 and December 2011 we raised $5,000,000 and $10,000,000 respectively, through senior secured debt facilities. In June and August 2012, we raised a total of $2,373,286 through registered direct offerings pursuant to an S-3 Registration Statement. We used the majority of the funds raised to acquire and construct the Summit mine and Banner mill and for working capital. We anticipate using currently available funds to continue these efforts. See **"Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operation"** for more information.

In April 2007, we received results of a preliminary engineering study carried out by an independent geological engineering firm that concluded that development of the Summit deposit would be economically viable. Capital cost was estimated as $13.4 million. In December 2007, we arranged a financing of $13.5 million by way of a private placement of senior secured convertible debentures. We carried out construction activities during 2008 and 2009, including development of the Summit mine and construction of the Banner mill. Underground mine development is on-going. Commencement of processing operations at the Banner mill began in April 2010 and commissioning of the mill proceeded satisfactorily. Sales of ore as silica flux commenced in Q2 of calendar 2010 and sales of precious metals flotation concentrates began in Q3 of calendar 2010. During calendar years 2011 and 2012 we have sold products to smelters on a regular basis, including silica flux under contract to two Arizona smelters and concentrates under contract to a German smelter. We have ramped up production from the Summit mine and increase throughput

at the Banner mill, and achieved commercial production in second quarter of calendar 2012. As of June 30, 2012, we have approximately $65.0 million and $25.0 million in financial statement federal and state tax loss carry-forwards, respectively.

Our principal executive offices are located at 1128 Pennsylvania NE, Suite 200, Albuquerque, New Mexico 87110, and our telephone number is (505) 255-4852. Our Summit operations in southwestern New Mexico are conducted through our wholly-owned subsidiary, The Lordsburg Mining Company. Our mica operations in Arizona are conducted through our wholly- owned subsidiary, Azco Mica Inc. Our activity in Mexico is conducted through our wholly-owned subsidiary, Minera Sandia, S.A. de C.V. Administration of the September 2009 gold sale agreement is conducted through our wholly-owned Barbados subsidiary, Santa Fe Gold (Barbados) Corporation.

Please refer to the last section of **ITEM 2: PROPERTIES** of this report for a glossary of certain terms used herein.

Recent Developments

On September 19, 2012, we entered into an option agreement with Columbus Silver Corporation (CSC: TSX-V), whereby the Company may acquire the Mogollon Project, Catron County, New Mexico, for deferred payments aggregating $4,500,000. Upon signing of the agreement, Santa Fe paid $100,000 and will pay an additional $150,000 within 3 business days upon approval of the agreement by the TSX Venture Exchange. The agreement also calls for a $500,000 payment by December 31, 2012, and four payments of $937,500 each on June 30, 2013, December 31, 2013, June 30, 2014, and December 31, 2014. During the option earn-in period, Santa Fe will have full access to the property, and among other things will have the right to conduct surface and underground exploration, development and mining activities in preparation for commercial mining. The agreement is subject to TSX Venture Exchange approval.

On August 20, 2012, we announced director and officer appointments. Mr. Erich Hofer was appointed to the Board of Directors and named chairman of the Board's audit committee. Consistent with the Company's compensation policy for non-employee independent directors, Mr. Hofer was issued 100,000 common stock options, with a vesting period of twelve months. The Company also named three new officers. John White, Michael Martinez, and Ryan Carson were named Vice President of Operations, Chief Financial Officer and Treasurer, and Secretary and Assistant Treasurer, respectively. Each new officer received 100,000 common stock options, with a vesting period of six months. On August 21, 2012, in connection with the director and officer appointments, we filed a Current Report on Form 8-K.

In August 2012, we raised $1,873,286 under a unit offering to stockholders, with each unit consisting of one share of common stock and one warrant to purchase an additional share of common stock. Each unit was sold at a price of $0.30. Each warrant has an exercise price of $0.40 per share of common stock and is exercisable for a period of three years. The Company issued 6,244,286 shares of common stock and 6,244,286 warrants pursuant to the unit offering. The securities described above have been registered on our registration statement on Form S-3. On July 6, August 1 and August 15, 2012, in relation to the unit offering to stockholders, we filed Current Reports on Form 8-K.

On June 30, 2012, the Company performed the calculation for the completion guarantee test obligation in accordance with the extension of time provided by Amendment 1 of a definitive gold sales agreement with Sandstorm Gold, Ltd ("Sandstorm"). Pursuant to the amended agreement, the Company is required to make a payment in the amount of $3,359,873. Prior to the calculation of the completion guarantee test obligation, the deferred revenue balance totaled $2,855,824. Based upon the provisions of the Agreement, the completion guarantee test obligation directly reduces any remaining amounts of deferred revenue dollar for dollar at the time of the calculation. Consequently, deferred revenue has been reduced to zero at June 30, 2012 and the balance has been

reclassified into a completion guarantee payable at June 30, 2012. The difference of $504,049 of additional fees between the completion guarantee test obligation and the amount of reclassified deferred revenue has been recognized in Other Expenses and accrued as an additional component of the completion guarantee payable at June 30, 2012.

In June 2012, we raised $500,000 under an equity line of credit arrangement with Glengrove Small Cap Value, Ltd. ("Glengrove"). We issued 1,476,988 shares of common stock pursuant to the raising, at an average price per share of approximately $0.34. Under a purchase agreement, Glengrove is committed to purchase from us from time to time, at our sole discretion and at threshold prices we set, subject to certain limitations, up to $15.0 million worth of our common stock over a 24-month term. The per share purchase price for the shares sold to Glengrove on any particular trading day during any 10-day pricing period will equal the daily volume weighted average price of the Company's common stock for that day, less a discount ranging from 5.0% to 5.5% . In consideration for Glengrove's entering into the purchase agreement, we issued to Glengrove 666,666 shares of our common stock. The securities described above have been registered on our registration statement on Form S-3.

On May 31, 2012, the definitive agreement to acquire Columbus Silver Corporation expired and the acquisition was not completed. During the term of the agreement, the Company provided bridge financing to fund leasehold payments and working capital in the amount of $827,716 of advances and an additional $210,889 in the form of a note receivable, including accrued interest. Additionally, the Company capitalized $207,088 of acquisition costs related to the transaction. The advances, note receivable plus accrued interest, and acquisition costs have been written-off in Other Expenses as of June 30, 2012.

On April 23, 2012, the Company announced the death of Lawrence G. Olson, Chairman of the Board of Directors. W. Pierce Carson, CEO and a director, was named Chairman.

On January 24, 2012, we announced contracts with three smelters to sell the majority of our anticipated 2012 production of high value precious metals concentrates and silica flux material. The three smelters include Aurubis AG in Germany, and Freeport McMoRan Miami Inc. and ASARCO LLC in Arizona. The contract with Aurubis provides for deliveries of up to 360 tons of concentrate, and the contracts with FMI Miami and Asarco provide for up to a total of 48,000 tons of silica flux.

On January 12, 2012, we completed a private placement of units with a single investor for proceeds of $700,000. We issued a total of 700,000 shares of common stock and warrants to purchase up to 350,000 additional shares of common stock. Each unit, consisting of one share of common stock and one-half of a warrant to purchase a share of common stock, was sold for a purchase price of $1.00. The warrants to purchase additional shares are exercisable at an exercise price of $1.00 per share and have a term of five years.

On December 23, 2011, we entered into a Senior Secured Gold Stream Credit Agreement (the "Credit Agreement") with Waterton Global Value L.P. ("Waterton"). The Credit Agreement provides for two $10 million tranches and a $5 million revolving working capital facility. On December 23, 2011, we closed the first $10 million tranche of the Credit Agreement, of which $5 million was used to retire our 15% senior secured bridge loan with Victory Park Capital Advisors, LLC, and the remainder was used for working capital. The second $10 million tranche, subject to several funding conditions, was earmarked to fund the strategic acquisition of Columbus Silver Corporation (TSXV: CSC). The acquisition of Columbus Silver did not occur and consequently the second tranche was not drawn down. The Credit Agreement provides for a 9% coupon and the initial tranche amortizes over a 12-month term with the first payment due July 31, 2012. As part of the transaction, we agreed pursuant to a gold and silver sale agreement to sell to Waterton the gold and silver produced from the Summit mine. The senior obligations are secured by a first priority lien on the stock of Santa Fe's subsidiaries and by liens covering substantially all of the Company's assets with the exception of the Ortiz gold project.

On December 23, 2011, we issued 13,500,000 shares of common stock in connection with the conversion of the Company's senior secured convertible debentures totaling $13.5 million, at a conversion price of $1.00 per share.

On September 6, 2011, we entered into a memorandum of understanding with Columbus Silver Corporation (TSXV: CSC) ("Columbus Silver") pursuant to which Santa Fe conditionally agreed to acquire Columbus Silver's outstanding common stock for a cash amount of Cdn $0.20 per share in a transaction valued at Cdn $9,977,285. Until closing of the transaction, Santa Fe agreed to provide bridge financing to Columbus Silver to fund leasehold payments and for working capital, which through the end of June 2012 totaled $827,716. The proposed transaction was subject to conditions that were not met and consequently the transaction did not proceed and expired by its terms on May 31, 2012.

On August 31, 2011, we filed a Complaint in the United States District Court for the District of New Mexico against Ortiz Mines, Inc. ("OMI") in connection with OMI's purported termination of our exclusive leasehold rights to explore, develop and mine gold, silver, copper and other minerals on the Ortiz Mine Grant in Santa Fe County, New Mexico. On May 22, 2012, the parties settled the litigation between them. The settlement agreement confirmed the continuation of Santa Fe's exclusive leasehold rights. In connection with the settlement, we agreed, subject to certain qualifications, to expend at least $500,000 by November 22, 2012, and a total of $1,000,000 by May 22, 2013, on work programs in support of project development.

On August 9, 2011, we delivered 817 ounces of gold to Sandstorm in accordance with Amendments 1 and 2 of the definitive gold sales agreement entered into on September 11, 2009, including 700 ounces related to Amendment 1 and 117 ounces for 39 days of per diem related to Amendment 2. The net cost of delivering the gold after receiving payment from Sandstorm of $400 per ounce delivered was $1,075,785.

On August 2, 2011, we entered into a financing agreement and closed a $5 million senior secured loan with Victory Park Capital Advisors, LLC. We received net proceeds of $4,555,000 after fees and expenses. The interest rate on the loan was 15% per annum payable monthly in arrears. The loan was to mature and come due upon the six month anniversary of the closing date. We repaid the loan without penalty in December 2012 from proceeds of the Waterton financing. The senior obligations were secured by a first priority lien on the stock of Santa Fe's subsidiaries and on liens covering substantially all of the assets of the Company with the exception of the Ortiz project. In connection with the Loan, we issued warrants to purchase 500,000 shares of our common stock. The warrants have an exercise price of $1.00 per share and a term of five years.

On June 28, 2011, we entered into Amendment 2 for the definitive gold sale agreement with Sandstorm Gold, Ltd. The amendment extended the delivery date for the additional 700 ounces of gold agreed upon in Amendment 1 from June 30, 2011 until October 15, 2011. In exchange for the deferred delivery date we agreed to pay a per diem of 3 ounces of gold for each day the additional 700 ounces of gold under Amendment 1 remain outstanding past June 30, 2011 until the actual date of delivery, no later than October 15, 2011.

On May 18, 2011 at Santa Fe's Annual Meeting of Stockholders, stockholders approved an amendment to our Certificate of Incorporation to change the number of authorized shares of common stock from 200,000,000 shares to 300,000,000 shares.

On March 29, 2011, we entered into Amendment 1 for the definitive gold sale agreement with Sandstorm Gold, Ltd. The amendment extended the original completion guarantee date from April 2011 to June 30, 2012. The completion guarantee test performs a calculation based upon that percentage of underproduction of gold produced relative to the amount of gold planned to have been produced as set out in the agreement. In exchange for the amended completion guarantee date, we agreed to deliver an additional 700 ounces of gold at equivalent sales terms

over and above what is currently due under the agreement. Under the terms of the amendment the delivery of the additional gold is to be made prior to June 30, 2011.

On December 29, 2010, we entered into definitive agreements with institutional investors to purchase $2.0 million of securities in a registered direct offering. We received net proceeds of approximately $1,880,000 after deducting placement agent fees and other offering expenses. The securities were offered pursuant to an effective S-3 Registration Statement. The Company sold to the investors an aggregate of 1,666,668 shares of its common stock, and warrants to purchase up to 833,334 additional shares of common stock. Each unit, consisting of one share of common stock and one-half of a warrant to purchase a share of common stock, was sold for a purchase price of $1.20. The warrants to purchase additional shares are exercisable at an exercise price of $1.50 per share and have a term of 5 years.

On January 20, 2010 we entered into definitive agreements with 23 institutional investors to purchase $10 million of securities in a registered direct offering. We received net proceeds of $9,375,000 after placement agent fees and other offering expenses. The securities were offered pursuant to an effective S-3 Registration Statement. The company sold to the investors 7,692,310 shares of its common stock, and warrants to purchase up to 3,846,155 additional shares of common stock. Each unit, consisting of one share of common stock and one-half of a warrant to purchase a share of common stock, was sold for a purchase price of $1.30. The warrants to purchase additional shares have an exercise price of $1.70 per share and have a term of 5 years.

On September 11, 2009, we entered into a definitive gold sale agreement with Sandstorm Gold Ltd. (TSX-V: SSL) ("Sandstorm") to sell a portion of the life-of-mine gold production (but not silver production) from our Summit silver-gold mine. Under the agreement we received an upfront cash deposit of $4.0 million, plus we will receive ongoing production payments equal to the lesser of $400 per ounce or the prevailing market price, for each ounce of gold delivered pursuant to the agreement for the life of the mine. Gold production subject to the agreement includes 50% of the first 10,000 ounces of gold produced, and 22% of the gold thereafter. The amount of payable gold can be reduced from 22% to 15% provided that within 36 months the Summit mine reaches certain performance levels in any consecutive 12 month period, in compliance with prefeasibility estimates, including 1) the rate of ore mined and processed must average 400 tons per day or more, and 2) payable gold production must exceed 11,500 ounces during such consecutive 12 month period. Sandstorm made an initial payment of $500,000 and on October 7, 2009 paid the remaining $3,500,000 balance of the upfront cash deposit. We will receive credit against the $4,000,000 upfront cash deposit for the difference between the market price and $400 per ounce for those gold deliveries where the prevailing market price exceeds $400 per ounce. These credits will be recognized as revenue, in addition to the ongoing production payments received for gold delivered pursuant to the agreement. In certain circumstances, including failure to meet minimum production rates, interruption in production due to permitting issues and customary events of default, the agreement may be terminated. In such event, we may be required to return to Sandstorm the upfront cash deposit of $4.0 million less a credit for gold delivered up to the date of that event, which is determined using the difference between the market price and $400 per ounce for gold deliveries where the prevailing market price exceeded $400 per ounce.

Competitive Business Conditions

Many companies are engaged in the exploration and development of mineral properties. We are at a disadvantage with respect to those competitors whose technical staff and financial resources exceed our own. Our lack of revenues and limited financial resources further hinder our ability to acquire and develop mineral interests.

Government Regulations and Permits

In connection with mining, milling and exploration activities, we are subject to extensive federal, state and local laws and regulations governing the protection of the environment, including laws and regulations relating to

protection of air and water quality, hazardous waste management and mine reclamation as well as the protection of endangered or threatened species.

At the Summit mine and Banner mill, we are continuing permitting activities as construction and development progress. On October 2, 2009 we received a Permit to Construct and Operate the Banner Mill Tailings Dam from the NM Office of the State Engineer (OSE). This permit allowed us to construct a tailings disposal impoundment and to commence discharge of mill tailings.

Concurrent with the tailings disposal permit, New Mexico requires a Discharge Permit from the NM Environmental Department and a Reclamation Permit from Mining and Minerals Division under the NM Mining Act of 1993. Both of these permits have been issued, and financial assurance for future reclamation has been established.

Safety of our employees is regulated by the Mine Safety and Health Administration (MSHA), a federal agency, and by the NM Office of the State Mine Inspector. We are continuing development of the Summit underground mine, and regulation require secondary escape routes, exhaust ventilation, wireless communications, and underground refuge and emergency rescue capabilities. Our plan of operations is designed to comply with the various requirements and is being coordinated with the regulatory agencies.

With respect to the permits required for the Summit project mentioned above, as well as permits for the Ortiz project and for our other projects, we may be unable to obtain such 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 such permits, our timetable and business plan for development and mining of these properties could be adversely affected. *See* **Item IA. "Risk Factors"** for more information.

Employees

We currently have 71 full-time employees, including our executive officers, head office support staff and Lordsburg management and operating personnel. We also engage consultants and independent contractors in connection with financial accounting, construction, and exploration and development of our mining properties.

Office Facilities

Our corporate offices are located in Albuquerque, New Mexico. We lease offices at 1128 Pennsylvania NE, Suite 200, Albuquerque, New Mexico 87110, totaling approximately 2,300 square feet. Currently this space is adequate for our needs but we may require additional space as our operations expand..

ITEM 1A. RISK FACTORS

This report, including Management's Discussion and Analysis of Financial Condition and Results of Operation, contains forward looking statements that may be materially affected by numerous risk factors, including those summarized below:

Risk Factors Related to Our Business and Operations

We are dependent upon production of precious metals and industrial minerals from a limited number of properties, have incurred substantial losses since our inception in 1991, and may never be profitable.

Since our inception in 1991, we have not been profitable. As of June 30, 2012, our total accumulated deficit was approximately $64.0 million. To become profitable, we must identify mineralization and establish reserves, and then either develop properties ourselves or locate and enter into agreements with third party operators. We may suffer significant additional losses in the future and may never be profitable. There can be no assurance we will

receive significant revenue from operations in the foreseeable future, if at all. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis.

We ceased mining operations at our Black Canyon mica property in 2002 after unsuccessful attempts to begin profitable operations. We have established only limited probable reserves at our Summit silver-gold property, and have not established proven or probable reserves at our Ortiz gold property or at our Planet micaceous iron property. If we are unable to economically produce silver or gold from our Summit or Ortiz properties, we will be forced to identify and invest substantial sums in one or more additional properties. Such properties may not be available to us on favorable terms or at all. Because of the numerous risks and uncertainties associated with exploration and development of mining properties, we are unable to predict the extent of any future losses or when we will become profitable, if at all.

We will require significant additional capital to continue our exploration activities, and, if warranted, to develop mining operations.

We will require significant additional funding for geological and geochemical analysis, metallurgical testing, and, if warranted, feasibility studies with regard to the results of our exploration. We may not benefit from such investments if we are unable to identify a commercial ore deposit. If we are successful in identifying reserves, we will require significant additional capital to establish a mine and construct a mill and other facilities necessary to mine those reserves. That funding, in turn, will depend upon a number of factors, including the state of the national and worldwide economy and the price of gold and other metals. We may not be successful in obtaining the required financing for these or other purposes, which would adversely affect our ability to continue operating. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and the possible, partial or total loss of our potential interest in certain properties.

Our industry is highly competitive, attractive mineral lands are scarce, and we may not be able to obtain quality properties.

We compete with many companies in the mining business, including large, established mining companies with substantial capabilities, personnel and financial resources far greater than our own. In addition, there is a limited supply of desirable mineral properties available for acquisition in the United States and in other areas where we may conduct exploration activities. For these reasons, we may be at a competitive disadvantage in acquiring mineral properties. Competition in the industry is not limited to the acquisition of mineral properties but also extends to the technical expertise to operate such properties and the financial ability to fund such properties. Our inability to compete with other companies in these areas could have a material adverse effect on our results of operation and business.

The feasibility of mining our Ortiz gold property has not been established, meaning that we have not completed engineering, permitting or other work necessary to determine if it is commercially feasible to develop this property.

We currently have established only limited probable reserves on the Summit silver-gold property and have not established proven or probable reserves on the Ortiz gold property. A “reserve,” as defined by regulation of the SEC, is that part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserve determination. A reserve requires a feasibility study demonstrating with reasonable certainty that the deposit can be economically and legally extracted and produced. We have not received feasibility studies nor obtained necessary operating permits with regard to the Ortiz gold property. As a result, we have no reserves at the Ortiz gold property.

At the Summit silver-gold property, a qualified independent engineering firm has completed an engineering study that concluded there would be minimal risk in proceeding to development and mining on the basis of estimates

of mineralized material. Subsequently, we have established probable reserves. However, our early stage estimate carries significant risks associated with factors including but not limited to the following:

- The limited amount of drilling completed to date. The Summit deposit is defined by only 78,000 feet of drilling in 88 drill holes. These holes are spaced to intersect the mineralized zone up to 200 feet apart, a drilling density insufficient for detailed mine planning in this style of epithermal precious metals deposit. As a result, mine plans are preliminary in nature and details must be developed in conjunction with underground development.

- Process and metallurgical testing has been limited to small pilot plant and bench scale testing. This causes uncertainty in metallurgical recovery and operating factors when scaling up to the full sized commercial plant. Although operating results to date at the Banner mill indicate that the mill will perform satisfactorily, additional fine tuning is necessary in order to optimize recovery of precious metals.
- Samples collected for metallurgical testing were selected from drill core from various parts of the Summit deposit and from samples taken from old underground workings located in the upper part of the deposit. Because of the small number and size of samples available for metallurgical testing, metallurgical results may not accurately characterize the deposit as a whole.
- The project has no significant operating history upon which to base estimates of operating costs and capital requirements. As a result, estimations of mineralized material, mining and process recoveries and operating costs have been based to a large extent upon the interpretation of geologic data from drill holes, and upon engineering estimates that derive forecasts of operating costs from anticipated tonnages and grades of mineralized material to be mined and processed, the configuration of the deposit, expected recovery rates of gold and silver from the mineralized material, comparable facility and equipment costs, and climatic conditions and other factors. Estimates of operating costs and capital requirements are preliminary estimates only.
- Commonly in new projects, actual construction costs, operating costs and economic returns differ materially from those initially estimated. Accordingly, there can be no assurance that the Summit mine or Banner mill can be brought into operation within the time frame or at the cost anticipated by the Company, or that the forecasted operating results can be achieved.

Substantial additional work and expenditures are required to demonstrate economic viability for the Ortiz project. The mineralized materials identified to date have not and may never demonstrate economic viability. The feasibility of mining has not been, and may never be, established. Whether a mineral deposit can be commercially viable depends upon a number of factors, including the particular attributes of the deposit, including size, grade and proximity to infrastructure; metal prices, which can be highly variable; and government regulations, including environmental and reclamation obligations. If we are unable to establish some or all of our mineralized material as proven or probable reserves in sufficient quantities to justify commercial operations, we may not be able to raise sufficient capital to develop a mine. If we are unable to establish such reserves, the market value of our securities may decline.

Fluctuating gold and silver prices could negatively impact our business plan.

The potential for profitability of gold and silver mining operations at our Summit silver-gold property and at our Ortiz gold property and the values of these properties are directly related to the market prices of gold and silver. The prices of gold and silver may also have a significant influence on the market price of our common stock. In the event that we obtain positive feasibility results and progress to a point where a commercial production decision can be made, our decision to put a mine into production and to commit the funds necessary for that purpose must be made long before any revenue from production would be received. A decrease in the price of gold or silver at any time during future development or mining may prevent our properties from being economically mined or result in the impairment of assets as a result of lower gold or silver prices. The prices of gold and silver are affected by

numerous factors beyond our control, including inflation, fluctuation of the United States dollar and foreign currencies, global and regional demand, the purchase or sale of gold by central banks, and the political and economic conditions of major gold producing countries throughout the world.

During the last five years, the average annual market price of gold has progressively increased from $695 per ounce to $1572 per ounce, as shown in the table below. Information was obtained from Kitco.com:

Average Annual Market Price of Gold, 2007-2011 (per ounce)

2007	2008	2009	2010	2011
$ 695	$ 872	$ 972	$ 1225	$ 1572

During the last five years, the average annual market price of silver has increased from $13.38 per ounce to $35.12 per ounce, as shown in the table below. Information was obtained from Kitco.com:

Average Annual Market Price of Silver, 2007-2011 (per ounce)

2007	2008	2009	2010	2011
$ 13.38	$ 14.99	$ 14.67	$ 20.19	$ 35.12

Although it may be possible for us to protect against future gold and silver price fluctuations through hedging programs, the volatility of metal prices represents a substantial risk that is impossible to completely eliminate by planning or technical expertise. In the event gold or silver prices decline and remain low for prolonged periods of time, we might be unable to continue with development and mining of our Summit silver-gold property or to develop our Ortiz gold property or produce any significant revenue.

The continuation of commercial mining operations of our Summit silver-gold property or any proposal for development of our Ortiz gold property will be subject to permitting requirements that could cause us to delay, suspend or terminate our mining and development plans.

Mining and processing operations at the Summit silver-gold property or at the Ortiz gold property require permits from the state and federal governments. We may be unable to obtain such 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 such permits, our timetable and business plan for development and mining of one or both of these properties could be adversely affected.

We may not be able to obtain an adequate supply of water to complete desired development and mining of our Summit silver-gold property or of our Ortiz gold property.

For successful development, we will need to obtain the rights for a sufficient amount of water to service the mining and processing operation. Our lease with Ortiz Mines, Inc. gives us all rights that Ortiz Mines, Inc. may have to initiate and use water and water rights in connection with the property, including among others the right to drill, pump, divert, transport and use water from wells, containment areas and drainages. However there can be no assurance we will be able to exercise our rights under the lease agreement or obtain access to the amount of water needed to operate a mine at the property. For our Summit silver-gold property, this risk is mitigated in that sufficient water for mining purposes can be purchased and trucked to the Summit property; and sufficient water is available for processing purposes on our Lordsburg mill site property, for which water we have usage rights.

We may be at risk of losing title to our Ortiz gold property lease if we fail to perform our obligations.

Under the terms of our lease with Ortiz Mines, Inc., we are required to meet certain obligations as is common in a mineral lease of this type. Among other requirements, we must begin mineral production by February 2015 (February 2022 in certain circumstances), make annual payments, meet minimum expenditure requirements, pay a sliding-scale production royalty based on the price of gold and comply with all governmental permitting and other regulations. If we fail to make payments or meet expenditure requirements in a timely manner or to perform our other obligations as required under the lease, we are at risk that the lease could be cancelled.

The reserve estimations at our Summit property are imprecise.

Although we have relied on expert independent consultants to calculate the reserve estimations disclosed in our reports, such estimations are necessarily imprecise because they depend upon the judgment of the individuals who review the geological and engineering information and upon statistical inferences drawn from only limited drilling and sampling. If the Summit mining operation were to encounter mineralization or geologic conditions different from those predicted, reserve estimations might have to be adjusted and mining plans altered. Changes to the planned operations could adversely affect forecast costs and profitability.

The future prices of mica and feldspathic sand are uncertain.

According to published information, mica prices have varied over the past several years, and the outlook for future mica prices is unclear. Manufactured sand prices in the Phoenix area generally have fluctuated over the past several years, with demand driven by the state of the housing, construction, and recreational markets, which in recent years has undergone a dramatic decline. There are numerous factors beyond our control that could affect markets for both mica and feldspathic sand. No assurance can be given as to future prices or demand for products, if any, that could be produced from our Black Canyon mica project. Any decline in prices could have a material adverse effect on project economics.

Titles to unpatented claims can be uncertain, and we are at risk of loss of ownership of our Black Canyon mica property and a portion of our Summit and Lordsburg properties.

Our property holdings at the Black Canyon mica property and a portion of our holdings at our Summit and Lordsburg properties consist of unpatented mining claims and unpatented mill site claims located on public land and held pursuant to the General Mining Law of 1872. The validity of such unpatented mining claims may be subject to title defects and may be contested. Because a substantial portion of all mineral exploration, development and mining in the United States occurs on unpatented mining claims, this uncertainty is inherent in the mining industry. We have not obtained a title opinion on our entire property, with the attendant risk that title to some claims, particularly title to undeveloped property, may be defective. Although we believe that our claims are in good standing and held according to industry practice, we remain at risk that the mining claims may be forfeited either to the United States or to rival private claimants due to failure to comply with statutory requirements as to location and maintenance of the claims or challenges as to whether a discovery of a valuable mineral exists on every claim.

In recent years the United States Congress has considered amendments to the General Mining Law of 1872, some of which would lower the value of unpatented mining claims by restricting activities and imposing additional user fees or production royalties. If enacted, these legislative changes could have an adverse impact on our operations.

The development and completion of our properties entail significant risks.

The development of mineral deposits involves significant risks that even the best evaluation, experience and knowledge cannot eliminate. The economic feasibility of our mining properties is based upon a number of factors,

including estimations of reserves and mineralized material, extraction and process recoveries, engineering, capital and operating costs, future production rates and future prices of gold, silver, copper, mica, feldspathic sand and micaceous iron oxide.

Our properties have no significant operating history upon which to base estimates of operating costs and capital requirements.

As a result, estimations of mineralized material and reserves, mining and process recoveries and operating costs must be based to a large extent upon the interpretation of geologic data obtained from drill holes, and upon scoping and feasibility estimates that derive forecasts of operating costs from anticipated tonnages and grades of mineralized material and reserves to be mined and processed, the configuration of the mineralized deposits, expected recovery rates of minerals, comparable facility and equipment costs, and climatic conditions and other factors. Commonly in new projects, actual construction costs, operating costs and economic returns differ materially from those initially estimated. Accordingly, there can be no assurance that our properties can be developed within the time frames or at the costs anticipated, or that any forecasted operating results can be achieved.

The nature of mineral exploration and production activities involves a high degree of risk and the possibility of uninsured losses that could materially and adversely affect our operations.

Exploration for minerals is highly speculative and involves greater risk than many other businesses. Most exploration programs fail to result in the discovery of economic mineralization. Our exploration and mining efforts are subject to the operating hazards and risks common to the industry, such as:

- economically insufficient mineralized materials;
- decrease in reserves due to lower metal prices;

- fluctuations in production cost that may make mining uneconomical;
- unanticipated variations in grade and other geologic problems;
- unusual or unexpected formations;
- difficult surface or underground conditions;
- failure of pit walls or dams;
- metallurgical and other processing problems;
- environmental hazards;
- water conditions;
- mechanical and equipment performance problems;
- scarcity or high cost of skilled labor
- scarcity or high cost of mining equipment
- industrial accidents;
- personal injury, fire, flooding, cave-ins and landslides;
- labor disputes; and
- governmental regulations.

Any of these risks can adversely affect the feasibility of development of our properties, production quantities and rates, and costs and expenditures. We currently have no insurance to guard against any of these risks. If we determine that capitalized costs associated with any of our mineral properties are likely not to be recovered, a write-down of our investment would be necessary. All of these factors may result in unrecoverable losses or cause us to incur potential liabilities, which could have a material adverse effect on our financial position.

Our ongoing operations, including past mining activities, are subject to environmental risks that could expose us to significant liability and delay, suspension or termination of our operations.

All phases of our operations will be subject to federal, state and local environmental regulations. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. Future changes in environmental regulation, if any, may adversely affect our operations, make our operations prohibitively expensive, or prohibit them altogether. Environmental hazards may exist on the Black Canyon mica property, the Summit silver-gold property, the Lordsburg property, the Ortiz gold property, and the Planet micaceous iron oxide property and on properties in which we may hold interests in the future that are unknown to us at the present. Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities, causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions.

Production, if any, at our projects may involve the use of hazardous materials.

Should these materials leak or otherwise be discharged from their containment systems, then we may become subject to liability for hazards. We have not purchased insurance for environmental risks including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production, as it is not generally available at a reasonable price.

In addition to environmental regulations, we are subject to a wide variety of laws and regulations directly and indirectly relating to mining that often change and could adversely affect our business.

We are subject to extensive United States federal, state and local laws and regulations related to mine prospecting, development, transportation, production, exports, taxes, labor standards, occupational health and safety, waste disposal, protection and remediation of the environment, mine safety, hazardous materials, toxic substances and other matters. These laws and regulation frequently change. New laws and regulations or more stringent enforcement of existing ones could have a material adverse impact on us, causing a delay or reduction in production, increasing costs and preventing an expansion of mining activities.

We depend on a limited number of personnel and the loss of any of these individuals could adversely affect our business.

We are highly dependent on nine persons, namely Mr. Pierce Carson, our chairman, president and chief executive officer; Mr. Michael Martinez, our principal financial officer and treasurer; Mr. Ryan Carson, our secretary and assistant treasurer; Mr. John White, our vice president of operations; Mr. Erland Anderson, technical manager mining; Mr. Patrick Freeman, senior consultant; Mr. Dennis Dalton, Summit mine manager; Mr. Michael Duncan, Summit mine superintendent; and Mr. Curtis Floyd, vice president Lordsburg milling operations. We rely heavily on these nine individuals for the conduct of our business, and the loss of any of them could significantly and adversely affect our business. In that event, we would be forced to identify and retain a suitable replacement, which we may not be able to accomplish on terms acceptable to us. We have no life insurance on the life of any officer.

Our Chief Executive Officer may face a conflict of interest relating to the acquisition of mineral properties by the Company.

We have an agreement with Mr. Carson, which pre-dates his joining the Company as an officer and director, under which he identified properties that constitute potential acquisition targets. Although Mr. Carson has no pre-existing interest in the targeted properties, under the agreement he stands to gain if we acquire an identified property and either place it into production or sell it. This arrangement gives rise to potential conflicts of interest with regard to whether or not we should acquire a targeted property and the price we agree to pay for the property. While we have sought to mitigate the risk inherent in the arrangement with Mr. Carson by careful evaluation by the Board of Directors of any proposed transaction, this step may not be sufficient to eliminate the risk entirely. Acquisitions of the Summit silver-gold property and Ortiz gold property are subject to the property identification agreement with Mr. Carson.

Delaware law and our Articles of Incorporation may protect our directors from certain types of lawsuits. Delaware law provides that our directors will not be liable to our stockholders or to us for monetary damages for all but certain types of conduct as directors of the Company.

Our Articles of Incorporation permit us to indemnify our directors and officers against all damages incurred in connection with our business to the fullest extent provided or allowed by law. The exculpation provisions may have the effect of preventing stockholders from recovering damages against our directors caused by their negligence, poor judgment or other circumstances. The indemnification provisions may require us to use our limited assets to defend our directors and officers against claims, including claims arising out of their negligence, poor judgment, or other circumstances.

Risks Related to our Common Stock

The sale of our common stock by selling stockholders may depress the price of our common stock due to the limited trading market that exists.

Due to a number of factors, including the lack of listing of our common stock on a national securities exchange, the trading volume in our common stock has historically been limited. Trading volume over the last 3 months has averaged approximately 120,000 shares per day. As a result, the sale of a significant amount of common stock by selling shareholders may depress the price of our common stock and the price of our common stock may decline.

Completion of one or more new acquisitions could result in the issuance of a significant amount of additional common stock, which may depress the trading price of our common stock.

Acquisition of one or more additional mineral properties, conceptually, could result in the issuance of a significant amount of common stock. Such issuance could depress the trading price of our common stock.

Our stock price may be volatile and as a result you could lose all or part of your investment.

In addition to volatility associated with OTC securities in general, the value of your investment could decline due to the impact of any of the following factors upon the market price of our common stock:

- changes in the worldwide prices for gold or silver;
- disappointing results from our exploration or development efforts;
- failure to meet our revenue or profit goals or operating budget;
- decline in demand for our common stock;
- downward revisions in securities analysts' estimates or changes in general market conditions;
- technological innovations by competitors or in competing technologies;

- investor perception of our industry or our prospects; and
- general economic trends.

In addition, stock markets have experienced extreme price and volume fluctuations and the market prices of securities generally have been highly volatile. These fluctuations commonly are unrelated to operating performance of a company and may adversely affect the market price of our common stock. As a result, investors may be unable to resell their shares at a fair price.

A small number of existing shareholders own a significant portion of our common stock, which could limit your ability to influence the outcome of any shareholder vote.

Our executive officers and directors, together with our three largest shareholders, beneficially own approximately 35% of our common stock as of the date of this report. Under our Articles of Incorporation and Delaware law, the vote of a majority of the shares outstanding is generally required to approve most shareholder action. As a result, these individuals and entities will be able to influence the outcome of shareholder votes for the foreseeable future, including votes concerning the election of directors, amendments to our Articles of Incorporation or proposed mergers or other significant corporate transactions.

We have never paid dividends on our common stock and we do not anticipate paying any in the foreseeable future.

We have not paid dividends on our common stock to date, and we may not be in a position to pay dividends in the foreseeable future. Our ability to pay dividends will depend on our ability to successfully develop one or more properties and generate revenue from operations. Further, our initial earnings, if any, will likely be retained to finance our growth. Any future dividends will depend upon our earnings, our then-existing financial requirements and other factors and will be at the discretion of our Board of Directors.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Summit Silver-Gold Project

Overview

Santa Fe Gold acquired the Summit silver-gold project in May 2006. The project includes the underground Summit silver-gold mine and related property consisting of 117 acres of patented mining claims and 740 acres of unpatented mining claims in Grant County, southwestern New Mexico; and the Banner mill, including mineral processing equipment consisting of a crushing and screening plant, a ball mill and a 400 ton-per-day flotation plant, and related property consisting of approximately 1,500 acres of wholly owned and leased patented and unpatented mining claims, located approximately 57 miles south of the Summit mine near Lordsburg, Hidalgo County, New Mexico. We own and operate the Summit project under the Lordsburg Mining Company, a wholly-owned subsidiary.

Construction of the Banner mill and development of the Summit mine have been the focus of our activities since 2008. In April 2007, we received results of an engineering study that concluded the Summit deposit would form the basis of an economically viable underground mining operation. In December 2007, we arranged financing of $13.5 million by way of a private placement of senior secured convertible debentures. We began construction activities during 2008, including development of the Summit mine and construction of the Banner mill. Ore generated in the process of developing the mine was stockpiled for later processing. Construction of the Banner mill was completed in mid-2009 and construction of the tailings disposal impoundment was completed in early 2010. We

commenced processing operations at the Banner mill in April 2010. Trial sales of ore as silica flux material commenced in the second quarter of 2010 and trial sales of precious metals flotation concentrate began in the third quarter of 2010. Mine development is on-going, and at the end of June 2012 we had constructed over 12,400 feet of new underground openings. The Summit mine achieved commercial production in Q2 of calendar 2012.

The Summit mining and processing operation involves underground mining of silver and gold ore from the Summit mine and trucking of the ore 57 miles to the Banner mill site where metallurgical processing takes place. At full production, mining is planned to be carried out at a rate of 400 tons per day (120,000 tons per year). At the Banner site, processing is accomplished through conventional crushing, grinding and selective flotation to yield a bulk sulfide concentrate containing the recoverable precious metals.

Since start-up in April 2010, the mill has demonstrated the ability to produce a high value gold-silver concentrate that averages around 10 ounces per ton gold and 500 ounces per ton silver. We are marketing this concentrate under a sales contract for 2012 to a German smelter and are exploring other marketing options. We also are producing siliceous flux material, involving crushing and screening of Summit ore, and then direct shipping of the resulting beneficiated product to copper smelters for use as smelter converter flux. We sold siliceous flux material to two Arizona smelters in 2011 and are continuing sales to the same smelters during 2012. Sales of siliceous flux material are in addition to sales of concentrate produced at the Banner mill.

Location and Access

The Summit silver-gold property is located in a rugged and isolated setting in Grant County, southwestern New Mexico, near the Arizona state line. The property lies within the Steeple Rock Mining District, which has recorded notable historic production of gold, silver, base metals and fluorspar from several mines, currently inoperative, including Carlisle, East Camp and Norman King.

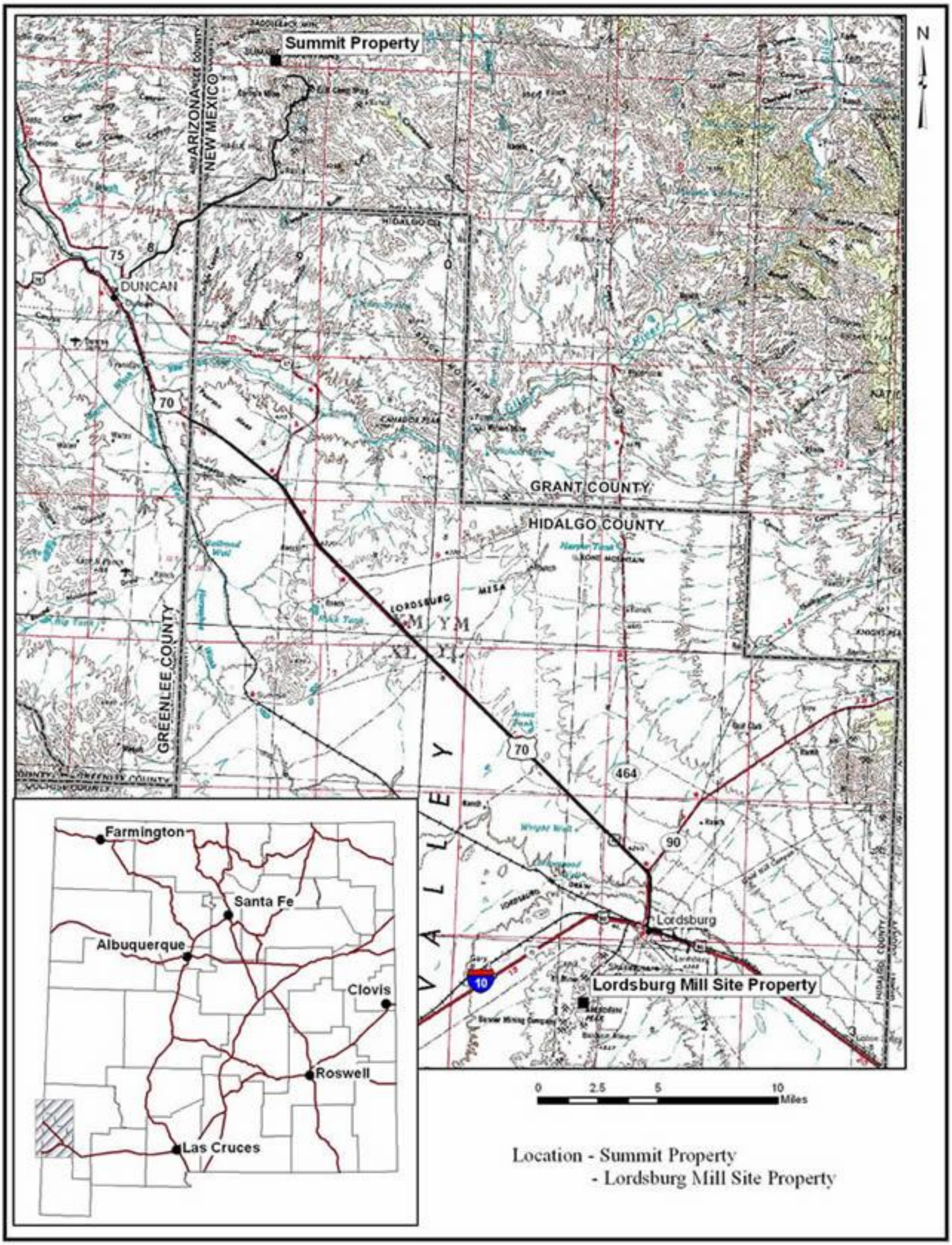
The property is accessible by paved and gravel road approximately 15 miles northeast from Arizona State Highway 75 N and the town of Duncan, Arizona. Electric power is not available on or near the property and is generated on-site in connection with the Summit mining operation. Water for limited usage is available on and near the property.

The terrain of the property is rugged, with steep canyons and ridges. Elevations range from 4,500 feet to 6,200 feet above sea level. The Summit siliceous mineralized structure forms a prominent northwesterly trending ridge.

The Banner mill site lies 57 miles to the south of the Summit property near the town of Lordsburg, Hidalgo County, New Mexico. Lordsburg is connected to Duncan, Arizona via US Highway 70. The Banner mill site is accessible from Lordsburg by a 4-mile paved road. Utilities on site include water and electric power. The Lordsburg area is well supported by transportation services including trucking and rail services, and by a wide range of fabrication, construction and other support services. The labor force required for the plant operation is sourced locally.

Figure X.1

Claim Boundary Map



Location - Summit Property
- Lordsburg Mill Site Property

Mineral Title

Our holdings at the Summit silver-gold property in Grant County, New Mexico consist of 10 patented federal mining claims totaling approximately 117 acres and 62 unpatented federal mining claims totaling approximately 740 acres. Our holdings at and adjacent to the Banner mill site in Hidalgo County, New Mexico consist of 86 wholly-owned patented federal mining claims, 16 wholly-owned unpatented mining claims, 17 leased patented mining claims and 6 leased unpatented mining claims, aggregating approximately 1,500 acres. All wholly-owned claims are held in the name of Lordsburg Mining. The unpatented mining claims are located on public land and held pursuant to the General Mining Law of 1872. We fully own the mining rights and believe the claims are in good standing in accordance with the mining laws of the United States.

In order to maintain our claims in good standing, for our patented mining claims we must pay annual property taxes to Grant and Hidalgo Counties, and for our unpatented mining claims we must pay annual assessment fees to the Bureau of Land Management and record the payment of rental fees with Grant and Hidalgo Counties. We are current on property taxes related to our patented claims. Annual assessment and recording costs for our unpatented claims total approximately $12,000. We have paid the required fees for the 2012 and 2013 assessment years (September 1, 2011 through August 31, 2013).

The Summit property is subject to underlying net smelter return royalties capped at $4,000,000 and to a net-proceeds interest on sales of unbeneficiated mineralized rock with an end price of $2,400,000. The Summit acquisition is subject to a property identification agreement between us and our President and Chief Executive Officer**.** *See* **Item 13. "Certain Relationships and Related Transactions"**.

History of Mining and Exploration

The Summit silver-gold property lies within the Steeple Rock district, which is one of the historic mining areas in the southwest United States. The former mines produced gold, silver and base metals from underground mining of epithermal vein systems. Prospecting activity dates back to before 1860. The first recorded production was from the Carlisle property, which operated from 1880-1897. A number of other mines including the Norman King and Billali also opened up during the 1880's but ceased operation by the turn of the century. Following this early production, the district was largely dormant until the 1930's-mid 1940's when several mines operated. Subsequently sporadic small-scale operations continued until the 1990's on various deposits including the Summit, Center, Mount Royal and Carlisle deposits.

The US Bureau of Mines estimated that between 1880 and 1986 the Steeple Rock district produced at least 148,000 ounces of gold, 3.3 million ounces of silver, 1.2 million pounds of copper, and 5 million pounds of lead and 4 million pounds of zinc. In addition, there was unrecorded precious and base metal production as part of silica flux shipments. Some 6,500 tons of fluorspar also were produced.

In the late 1970's, Summit Minerals Inc. is reported to have shipped about 30,000 tons of mineralized material from the Summit property to ASARCO's El Paso smelter as direct shipping silica flux grading 0.102 ounces per ton gold and 4.95 ounces per ton silver.

Exploration work estimated to have cost in excess of $8.0 million was carried out on the Summit silver-gold property from 1984-1992. This work included drilling totaling 104,700 feet on the Summit and adjacent structures, of which 78,000 feet was directed to the Summit structure. In 1984-85, Inspiration Mines Inc. reportedly spent about $1.5 million conducting underground development, shallow core drilling and sampling and mapping. In 1988-89, Novagold Resources Inc. reportedly expended approximately $2.0 million in surface and airborne geophysical surveys, underground mapping and sampling, and core drilling. Novagold's drilling identified a significant block of mineralized material in the Summit vein. From 1989-1992, Biron Bay Resources Ltd., in joint venture with

Novagold, conducted extensive exploration, drilled 88 core holes, and reportedly spent over $5.0 million extending and improving the level of confidence in the mineralized material at the Summit vein and in defining exploration potential in adjacent and outlying vein structures.

Geology and Mineralization

The Steeple Rock district contains numerous structurally controlled epithermal vein systems. The veins are controlled by conjugate fault systems that cut a thick pile of Tertiary volcanic rocks of intermediate composition. The deposits are localized along structurally controlled, hydrothermally altered zones cutting the volcanic host rocks. The dominant structures trend northwesterly and dip steeply. Secondary veins trend easterly and north-northwesterly. The veins can be traced for distances of up to several miles along strike and have widths that range up to 100 feet or more.

The epithermal veins have formed as open-space filling by a mixture of quartz, carbonate minerals and wallrock fragments and show evidence of multiple episodes of brecciation and re-cementation. Gold occurs as fine free grains or as electrum. Silver is found as argentite or in sulfosalts. Base metal sulfides including chalcopyrite, sphalerite and galena are common in certain deposits but rare in others. Gangue minerals usually consist of quartz, pyrite, calcite, barite and fluorite. Alteration of the volcanic country rocks adjacent to the veins commonly consists of sericitization, argillization and silicification.

The principal vein structure on the Summit silver-gold property is the Summit structure, which can be traced for 3,000 feet from southeast to northwest. The Billali structure forms a farther 2,000 foot continuation of the Summit structure in a northwesterly direction across an east-west fault. The Summit and Billali structures dip steeply to the northeast. These structures form segments of the East Camp Fault, which constitutes the main ore control in this part of the Steeple Rock district. The core drilling carried out from 1984-1992 tested both the Summit and Billali vein structures. Of the two, results from the Summit structure were the more promising with respect to vein continuity and economic potential.

The Summit mineralized vein occurs within a wide, structurally controlled zone of hydrothermally altered volcanic rocks. Silver and gold mineralization is epithermal in style and consists of silver sulfides and electrum or native gold along with lesser pyrite, sphalerite and chalcopyrite. Precious metals contents, which are relatively low at the surface, increase significantly with depth for several hundred feet, apparently a reflection of vertical mineral zoning within the deposit. Below 1,000-1,500 feet, the precious metals contents appear to decrease although little deeper drilling was carried out. The main block of mineralized material, which occurs along the footwall of the structure, has been shown by extensive drilling to trend northwesterly about 1,500 feet in strike length and to extend 1,000 feet down dip. The true width of mineralization across the footwall mineralized zone ranges from 6 feet to over 50 feet and averages 10-15 feet.

Ore Reserve

Chapman, Wood and Griswold, Inc. ("CWG"), an independent geological engineering firm, has carried out studies and reviews of the reserve/resource classification of Summit mineralization. In February 2010, CWG concluded that a portion of the mineralized material in the footwall zone can be classified as a Probable Reserve under the SEC's Industry Guide 7, sufficient for a mine life of five years at the planned rate of production, as follows:

	Probable Reserve (Footwall Zone)			
Tons	**Grade (oz/ton)[1]**		**Contained ounces**	
	Au	**Ag**	**Au**	**Ag**

Inplace, diluted[(2)(3)]	686,750	0.143	10.78	98,205	7,403,165
Minable @ 90% extraction	618,075	0.143	10.78	88,385	6,662,848
Ounces in conc. at 80% rec.				70,708	5,330,279

(1) Assays cut to 0.45 oz Au/t and 45.0 oz Ag/ton
(2) Diluted with 1.0 foot at grade on each wall. Minimum 6.0-foot horizontal width.
(3) Cutoff grade 0.16 oz Au equivalent per ton, using a 60:1 gold-silver price ratio and equivalent recoveries for gold and silver.

Mineralized Material

During the evaluation of the Summit Mine mineral resource base, CWG noted significant quantities of mineralized material that cannot be classified as Reserves, as follows:

		Tons	Grade (oz/ton)	
			Au	Ag
1.	Single-hole, isolated blocks within the footwall zone; inplace, diluted.	71,380	0.144	5.44
2.	Mineralization peripheral to the Probable Reserve in the footwall zone; inplace, diluted.	370,000	0.067	4.19
3.	Mineralization in a hangingwall section of the structure; inplace, undiluted at a 5-foot minimum horizontal width.	196,000	0.092	3.80

CWG stated this mineralized material has the potential to be upgraded to Reserve status following further definition by drilling and/or underground development.

Project Economic Estimate

At gold and silver prices of $1,000 and $16.67 respectively, and assuming 80% metallurgical recovery, in May 2011 CWG estimated Summit revenues over an initial five-year mine life would total approximately $144 million, and direct operating profit would total approximately $91 million. Direct operating costs were estimated as $84.50 per ton of ore milled or $364 per ounce of gold equivalent produced. The total capital cost to bring the mine into production was estimated as $18.5 million. The estimated capital cost is inclusive of mine development, mill construction, bonding requirements, and project management and working capital. CWG estimated the project could be brought into full production during 2011. Actual full tonnage production was achieved in Q2 of 2012.

Metallurgical Testing

Conventional processing including crushing, grinding and milling of Summit ore to produce a bulk sulfide flotation concentrate containing the recoverable precious metals was evaluated and tested at bench scale. Preliminary bench scale flotation tests indicated that a precious metals recovery of 80-86% with a concentration ratio of 70 to 1 would be reasonably achievable. Operating results to date at the Banner mill reflect relatively low recoveries due to processing of low grade development ore and of oxidized ores. Metallurgical testing and operational adjustments are underway that are anticipated to achieve improved operating results. Currently we are marketing the concentrate to a smelter, but believe that alternatively the concentrate could be treated to produce either a dore or pure gold and silver metal products, or could be marketed to a third-party precious metals processing operation for final extraction of gold and silver.

Processing for silica flux material requires only crushing and screening of the ore to yield a specified size fraction upgraded in silica content to meet smelter requirements. Along with the higher silica content, the precious metals content also is upgraded in the silica flux material. After crushing and screening, the crushed material that does not meet smelter specifications for silica flux is processed through the flotation plant.

Mineral Processing Equipment

With the purchase of Lordsburg Mining in May 2006, we acquired an inactive 400 ton-per-day flotation plant, including ball mill and ancillary equipment. Subsequently, in June 2008, we purchased crushing, screening and conveying equipment. In order to utilize the flotation plant for mineral processing, we transported it from its previous location near Winston, Sierra County, New Mexico, refurbished it as necessary and erected it at the Banner mill site in Hidalgo County. In addition to the processing equipment acquired in 2006, we also acquired and installed other necessary equipment.

Permits

With the purchase of Lordsburg Mining in 2006, we acquired existing operating permits for the Summit property and the Banner mill site. The New Mexico Mining and Minerals Division issued these permits to Lordsburg Mining pursuant to the New Mexico Mining Act. We modified and revised these permits as necessary in order to commence mining at the Summit mine and resume mineral processing operations at the Banner mill.

Permit No. GR001ME at the Summit mine allows operation of a “minimal impact mine”. As surface disturbance expands, it will be necessary to modify the permit and to post financial assurance for reclamation. Pursuant to the current permit, we are conducting underground mining operations.

Permit No. H1001RE at the Banner mill site is for an “existing mining operation” and authorizes us to conduct mining and reclamation operations according to the conditions stipulated in the permit. We have addressed all proposed mining disturbances under a closeout plan secured by financial assurance. We applied for and received modification and revision of the permit to allow resumption of flotation milling, construction of a tailings impoundment and discharge of tailings. We also have applied or will apply for other necessary permits, including air quality permits for the Banner mill and Summit mine.

Development Activities

In December 2007 we arranged for $13.5 million in capital for project development. We carried out construction activities in 2008 and 2009. Underground mine development is on-going. The Banner mill began processing operations in April 2010. The Summit mine achieved commercial production in Q2 of calendar 2012.

At the Summit mine, a seven hundred foot 12’ x 13’ decline ramp intersected the predicted mineralized body in February 2009. From that point, two development headings were driven in the main mineralized structure, one an incline to the southeast planned to intersect old workings and to serve as a secondary escape and a source of additional ventilation, and the other a decline to the northwest toward additional mineralized bodies identified in previous drilling. The southeastern heading achieved its objectives in October 2009. The northwestern heading encountered the southern extensions of the predicted mineralized bodies in August 2009. Other level drifts have been developed from the original northwest heading to develop stope panels. Over 12,400 feet of underground development has been accomplished and work is proceeding on several headings. Stope development and test mining of ore bodies has been carried out and an ore panel referred to as the S-1 stopewas developed for extraction by blasthole stoping. Blasthole drill levels were driven in this panel at vertical intervals of 50 feet at four elevations, with the objective of beginning blasthole stoping operations and ramping up production to the full production rate of

400 tons per day. Stoping commenced in November of 2011, and the production rate goal was achieved at the mine during Q2 of calendar 2012. Assays of mineralized bodies encountered to date show variable silver and gold values, with occasional very high grades encountered, as is to be expected from this style of epithermal mineralization. Mineralized material encountered in mine development activities is segregated at the mine and trucked to the Lordsburg mill site. Development operations are proceeding on the basis of two 10-hour shifts five days a week. Present operations are focused on accelerating access to higher grade portions of the mineral resource to the northwest and below the current development level.

At the Banner mill, processing operations commenced in April 2010. Commissioning of the mill proceeded satisfactorily. Sales of ore as silica flux and sales of precious metals flotation concentrates began in 2010. Ramp-up of mill throughput is taking place in conjunction with increased output from the Summit mine. The mill and flux output are expected to match the mine full tonnage production rate in Q3 of calendar 2012.

Operating Results

Ongoing development has resulted in increased production of mineralized material from the Summit mine. Monthly mine output reached the target full production level of 10,000 tons by the end of Q2 of calendar year 2012. Resulting materials processed through the Banner mill or shipped as smelter flux for fiscal year 2012 (July 2011 through June 2012) totaled 54,678.31 dry tons averaging 4.55 opt (ounces per ton) Ag and 0.080 opt Au. Approximately 45% of this production was derived from the S-1 and S-2 stoping areas, and the remainder came from development drifts in the S-1 and N-1 areas. This production is summarized below:

Material Destination	Dry Tons	opt Ag	opt Au
Asarco Smelter (Hayden AZ)	12,016	5.42	0.081
Freeport McMoran Smelter (Miami AZ)	12,605	4.45	0.081
Banner Mill (Lordsburg NM)	30,057	4.24	0.079
Total Production July 2011 thru June 2012	54,678	4.55	0.080

The Banner mill produces a flotation concentrate which during fiscal year 2012 was shipped to the Aurubis smelter in Germany. During the fiscal year, 181.2 tons of concentrate were sold to Aurubis with a total payable metal content (after smelter payment deductions) of 1,413 ounces of gold and 80,299 ounces of silver. The total flux shipments of 24,621 tons yielded 1,299 ounces of payable gold and 103,548 ounces of payable silver. Combined metal production was 2,712 ounces of payable gold and 183,847 ounces of payable silver.

Potential Expansion of Proposed Initial Operation

Establishment of the proposed mining operation at Summit potentially allows the Company to further expand the current base of mineralized material at the Summit deposit and to develop other properties in the Steeple Rock mining district. The Banner flotation mill at Lordsburg also might generate mining and processing opportunities from our ground holdings adjacent to the Banner mill site in the Lordsburg mining district and/or from surrounding mining districts, several of which historically have yielded substantial production of base and precious metals.

Ortiz Gold Project

Overview

In August 2004, Santa Fe acquired exclusive rights for exploration, development and mining of gold and other minerals on 57,267 acres (approximately 90 square miles) of the Ortiz Mine Grant in Santa Fe County, New Mexico. In November 2007, we relinquished 14,970 acres and retained under lease 42,297 acres (66 square miles).

In December 2005, using historical resources and pit designs, we received the results of an independent scoping study for the open pit mining of approximately 1.0 million ounces of gold from the Carache and Lucas gold deposits. The study assessed various processing options for development and provided estimations of capital and operating costs for each option. It also included an economic analysis complete with sensitivities on gold price, capital and operating costs. The report concluded that the financial results indicated a favorable gold project employing high pressure grinding rolls with gravity recovery and contract mining. The report also stated that considerable upside existed in estimations of mineralized material in both contained ounces and grade. We currently have not established proven or probable reserves on the Ortiz gold property. The historical mineral resources, pit designs and December 2005 scoping study are not compliant with SEC Guide 7 or Canadian NI 43-101. They should not be relied upon and Santa Fe does not treat them as current.

We plan to proceed with studies necessary to advance the Ortiz project. This work will include an assessment of the historical resources that were calculated from previous drilling, metallurgical testing and design of conceptual open pits for the Carache and Lucas deposits. This work will form the basis for further evaluation of mining and processing options and a preliminary economic assessment. We also intend to begin an assessment of permitting and environmental issues, which would be important for any mining development.

Location and Access

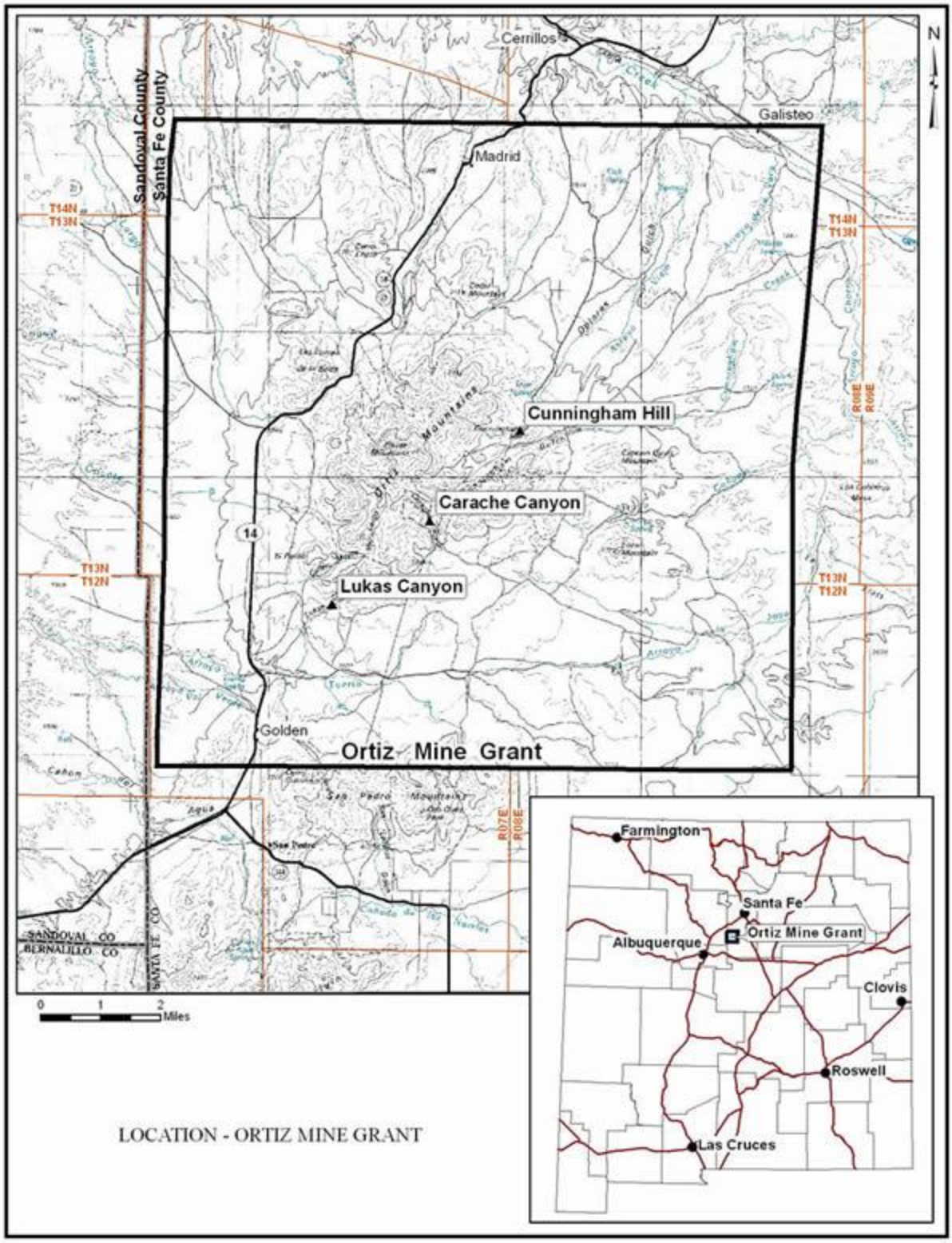
The Ortiz Mine Grant, over which we hold a lease on the mineral estate underlying 42,297 acres (66 square miles) of segregated surface estate, is located 30 miles by road northeast of Albuquerque, in Townships 12, 13 and 14 North, Ranges 7 and 8 East, N.M.P.M., Santa Fe County, New Mexico. The villages of Golden, Madrid and Cerrillos, with a combined population of less than 1,000 people, lie in and adjacent to the Grant. Paved New Mexico Highway 14 traverses the western portion of the Grant. The main line of the Santa Fe Railway crosses the northeast corner of the Grant. A network of unimproved ranch roads provides access to the various land holdings. High-voltage electric power lines cross the southern part of the Grant.

Terrain in the Grant is hilly to mountainous, with elevations ranging from 6,000 feet in the valleys to nearly 9,000 feet in the Ortiz Mountains. Annual participation averages 12 inches. Vegetation is sparse but varied as is typical of the high deserts of the Southwest.

The Grant is largely undeveloped and population is sparse. The land is utilized mainly for cattle grazing. Other activities include limited subdivision development in the northern part of the Grant, and mine reclamation work at the former Gold Field Ortiz (Cunningham Hill) mine site.

Figure X.2

Claim Boundary Map



LOCATION - ORTIZ MINE GRANT

Mineral Title

On August 1, 2004, we entered into an option and lease agreement with Ortiz Mines, Inc. ("Ortiz Mines"), a New Mexico corporation, whereby we acquired exclusive rights for exploration, development and mining of gold, silver, copper and other minerals on 57,267 acres (approximately 90 square miles) of the Ortiz Mine Grant in Santa Fe County, New Mexico. In November 2007, we relinquished 14,970 acres and retained under lease 42,297 acres (66 square miles). We paid an initial sum of $20,000 for a six-month option, and on February 1, 2005, paid the additional sum of $30,000 in order to exercise the option and enter into the lease and also to satisfy the obligation of the first year's lease payment. Since February 1, 2006, we have paid annual lease payments, the last payment of $130,000 in January 2012 satisfying the lease payment through January 31, 2013.

On May 1, 2010, we agreed with Ortiz Mines, Inc., to amend the terms of the lease. Under the amended terms, the lease provides for an extension of the initial term from seven to ten years (17 years in certain circumstances), continuing year-to-year thereafter for so long as we are producing gold or other leased minerals in commercial quantities and otherwise are performing our obligations under the lease. Among other terms, the amended lease provides for annual lease payments of $130,000; a sliding-scale production royalty varying from 3% to 5% depending on the price of gold; the requirement that we comply with governmental permitting and other regulations; and other terms common in mining leases of this type. The Ortiz gold project is subject to a property identification agreement between us and our President and Chief Executive Officer. *See* **Item 13. " Certain Relationships and Related Transactions"**.

On August 31, 2011, the Company filed a Complaint in the United States District Court for the District of New Mexico against Ortiz Mines, Inc., in connection with Ortiz Mines purported termination of the Company's exclusive leasehold rights to explore, develop and mine gold, silver, copper and other minerals on the Ortiz Mine Grant in Santa Fe County, New Mexico. On May 22, 2012, the parties settled the litigation between them. The settlement agreement confirmed the continuation of Santa Fe's exclusive leasehold rights. In connection with the settlement, we agreed, subject to certain qualifications, to expend at least $500,000 by November 22, 2012, and a total of $1,000,000 by May 22, 2013, on work programs in support of project development.

History of Mining and Exploration

Prospecting and mining of gold and silver in the Ortiz area dates to the arrival of the first European (Spanish) settlers in 1598. Significant gold production from Ortiz placers dates to 1821. By 1832 several veins and low-grade gold deposits had been discovered. In 1833 the Ortiz Land Grant, an area about 10.7 miles square centered on the Ortiz gold vein, was registered and possession given by the First Alcade of the City of Santa Fe. By the early 1840's, mining at the small underground Ortiz Mine had ceased. In the late 1800's and early 1900's, sporadic attempts at commercial mining of lode and placer gold deposits were unsuccessful due to lack of water and/or low grades. Total pre-1980 mine production has been estimated as about 100,000 ounces of gold.

The entire Grant was validated by the United States in 1860 under the terms of the Treaty of Guadalupe Hidalgo. The owners received fee simple title to the surface and minerals and the area became known as the Ortiz Mine Grant. Subsequently the Grant changed hands and the surface was sold subject to reservation of the mineral estate. In 1959 the mineral-interest owners and associates formed Ortiz Mines, Inc. for the purpose of promoting and marketing the mineral estate.

In 1973, Consolidated Gold Fields leased the eastern portion of the Grant from Ortiz Mines, Inc. and developed and mined the Cunningham Hill deposit (Ortiz Mine). In the period 1980-1986, Gold Fields produced approximately 250,000 ounces of gold from an open-pit, heap-leach operation.

From 1972 through the early 1990's, several companies operating under lease with Ortiz Mines, Inc. carried out exploration and pre-development activities in the western portion of the Grant. These companies included Conoco, Inc., LAC Minerals (USA), Inc. and the LAC-Pegasus Joint Venture. Expenditures by these groups are

estimated to have exceeded $40 million. Drilling resulted in the identification of gold mineralization in several deposits.

The LAC-Pegasus Joint Venture carried out the majority of the work in the western portion of the Grant, from 1989-1992. The Joint Venture focused on gold mineralization in two deposits in the southwestern part of the Grant, namely the Carache Canyon ("Carache") and Lucas Canyon ("Lucas") deposits. These two deposits were the subject of 386,000 feet of core and reverse-circulation drilling, metallurgical testing and pre-feasibility studies carried out by the LAC-Pegasus Joint Venture and by consulting firms and contractors engaged by the Joint Venture.

Independent Mining Consultants, Inc. ("IMC"), an independent geological engineering firm, was engaged by the LAC-Pegasus Joint Venture to audit estimations of the quantities and grades of in-place resources at the Carache and Lucas deposits and to prepare conceptual open pit mine plans. In 1992, IMC estimated the Carache gold deposit, within the boundaries of a conceptual open pit, to contain a resource of 11.8 million tons grading 0.060 ounces of gold per ton, with a waste-to-ore stripping ratio of 8.3:1. IMC estimated the Lucas gold deposit, within the boundaries of a conceptual open pit, to contain a resource of 7.6 million tons grading 0.043 ounces of gold per ton and 0.22% copper, with a stripping ratio of 2.2:1. The historical figures presented herein are not NI 43-101 compliant. They should not be relied upon and Santa Fe Gold does not treat them as current mineral resources or mineral reserves as defined in sections 1.2 and 1.3 of NI 43-101. Santa Fe has reviewed the reports describing the historical work conducted and believes the work to have been carried out in a professional manner and to be both relevant and reliable, however has not independently verified the work and a qualified person has not done sufficient work to classify the historical estimate as current mineral resources or mineral reserves. IMC classified the majority of the resources in the two pits as "Proven and Probable", using indicator kriging as the estimation method, and the remaining as "Possible", using polygonal calculation. Santa Fe believes IMC's resource classifications of "Proven and Probable" and "Possible" correspond approximately to the NI 43-101 section 1.2 resource definitions of "Measured and Indicated" and "Inferred", respectively.

Under SEC Guideline 7, proven and probable reserves have not been established on the Ortiz deposits. All of the mineralization described above should be referred to as "mineralized material".

In 1989, the LAC-Pegasus Joint Venture started a decline adit into the Carache deposit for the purpose of bulk sampling and to provide drilling access for shallow and deep exploration targets. However, after advancing 1719 feet the decline was halted due to a temporary water inflow coupled with regulatory issues. In the face of a declining gold price, mining development of the Carache or Lucas deposits did not proceed, and the project ultimately was cancelled and the lease returned to Ortiz Mines, Inc. Subsequently, no additional exploration was carried out and the property remained dormant until we leased it in August 2004.

Geology and Mineralization

The Ortiz Mine Grant is underlain by mid-Tertiary monzonite and latite porphyry stocks, plugs, dikes and sills that have intruded Paleozoic to early-Tertiary sedimentary rocks. The intrusive rocks are part of the Ortiz Porphyry Belt, which comprises from north to south, the Cerrillos Hills, the Ortiz Mountains, the San Pedro Mountains, and South Mountain. Structurally, the Grant straddles the Tijeras-Canoncito fault system, a northeast trending zone of fault-bounded horsts and grabens. This fault zone is a segment of a deep-seated crustal break that has been active intermittently since Precambrian time and has provided a zone of weakness for the emplacement of granitic magmas and associated mineralization. Late-stage volcanism resulted in the formation of breccia pipes and zones of intense fracturing that provided access for hydrothermal fluids carrying gold, silver, tungsten, molybdenum and base metals.

The Ortiz Porphyry Belt exhibits a number of styles of mineralization that occur in a variety of geologic settings:

- Gold-tungsten mineralization in a breccia pipe at Cunningham Hill adjacent to a volcanic vent, the Ortiz diatreme.
- Gold mineralization associated with a collapse breccia at Carache Canyon.
- Copper and gold disseminated in stockworks and fractures in monzonite at the Cunningham Gulch (gold) and Cerrillos (copper-gold) deposits (bulk tonnage low-grade "porphyry"-type deposits).
- Copper – gold skarns in calcareous rocks at Lucas Canyon and San Pedro.
- Lead – zinc – silver veins at the Cash Entry and other old mines north of Cerrillos.
- Lead – zinc – silver pipe-like mantos in limestone at the Carnahan mine, San Pedro area.

- Molybdenite in stockworks and fractures in the San Lazarus monzonite stock, San Pedro area.
- Placer gold deposits on Cunningham Mesa, on the northern pediment of the San Pedro Mountains, and in most of the arroyos draining the Ortiz and San Pedro Mountains.

At the Carache gold deposit, relatively coarse-grained free gold is contained in open space fractures developed in four gently dipping andesite porphyry sills and a sandstone unit around the collapsed margins of a breccia pipe. At the Lucas gold-copper deposit, mineralization occurs in garnet skarn developed in a limestone unit, the outcropping portion of which forms a dip slope at the surface.

Scoping Study of the Carache and Lucas Gold Deposits

In October 2005, we commissioned Mineral Advisory Group, LLC ("MAG") of Tucson, Arizona, an independent geological engineering firm, to carry out an engineering review and scoping study of the Carache and Lucas gold deposits, utilizing as a technical base the information generated by the LAC-Pegasus Joint Venture in 1989-1991. MAG's study, which was completed in December 2005, assessed various processing options for development and provided estimations of capital and operating costs for each option. It also included an economic analysis complete with sensitivities on gold price, capital and operating costs.

The MAG report was prepared in accordance with different standards than those prescribed by rules of the SEC. The SEC only permits the disclosure of proven or probable reserves, which in turn, require the preparation of a feasibility study demonstrating the economic feasibility of mining and processing the mineralized material. We have not received a feasibility study with regard to our Ortiz property. We currently have not established proven or probable reserves on the Ortiz property.

The processing options MAG analyzed included heap leaching, ball milling/gravity concentration, and high pressure grinding rolls/gravity concentration ("HPGR option"). The optimum processing route was identified as the HPGR option. The HPGR option was estimated to be able to achieve gold recovery employing simple gravity concentration while minimizing capital and operating costs. As compared to heap leaching (the processing route previously advanced by the LAC-Pegasus Joint Venture), the HPGR option also potentially would have advantages with respect to environmental disturbance and permitting in that the area of surface disturbance would be smaller, chemicals would not be required in processing and there would be less water usage.

Based on pre-1990 drilling estimations by the LAC-Pegasus Joint Venture, mineralized material from the two deposits totals 29.1 million tons averaging 0.035 ounces of gold per ton at a cut-off grade of 0.01 ounces per ton, within the boundaries of two conceptual pits previously designed by the LAC-Pegasus Joint Venture. MAG's scoping study assumed this material would be mined at the rate of 3 million tons per year. The average stripping ratio (waste-to-mineralized material) was calculated as 2.6: 1.

MAG's report concluded, "The financial conclusions drawn from this study indicate a very favorable project employing High Pressure Grinding Rolls with gravity recovery and contract mining." The report also stated that

upside exists in estimations of mineralized material in both contained ounces of gold and grade, as had been concluded previously by the LAC-Pegasus Joint Venture.

The historical resource figures presented herein and the MAG December 2005 Scoping Study are not NI 43-101 compliant. They should not be relied upon and Santa Fe does not treat the resources as current mineral resources or mineral reserves as defined in sections 1.2 and 1.3 of NI 43-101. Santa Fe Gold has reviewed the reports describing the historical work conducted and believes the work to have been carried out in a professional manner, however the LAC-Pegasus Joint Venture calculated resources using a polygonal method and results show significantly lower grades as compared to those in IMC's study described above, which employed indicator kriging. As the IMC methodology may provide more accurate resource estimations, the LAC-Pegasus Joint Venture estimate may not be relevant or reliable. Santa Fe Gold has not independently verified the work and a qualified person has not done sufficient work to classify the historical estimate as current mineral resources or mineral reserves. The LAC-Pegasus Joint Venture classified the majority of the resources in the two pits as "Proven and Probable", and the remaining as "Possible", using a polygonal method. Santa Fe believes the resource classifications of "Proven and Probable" and "Possible" correspond approximately to the NI 43-101 section 1.2 resource definition of "Measured and Indicated" and "Inferred", respectively.

Under SEC Guideline 7, proven and probable reserves have not been established on the Ortiz deposits. All of the mineralization described above should be referred to as "mineralized material".

Permitting

Mining and processing operations at the Ortiz gold property would require permits from the state and federal governments and also would be subject to county regulations. We have not applied for or obtained such permits, which require the completion of additional technical, environmental and other work. We may be unable to obtain such 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 such permits, any timetable and business plan for development and mining of the Ortiz gold property could be adversely affected.

Work Program

Over the next 12 months, we plan to conduct additional studies necessary to advance the Ortiz project. The work planned includes carrying out a NI43-101 report and preliminary economic assessment of the Carache and Lucas gold deposits. The study will include bringing current the historical resources from previous drilling, additional metallurgical testing, and redesign of open pits. We plan also to proceed with surface access agreements and to begin baseline environmental surveys. Results from these studies will form the basis for further evaluation of development options. We expect this work to form a sound basis upon which to formulate plans and budgets for advancement of the Carache and Lucas gold deposits.

We also plan to continue evaluation of the large 66 square mile area under lease for its exploration potential for new discoveries of gold and copper deposits. In this regard, we will continue to utilize the large quantity of existing geological, geochemical, geophysical and drilling data.

We have budgeted $1,000,000 for the work to be carried out over the next 12 months which is included in our 12 month and 36 month capital requirements listed in ITEM 7.

Black Canyon Mica Project

Overview

Santa Fe acquired the Black Canyon mica project in 1999 and spent $15 million in establishing mining and processing facilities at the mine site north of Phoenix, Arizona, and at a separate processing plant in Glendale, Arizona. In 2002, we commissioned the processing facilities at the mine site and in Glendale, operated for several months on a test basis and achieved limited production and commercial sales. However, design capacity of the processing facilities was not achieved due to undercapitalization. In November 2002, after unsuccessful attempts to raise the additional capital necessary to expand plant capacity in order to reach design capacity and to provide working capital, we suspended crushing and concentrating activities at the Black Canyon mica mine. After the suspension of operations, limited production, marketing and sales continued through 2005 at the Glendale mica processing facility using inventoried mica. Subsequently, we removed the processing equipment from the Glendale plant and Black Canyon mine and placed it into storage.

While it operated on a test basis in 2002, the project achieved limited production and commercial sales. The operation was successful in achieving two important objectives. First, it demonstrated the facilities were capable of producing the planned range of products. Second, it validated the high quality and market acceptability of the two main product lines, namely high-end wet-ground mica, targeted for high value applications in the plastics and cosmetic industries; and feldspathic sand, targeted for the Phoenix construction and recreational markets.

In 2003-2005, Santa Fe sold, from inventory, limited quantities of its engineered mica-filled plastic pellets and mica powders to a number of companies, including Dupont Canada and Revlon. The commercial orders to Dupont followed a program of testing and product development conducted jointly with Dupont. Dupont used Santa Fe Gold's plastic pellets in its own formulations to produce plastic end products that it supplied to the automotive industry. Santa Fe Gold also supplied its high quality mica powder to the cosmetic industry through distributors, with Revlon as one of the important customers.

In 2003, we sold our entire inventory of feldspathic sand to customers in the Phoenix area.

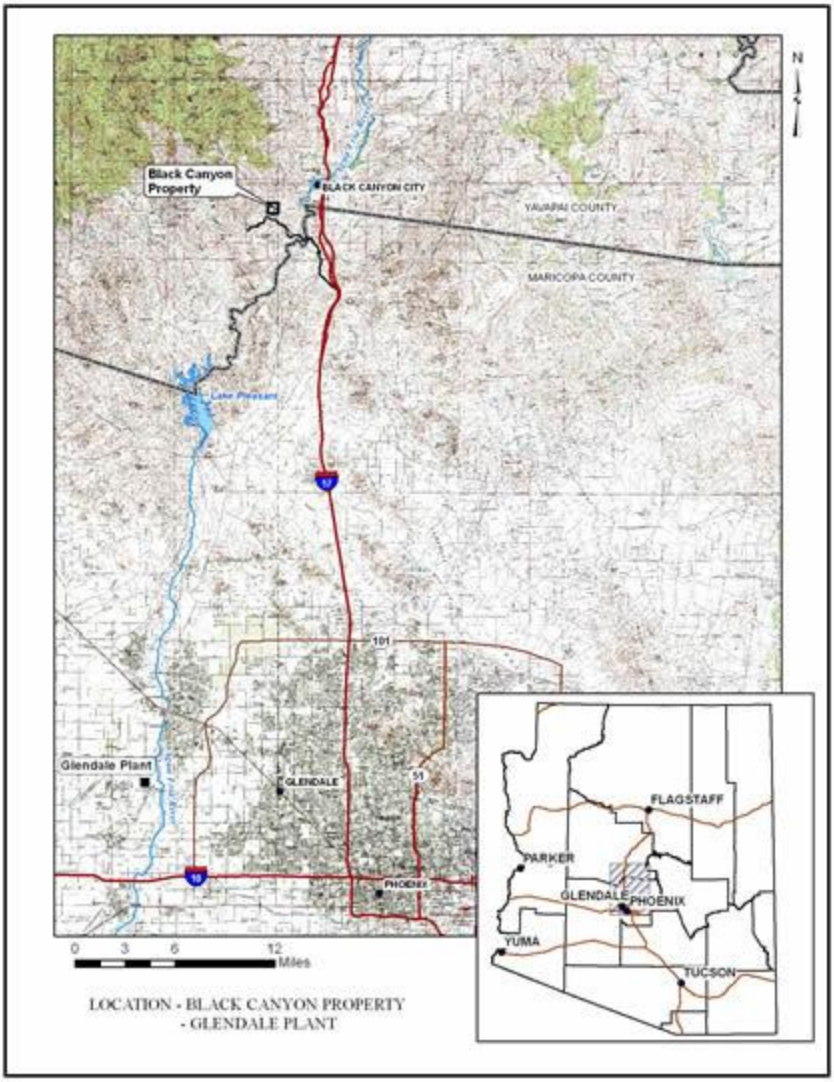
Santa Fe is seeking a joint venture partner to contribute new funding in the amount of $10.0 million to reinstall the mica processing equipment at a new location, to upgrade and expand the mining facilities in order to reach planned capacity and to provide working capital. These expansions are required in order to achieve the higher throughput necessary for sustained economic operation.

Location and Access

The Black Canyon mine is located 30 miles north of Phoenix, Arizona, and 3.5 miles west-southwest of Black Canyon City. It can be reached via U.S. Interstate 17, which connects Phoenix with Flagstaff, and by a connecting dirt road for the last eight miles. The Glendale processing plant was located in an industrial area on the west side of Phoenix, Arizona, 47 miles to the south of the mine site.

Figure X.3

Claim Boundary Map



LOCATION - BLACK CANYON PROPERTY - GLENDALE PLANT

Mineral Title

Our property holdings at and around the Black Canyon mine consist of 67 federal unpatented mining claims in Yavapai County, Arizona and 9 federal unpatented mill site claims in Maricopa County, Arizona, which in total cover approximately 1,385 acres. The claims are located on public land and held pursuant to the General Mining Law of 1872. We fully own the mining rights and believe the claims are in good standing in accordance with the mining laws of the United States.

In order to maintain our claims in good standing, we must pay annual assessment fees to the Bureau of Land Management and record the payment of rental fees with Yavapai and Maricopa Counties. Annual assessment and recording costs total approximately $11,000. We have paid the required fees for the 2012 and 2013 assessment years (September 1, 2011 through August 31, 2013).

Mining and Processing Facilities

The Black Canyon project formerly consisted of two integrated operating facilities. The mine site west-southwest of Black Canyon City contains the mineralized material. The crusher, the concentrator and the feldspathic sand plant were located at the mine site. These facilities depended on diesel generators for power. Our plans called for mining to be carried out by conventional open pit methods. The mineralized material would be trucked from the pit and delivered to a nearby stockpile located adjacent to the crusher and concentrator. Mica flakes would be separated from the pegmatite host rock in a process that involves multi-stage crushing and screening to -3/16" size. Mica would be concentrated from the crushed material utilizing air classifiers. The resulting concentrate, containing 95% mica, would be trucked to the processing plant for further processing.

In the mica concentrating process at the mine site, the majority of the crushed host rock, which otherwise would be discarded as waste, would be converted into feldspathic sand for sale into the local Phoenix market. Processing of the feldspathic sand would involve screening and magnetic separation to yield sand fractions of various sizes. The sand products would be either bagged for shipment or trucked in bulk to customers.

During 2002-2004, we processed mica concentrate at the 5-acre Glendale plant and office site on the west side of Phoenix. The processing was designed to achieve the desired product sizes and meet the quality requirements of the market place. The plant was housed in an 18,000 square foot steel framed building, where equipment was installed for wet grinding, dewatering, drying, and air classification and bagging. The final products were placed into 50-pound bags or into 1000-pound supersacks ready for shipment to customers.

Permits

In 1999, we obtained approval for the Black Canyon Plan of Operations from the Bureau of Land Management and the State of Arizona. An Environmental Assessment, Clean Water Act Permit and Air Quality Procedures were all approved. An Aquifer Protection Permit was not required because processing operations at the mine site did not propose the use of water. We have completed reclamation of the mining site as required under the Plan of Operations. Any redevelopment of the Black Canyon project would require repermitting.

Geology and Mineralization

The mica deposits occur as pegmatite dikes cutting Precambrian schist and granite. These dikes are steeply dipping tabular bodies, continuous along strike and with depth. The main pegmatite dikes are hosted by the schist and have a northeasterly trend parallel to the structural grain of the schist. Because the light colored pegmatite dikes are more resistant to weathering than is the enclosing schist, the dikes stand out at the surface as elongated light colored ridges relatively easy to discern and to map geologically.

In the area of the drilled mineralization, a concentration of pegmatite occurs as a dike swarm and as massive irregular bodies of pegmatite. An associated major structure, the Central Pit fault, appears to have created a zone of dilation that provided open space for intrusion of the pegmatite. Drilling has identified seven individual dikes that range from approximately 4 feet to over 20 feet in thickness. At the surface, massive pegmatite crops out over a width exceeding 50 feet.

The minerals of potential economic value are all found associated with the pegmatite dikes, and consist of muscovite mica, feldspar and silica. Muscovite mica, the principal commodity, constitutes a major accessory mineral of the pegmatite dikes and is ubiquitous in the pegmatite. Based on visual estimates of drill core, the content of muscovite in the pegmatite ranges from 5% to 35%. The muscovite is light to whitish green in color and occurs as discrete, coarse-grained inclusions as well as fine-grained disseminations in the pegmatite. Feldspar and silica, by-products of the proposed mining operation, make up most of the remaining component minerals of the pegmatite on about a 1:1 ratio.

Estimation of Mineralized Material

In 1998 and 1999, we drilled 41 inclined core holes and collected 59 samples of pegmatite exposed on the surface, at two central locations. The drill holes and surface samples were spaced approximately 50 feet apart. The holes ranged from 200 to 600 feet in length, and drilling totaled 13,070 feet. The drilling covered only a small portion of the zones of outcropping mica-bearing rocks mapped on our mining claims.

Mintec Inc., an independent geological engineering firm, analyzed our drilling and sampling results, designed the mining plan and calculated an estimation of mineralized material. In-place mineralized material for the pit design was calculated as 2,399,500 tons of material grading 7.54% mica and 1,527,200 tons of additional material grading 7.37% mica, for total mineralized material of 3,926,680 tons grading 7.48% mica, at a cutoff grade of 2.47% mica. Approximately 60% of the mica contained in this mineralized material is expected to be recoverable after losses due to mining and beneficiation.

Mica

Our mineralized material contains high quality muscovite or “white mica”. Mica is a mineral characterized by crystals that can be easily split into thin elastic sheets and is valued for its unique combination of chemical, physical, electrical, thermal and mechanical properties. Muscovite exhibits perfect cleavage, flexibility and elasticity, infusibility, low thermal and electrical conductivity, high dielectric strength, light weight, good insulating characteristics, and is stable when exposed to moisture, light and high temperatures. Because of these properties, muscovite has found widespread application in plastics, automotive coatings, cosmetics, paints, catalysis and composite formulations. We believe, once adequate financing is obtained, that the project has the potential to produce 10,000 tons (20 million pounds) annually of premium wet-ground mica. For the project to be successful, we would need to penetrate existing markets and to establish our own markets in plastics, cosmetics and ultra-micronized applications.

Feldspathic Sand

Our feldspathic sand was produced as a by-product of mica concentration and was screened and sized for sale into the Phoenix construction and recreational markets. Products included golf course bunker sand and sand used in stucco, mortar and other specialized construction applications. The project is designed to produce 180,000 tons of feldspathic sand products annually. The demand for manufactured sand in the Phoenix construction market has decreased significantly in recent years because of the collapse in the housing market.

Sand producers in California and Nevada supply sand to the Phoenix manufactured sand market. Because the material has to be trucked long distances in order to reach Phoenix, trucking costs are significant and constitute a substantial proportion of the final selling price. The location of our Black Canyon mine only 30 miles from Phoenix may provide a transportation cost advantage over competitors who import sand into Arizona.

Work Program

Over the next 12 months, we plan to seek a joint venture partner to contribute the estimated $10.0 million in new funding necessary to advance the Black Canyon mica project to full production. The new funding would be used to fund an updated feasibility study, re-establish crushing and concentrating facilities at the Black Canyon mine, install the mica processing equipment at a new location and upgrade and expand the mining and processing facilities in order to reach planned capacity and to provide working capital. These expansions are required in order to achieve the higher throughput necessary for sustained economic operation. As an alternative to arranging the $10.0 million of new funding required for production, we are seeking to divest of the project.

Planet Micaceous Iron Oxide ("MIO") Project

Overview

In 2002, Santa Fe leased the Planet property for its potential to produce micaceous iron oxide ("MIO"). In August 2008, we exercised our option to purchase the property. The Planet property consists of thirty-one patented mining claims totaling 523 acres located in western Arizona.

MIO is an uncommon flake-like form of crystalline hematite (Fe2O3) valued for the anti-corrosive properties it contributes to coatings formulated to protect structural steelwork. MIO is an increasingly recognized eco-friendly base pigment used in coating systems on many of the world's largest bridges, oil rigs, production platforms, transmission towers, pipelines, industrial plants and superstructures.

Results of work to date indicate the Planet property contains a MIO deposit, one of the largest deposits of its kind in the world and unique to North America. The deposit appears to have the characteristics necessary to produce MIO from open pit mining at a relatively low production cost as compared to commercial operations currently in production. Metallurgical work suggests that a high quality MIO product may be able to be successfully produced. As is characteristic of industrial mineral operations, marketing would play a critical role in the success of any new MIO operation and is identified as an important factor for successful development.

We plan to continue pre-feasibility assessment of the Planet project.

Location and Access

The Planet property is located in the northwest corner of La Paz County, west central Arizona. It lies just south of the Bill Williams River twelve miles above its junction with the Colorado River. The property is reached by road, either via the Swansea gravel road, twenty-eight miles north from the town of Bouse; or via the Osborne Well paved and gravel road, twenty-five miles east from the town of Parker.

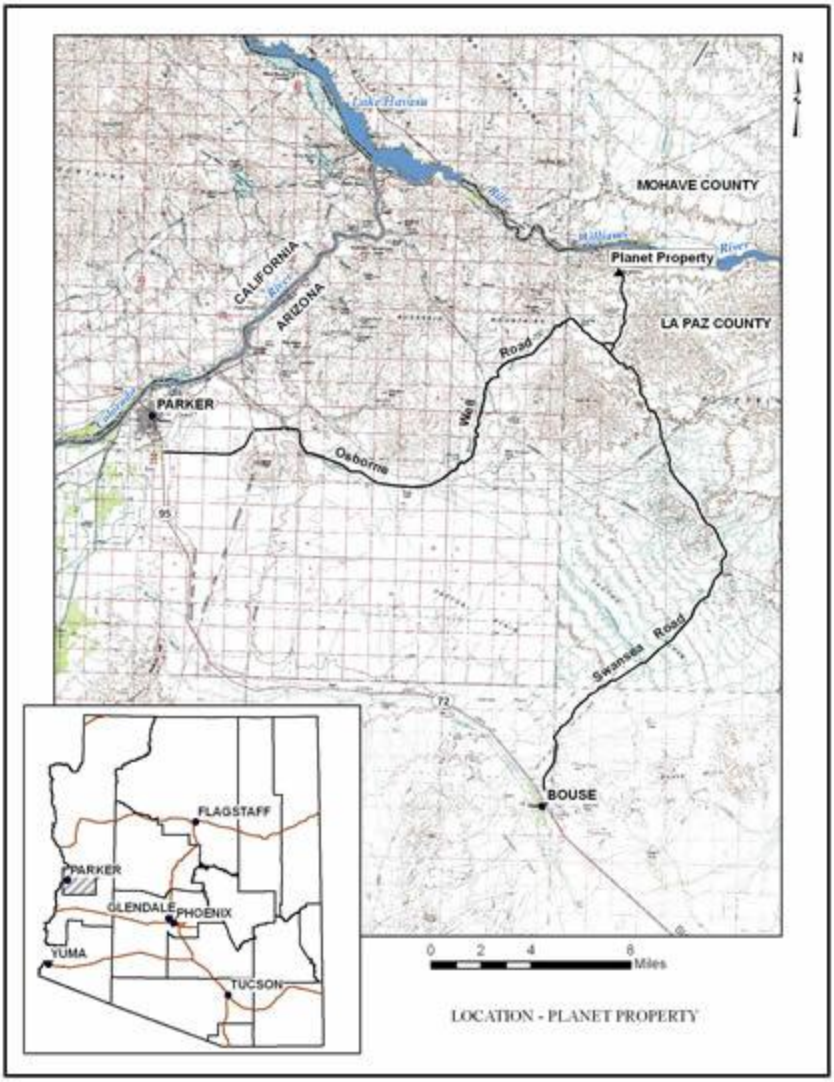
The topography of the property is rugged, with hills 100 to 500 feet high cut by numerous steep-sided canyons. Average elevation is 800 feet. The desert climate is typical of western Arizona, hot and dry in summer but mild in winter. Vegetation is sparse and confined mainly to the bottoms of the larger drainages.

The project is well served by existing infrastructure for both construction and operation. All-weather roads connect the Planet property to the town of Parker, situated on the Colorado River with a population of about 4,000. Highways connect Parker to two east-west interstate trucking routes, I-10 and I-40, respectively 35 miles to the south and 60 miles to the north. Parker also is served by the Arizona & California Railroad, which is part of the national rail system.

Electric power, water and other infrastructure are readily available at industrial sites in Parker. Fabrication and construction services, and a wide range of commercial and support services also are available in Parker and other nearby communities. The labor force required for a plant operation could be sourced locally.

Figure X.4

Claim Boundary Map



Mineral Title

The property consists of thirty-one patented mining claims totaling 523 acres, comprising an area 3,600 feet wide by 8,000 feet long. We leased the property, with an option to purchase, in September 2000 from the underlying owner, New Planet Copper Mining Company, for its potential to produce MIO. In 2008, in settlement of a dispute with the owner, we agreed to exercise our option to purchase the property for the purchase price of $250,000. We paid an initial purchase payment of $50,000 in 2008 and payments of principal and interest of $63,094 each in 2009, 2010 and 2011. One payment of $63,094 remains to be paid in 2012. There also is provision for a 5% royalty to be paid on any future production.

History of Mining and Exploration

The Planet deposit was worked for its copper value from 1863 until l884, and then intermittently through the early 1900's. Several shafts were sunk and 8,000 feet of underground workings were developed. High-grade copper

ore was extracted and shipped to Swansea, Wales, and to San Francisco. The last mining activity took place between 1915 and 1918 when all remaining high-grade ore was mined and shipped. In total, the property produced approximately 50,000 tons of ore grading 10% copper.

Between 1942 and 1944, the U. S. Bureau of Mines investigated the quantity and quality of mineralized material containing iron oxide at the Planet deposit. This work was conducted as part of the wartime evaluation of potential domestic sources of strategic minerals, including sources of iron ore for the steel industry. The Bureau carried out geologic mapping and sampling, and conducted drilling programs utilizing both churn and diamond drilling methods. The information that resulted from this work was compiled and recorded in Report of Investigations 3982, "Exploration of the New Planet Iron Deposit". We believe that the information is reliable and of good quality. In 1945, it was used by the Bureau to calculate the tonnage and grade of mineralized material containing iron oxide at the Planet deposit.

Work Completed

Work completed since acquisition of the project includes recovery and surveying of the U. S. Bureau of Mines drill holes from 1942-1944; aerial photography and production of orthophotographs and topographic base maps; compilation of a comprehensive digital database and construction of a computerized block model incorporating all geological, geochemical and assay data; estimations of tonnage and grades of mineralized material containing iron oxide; design of conceptual open pits; preliminary metallurgical testing of MIO material; studies of MIO markets; and conduct of scoping studies to assess the project's potential for production.

Geology and Mineralization

At the Planet deposit, MIO deposits associated with a mid-Tertiary, flat-lying, regional detachment fault are found in the Triassic Buckskin Formation. Rocks in the upper plate above the fault are composed of schist, limestone, hydrothermal carbonate and quartzite. Lower-plate rocks are gneisses. The upper and lower plates are separated by fault breccias up to 60 feet thick. The main mineralized bodies at the Planet deposit are found in the lower part of the upper plate, adjacent to and above the detachment fault. They occur as tabular replacements of hydrothermal carbonate, limestone and schist. The overall trend of the mineralized bodies is north fifty-five degrees east, and the plunge is eight to nine degrees to the southwest. Individual bodies dip ten to twenty degrees to the northwest.

The mineralized bodies form discontinuous lenses, irregular bodies and veins that individually are as much as 700 feet long, 250 feet wide, and 50 feet thick. Mineralized material consists dominantly of specularite and massive hematite with some limonite, malachite, azurite, chrysocolla, and minor pyrite, chalcopyrite, bornite, gold, and silver. Associated minerals include quartz and calcite. The mineralized material is silicified and very hard at the surface and to a depth of ten feet, but underground it is soft and powdery.

The U. S. Bureau of Mines and Santa Fe each estimated the quantities and grades of mineralized material containing iron oxide at the Planet deposit. In 1945, the Bureau of Mines estimated the deposit contained 1.4 million tons averaging 60 percent iron (85.8% Fe_2O_3). The Bureau based this estimation on work it had carried out during 1942-1944, including drilling of twelve churn holes aggregating 3,742 feet, and ten diamond holes totaling 569 feet; and mapping, surveying, and sampling of surface outcrops and underground workings.

Our new, more detailed estimations employed computerized analytical methods and construction of a block model. We estimated that a total of 1.4 million tons of mineralized material grading 44.4% iron would be contained in three conceptually designed open pits. In carrying out our study, we compiled a comprehensive digital database incorporating relevant information from all sources. The database relied heavily on the information available from the Bureau of Mines, including geologic and assay data from drill holes, and results of surface and underground

channel sampling. The database contained new survey information that tied the locations of drill holes and underground workings to accurate topographic maps generated from aerial photographs.

The SEC only permits the disclosure of proven or probable reserves, which in turn, require the preparation of a feasibility study demonstrating the economic feasibility of mining and processing the mineralized material. We have not received a feasibility study with regard to our Planet property. We currently have not established proven or probable reserves on the Planet property.

Conceptual Mining and Processing Plan

As presently conceived, the Planet mining and processing operation would involve open-pit mining of MIO mineralized material, primary crushing of the material at the mine site, and trucking of the crushed material twenty-five miles to a processing plant to be located at an industrial site near Parker. At the plant site, metallurgical processing would be straightforward, and based on results from preliminarily metallurgical testing, would include grinding, classification, selective flotation or other method of separating the MIO, and filtration and drying to yield recovery of MIO and red iron oxide, a secondary product. A stockpile of mineralized material sufficient for plant operation would be maintained at the plant site. Because only small tonnages of material would need to be mined during the early years of operation, we believe mining and related activities would be carried out most efficiently on a periodic, campaign basis utilizing outside contractors. The project is well situated with respect to development infrastructure and transportation networks. MIO mineralized material is non-toxic and we see no significant environmental issues that would hinder development.

Micaceous Iron Oxide

MIO is an uncommon flake-like form of crystalline hematite (Fe2O3) valued for the anti-corrosive properties it contributes to coatings formulated to protect structural steelwork. MIO improves UV stability, adhesion, surface tolerance and abrasion resistance, and significantly increases coating life. It also has the advantage of being non-toxic to the environment. In Europe and Asia, MIO is the most important barrier pigment used to protect structural steelwork from corrosion. For many years it has been employed with outstanding success on bridges, oilrigs, transmission towers, pipelines, storage tanks, industrial plants and structural steelwork of all descriptions. The Eiffel Tower and Sydney Harbor Bridge are two examples.

Based on limited available market data, world production of MIO is estimated to be 20,000-30,000 tons (40-60 million lbs) annually, of which Europe and Asia consume over eighty percent. Prices are quoted in the range $0.40 -$.60 per pound for top quality material. Commercial deposits of high quality MIO are geologically rare. One supplier from underground mines in Austria has dominated the world market for many years; however, production from that source has been declining. Elsewhere around the world, production comes from only a handful of suppliers, operating on a small scale and, we believe, at high production costs.

The United States uses only a relatively small amount of MIO pigment as compared to other regions of the world. Lack of a domestic source of MIO has forced U. S. paint manufacturers to depend on imports and has restricted market expansion for MIO. The Planet project, if developed, would establish a domestic source of MIO pigment.

Historically, domestic paint manufactures have used zinc, rather than MIO, in anti-corrosion coatings of structural steelwork. However, underlying economic and environmental factors could result in a shift in usage to MIO. Increases in zinc prices, we believe, could create a competitive price advantage for MIO. In addition, MIO is non-toxic to the environment, another advantage that can be expected to grow in future importance.

Lordsburg Exploration Project

In June 2010 we commenced an exploration program on our extensive ground holdings in the Lordsburg (Virginia) Mining District, where we control approximately 1,500 acres of prospective ground, the majority of which is comprised of patented mining claims that we own, and the remainder patented and unpatented mining claims that we lease. To date we have completed an aerial mapping survey covering 30 square miles, carried out data compilation, conducted detailed geologic mapping and sampling, and conducted a geophysical survey. This work has been successful in identifying promising exploration targets, which we plan to drill. Recorded historic production from the Lordsburg Mining District, at today's metal prices, has exceeded $1.0 billion in copper, gold and silver. The majority of this historic production came from mines on ground that we now control. We are conducting the Lordsburg exploration program pursuant to our long term strategy of finding sources of ore to augment ore from the Summit silver-gold mine, in order to fully utilize the excess capacity of the Banner mill.

Glossary

Alluvium	Unconsolidated gravel, sand, silt and clay deposited by streams.
Andesite	A common fine-grained continental lava containing sodium feldspar, no quartz and associated with mountain-making processes.
Argentite	Silver sulfide mineral, a common source of silver.
Argillization	Alteration of feldspars to form clay minerals, especially in wall rocks adjacent to mineral veins.
Azurite	Blue hydrous copper carbonate mineral formed in oxide zone of copper deposit.
Barite	Barium sulfate mineral, the main source of barium.
Bornite	Copper-iron sulfide mineral, an important source of copper.
Breccia	Rock composed of broken rock fragments, found in sedimentary or volcanic environments.
Calcite	Calcium carbonate mineral, the main constituent of limestone and marble.
Chalcopyrite	Copper-iron sulfide mineral, an important source of copper.
Diatreme	Volcanic pipe containing milled breccia that was formed by explosive gaseous venting and upward transport of material.
Dike	Tabular discordant intrusive rock.
Dip	Acute vertical angle that a rock surface makes with a horizontal plane. Direction of dip is always perpendicular to strike.
Electrum	Alloy of silver and gold.
Epithermal	Refers to hydrothermal mineral deposit formed within a few thousand feet of surface at relatively low temperature and pressure, commonly a vein.
Fault	A break in the rocks along which movement has occurred.
Feldspar	Common alumino-silicate mineral containing sodium, potassium and/or calcium, formed in igneous environment and constituting over 60% of the Earth's crust.
Feldspathic sand	Sand containing feldspar and quartz.

Flotation	Metallurgical process that begins concentration of economic minerals from gangue.
Fluorite	Calcium fluoride mineral, also called fluorspar.
Galena	Lead sulfide mineral, the main source of lead.
Gangue	Valueless material accompanying economic minerals in a mineral deposit.
Garnet	Silicate mineral formed at high temperature and found in metamorphic rock and in skarn near the contact zone of igneous intrusive rocks.
Gneiss	Metamorphic rock exhibiting compositional banding formed at depth in a high temperature and pressure environment.
Granite	Common coarse-grained igneous rock composed of light colored minerals including quartz and feldspar.

Heap leaching	A process used for the recovery of precious metals and copper from low-grade ores. Crushed material is laid on an impervious pad and uniformly leached by the percolation of the leach liquor trickling through the beds by gravity to ponds. The metals are recovered by conventional methods from the solution.
Hematite	Iron (ferrous) oxide mineral.
Hydrothermal	Relating to or produced by extremely hot water.
Igneous	Refers to a rock or mineral that solidified from magma, i.e., molten material.
Lava	Rock formed as a result of cooling and solidification of magma (molten rock) poured out on the earth's surface.
Malachite	Green hydrous copper carbonate mineral formed in the oxide zone of copper deposit.
Manto	Tabular or pipe-like mineral deposit formed by selective replacement commonly of limestone beds by mineralizing solutions introduced along faults.
Metamorphic	Refers to rock changed in texture and composition by high temperature and/or pressure deep beneath the surface.
Mica	Group of phyllosilicate minerals, common variety muscovite, with perfect basal (micaceous) cleavage yielding tough, elastic flakes and sheets; colorless, white, yellow, green, brown, or black; common in igneous, metamorphic, and sedimentary rocks.
Micaceous Iron Oxide ("MIO")	Platy variety of specularite used in coatings to protect structural steelwork from corrosion.
Mineralized	Material added by hydrothermal solutions, principally in the form of mineral deposits. Often refers to the presence of a mineral of economic interest in the rock.
Molybdenite	Molydenum sulfide mineral, the main source of molybdenum

Monzonite	Coarse-grained igneous rock containing quartz and composed of approximately equal amounts of sodium and potassium feldspars.
Net Smelter Return	An interest in a mining property held by the vendor on the net revenues generated from the sale of metal produced from the mine.
Ore	Mineral of economic value that can be extracted profitably and legally.
Oxidation	The conversion of sulfide minerals to oxide minerals through weathering at or near the earth's surface.
Paleozoic	The era of geologic time when fish, insects, amphibians, reptiles, and land plants first appeared, about 600 million to 230 million years ago.
Pegmatite	Very coarse-grained igneous rock containing quartz, feldspar and mica, usually found as irregular dikes, lenses or veins, esp. at the margins of granites.
Placer	Deposit of sand or gravel containing concentrations of valuable minerals, typically gold.
Plunge	The vertical angle between a horizontal plane and the line of maximum elongation of a linear geologic feature.
Porphyry	Igneous rock exhibiting a characteristic texture reflecting relatively large feldspar phenocrysts in a fine-grained groundmass.
Precambrian	All geologic time before the beginning of the Paleozoic. It encompasses about 90% of geologic time (…4600-590 million years ago).
Pyrite	Iron sulfide mineral.
Quaternary	A period of geologic time from about 2 million years ago until the present.
Schist	Metamorphic rock exhibiting strong cleavage due to alignment of fibrous or platy minerals.
Sericitization	Replacement of rock by sericitic muscovite due to hydrothermal activity.

Silicification	Introduction of or replacement by silica.
Skarn	Characteristic high-temperature calc-silicate mineral assemblage formed in calcareous rocks near the contact zone of igneous intrusion.
Sphalerite	Zinc sulfide mineral, the main source of zinc.
Specularite	Crystalline form of hematite.
Stratigraphy	The study of rock strata, especially of their distribution, deposition, and age.
Strike	Direction of line formed by intersection of a rock surface with a horizontal plane. Strike is always perpendicular to direction of dip.

Sulfide	A mineral compound containing sulfur but no oxygen.
Tailings	Waste product from ground ore.
Tertiary	The first period of the Cenozoic era during which mammals became dominant and modern plants evolved, 65 million to 1.6 million years ago.
Vein	A mineral filling of a fault or other fracture in a host rock, in tabular or sheetlike form, commonly with associated replacement of the host rock; a mineral deposit of this form and origin.
Volcanism	Volcanic activity, including the eruption of lava and rock fragments and gas explosions.
Quartz	A silicate mineral composed of silicon and oxygen.
Quartzite	Metamorphic rock composed of quartz.

ITEM 3. LEGAL PROCEEDINGS

On August 31, 2011, we filed a Complaint in the United States District Court for the District of New Mexico against Ortiz Mines, Inc. ("OMI") in connection with OMI's purported termination of our exclusive leasehold rights to explore, develop and mine gold, silver, copper and other minerals on the Ortiz Mine Grant in Santa Fe County, New Mexico and OMI's demand for significant additional consideration to allow the lease to continue. The Complaint alleges several causes of action, including breach of contract and breach of the covenant of good faith and fair dealing. The Complaint sought both declaratory and injunctive relief. We believe OMI's purported termination of the Lease was wrongful and vigorously prosecuted our legal claims to enforce our rights under the Lease and recover all applicable damages.

A settlement was reached on May 23, 2012 on the federal court litigation between the Company and OMI. The settlement agreement confirms the continuation of Santa Fe's exclusive lease rights to explore, develop and mine gold, silver, copper and other minerals on 66 square miles of the Ortiz Mine Grant in Santa Fe County, New Mexico. In connection with the settlement, annual lease payments remain unchanged but the Company has agreed, subject to certain qualifications, to expend at least $500,000 by November 22, 2012, and a total of $1.0 million by May 22, 2013, on work programs in support of project development.

We are not currently subject to any legal proceedings, and to the best of our knowledge, no such proceedings are threatened, the results of which would have a material impact on our properties, results of operation, or financial condition. Nor, to the best of our knowledge, are any of our officers or directors involved in any legal proceedings in which we are an adverse party.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND PURCHASE OF EQUITY SECURITIES

Market Information

Our common stock trades over-the-counter and is quoted on the OTC Bulletin Board under the symbol "SFEG." The table below sets forth the high and low bid prices for our common stock as reflected on the OTC Bulletin Board for the last two fiscal years. Quotations represent prices between dealers, do not include retail markups, markdowns or commissions, and do not necessarily represent prices at which actual transactions were affected.

Quarter ended	**OTCBB (U.S. $)**	
2010	**HIGH**	**LOW**
09/30/10	$1.24	$0.77
12/31/10	1.38	0.85
2011	**HIGH**	**LOW**
3/31/11	$1.30	$0.82
6/30/11	1.38	0.86
9/30/11	1.05	0.77
12/31/11	0.97	0.75
2012	**HIGH**	**LOW**
3/31/12	$1.22	$0.88
6/30/12	0.92	0.34

We were delinquent in the filing of our financial statements for the year ended June 30, 2003, and consequently the Securities Commissions of Ontario and British Columbia issued cease trade orders for trading of our common stock by Canadian residents, which cease trade orders are still in effect. On March 21, 2011, approximately 1.3% of our common stock was recorded as held by Canadian residents. We are attempting to bring the Company in compliance with filing requirements on the Canadian SEDAR system and to have the cease trade orders revoked.

Holders of Common Equity

As of September 24, 2012, there were 117,537,970 common shares outstanding, the high and low sales prices of our common stock on the OTC Bulletin Board were $0.39 and $0.35, respectively, and we had 758 holders of record of our common stock.

Penny Stock Rules

Due to the price of our common stock, as well as the fact that we are not listed on Nasdaq or a national securities exchange, our stock is characterized as a "penny stock" under applicable securities regulations. Our stock therefore is subject to rules adopted by the SEC regulating broker-dealer practices in connection with transactions in penny stocks. The broker or dealer proposing to effect a transaction in a penny stock must furnish his customer a document containing information prescribed by the SEC and obtain from the customer an executed acknowledgment of receipt of that document. The broker or dealer must also provide the customer with pricing information regarding the security prior to the transaction and with the written confirmation of the transaction. The broker or dealer must also disclose the aggregate amount of any compensation received or receivable by him in connection with such transaction prior to consummating the transaction and with the written confirmation of the trade. The broker or dealer must also send an account statement to each customer for which he has executed a transaction in a penny stock each month in which such security is held for the customer's account. The existence of these rules may have an effect on the price of our stock, and the willingness of certain brokers to effect transactions in our stock.

Transfer Agent

Colonial Stock Transfer Co. is the transfer agent for our common stock. The principal office of Colonial Stock Transfer Co. is located at 66 Exchange Place, Salt Lake City, Utah 84111 and its telephone number is (801) 355-5740.

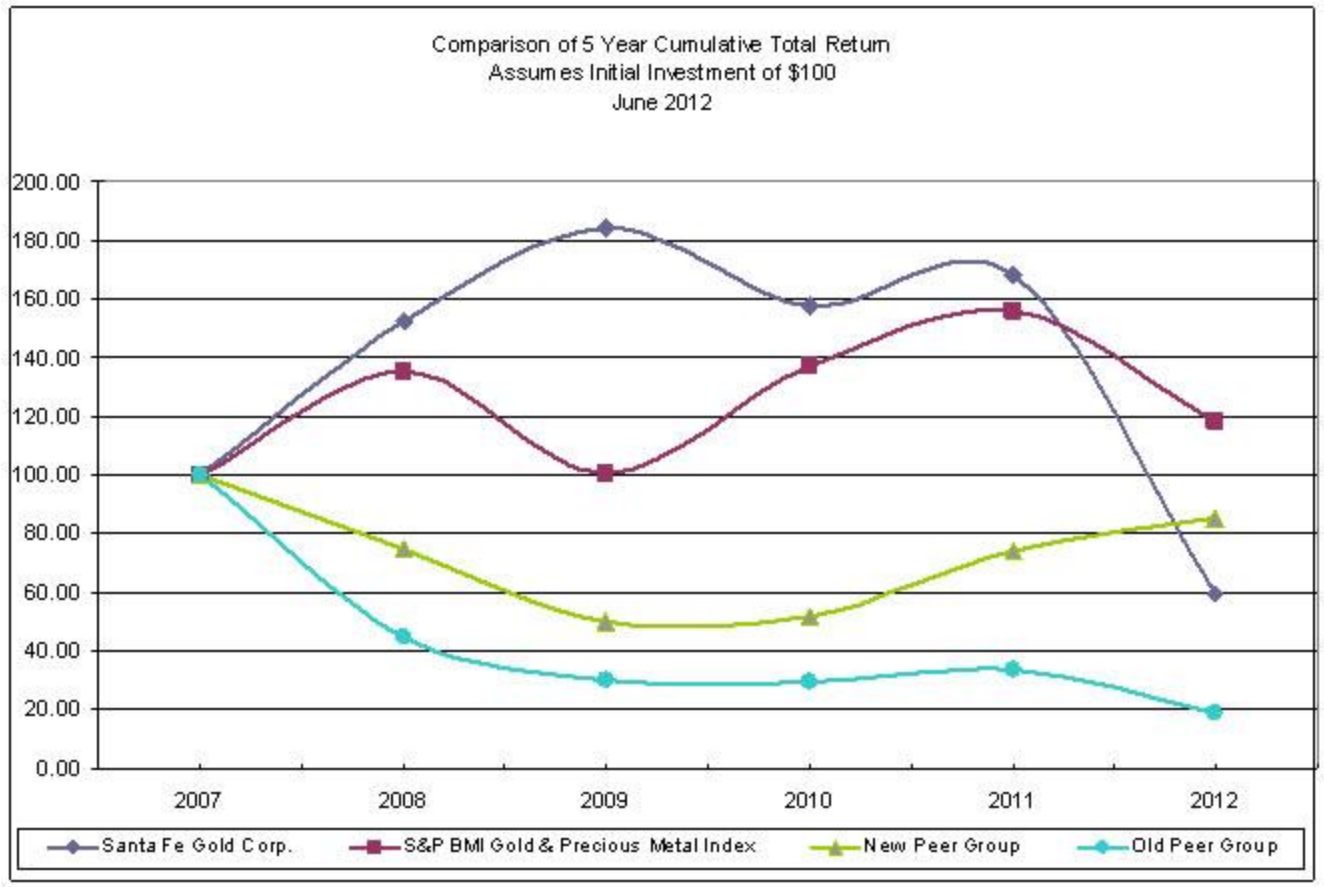
Dividend Policy

We have never declared or paid dividends on our common stock. Payment of future dividends, if any, will be at the discretion of our board of directors after taking into account various factors, including the terms of any credit arrangements, our financial condition, operating results, current and anticipated cash needs and plans for expansion.

Performance Graph

The following performance graph and related information shall not be deemed "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that we specifically incorporate it by reference in such filing.

The following graph compares the performance of Santa Fe Gold Corporation with the performance of the S&P BMI Gold & Precious Metal Index, and a Peer Group (New) of production stage companies with comparable market capitalizations. The Peer Group (Old) represents exploration stage and development stage companies. The graph represents monthly index levels derived from compounded daily returns that include all dividends. The indexes are re-weighted daily, using the market capitalization on the previous trading day. The index level for all series was set to $100.00 on June 30, 2007.



Recent Sales of Unregistered Securities

On January 12, 2012, the Company issued 700,000 shares of the common stock pursuant to Regulation S of the Securities Act of 1933 at $1.00 per share for total net proceeds of $700,000. In connection with a private placement, the Company issued 350,000 five year warrants giving the holder the right to purchase common stock at $1.00 per share.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data sets forth our summary historical financial data as of and for the fiscal years ended June 30, 2012, 2011, 2010, 2009 and 2008. This information was derived from our audited consolidated financial statements for each period. Our selected historical financial data is qualified in its entirety by, and should be read in conjunction with, "**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**" and the financial statements and the notes thereto included elsewhere in this report. For additional information relating to our operations, see "**Item 1. Business**" and "**Item 2. Properties**."

	Fiscal Year Ended June 30,				
	2012	**2011**	**2010**	**2009**	**2008**
Operating Data:					
Net loss from operations	$ (5,849,595)	$ (4,170,812)	$ (3,281,141)	$ (3,620,726)	$ (1,975,968)
Other income	1,629,914	(446,281)	2,071,787	(1,914,870)	(2,447,624)
Net income (loss)	(4,219,681)	(4,617,093)	(1,209,354)	(5,535,596)	(4,423,592)
Basic & diluted income (loss) per share	$ (0.04)	$ (0.05)	$ (0.01)	$ (0.07)	$ (0.06)
Diluted income per share	$ --	$ --	$ --	$ --	$ --

Weighted average shares - basic	101,959,367	93,249,081	87,639,127	76,989,929	74,260,393
Weighted average shares - diluted	101,959,367	93,249,081	87,639,127	76,989,929	74,260,393
Balance Sheet Data:					
Cash and cash equivalents	$ 614,385	$ 172,531	$ 5,540,130	$ 509,846	$ 3,255,754
Total current assets	4,386,484	2,955,038	5,807,338	660,097	3,358,281
Property and equipment, net	24,139,166	13,104,215	3,790,215	3,848,292	1,915,151
Other assets & mineral properties	3,136,314	11,158,137	17,803,281	12,262,914	3,571,765
Total assets	$ 31,661,964	$ 27,217,390	$ 27,400,834	$ 16,771,303	$ 8,845,197
Current liabilities	$ 19,508,840	$ 16,069,339	$ 11,213,275	$ 4,512,400	$ 4,080,786
Long-term obligations	1,099,589	11,685,501	14,249,216	15,144,800	5,995,212
Shareholders' equity (deficit)	11,053,535	(537,450)	1,938,343	(2,885,897)	(1,230,801)
Total liabilities and shareholders' equity (deficit)	$ 31,661,964	$ 27,217,390	$ 27,400,834	$ 16,771,303	$ 8,845,197

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Except for the historical information, the following discussion contains forward-looking statements that are subject to risks and uncertainties. Readers are cautioned that the following discussion contains certain forward-looking statements and should be read in conjunction with the "Cautionary Statement on Forward-Looking Statements" appearing at the beginning of this Annual Report. We caution you not to put undue reliance on any forward-looking statements, which speak only as of the date of this report. Our actual results or actions may differ materially from these forward-looking statements for many reasons, including the risks described in "Risk Factors" and elsewhere in this annual report. Our discussion and analysis of our financial condition and results of operations should be read in conjunction with the Financial Statements of the Company and notes thereto included elsewhere in the Annual Report. See "Financial Statements". **Our actual future results may be materially different from what we currently expect.**

Overview

During our current fiscal year ended June 30, 2012, we generated sales of $11,531,869 and incurred a net loss of $4,219,681. Prior to our fiscal year 2011, we had received no substantial revenue from the production of gold or other metals since our inception, and historically relied on equity and debt financings to finance our ongoing operations. Our operations generated a net loss of $4,617,093 and $1,209,354 for the fiscal years ended June 30, 2011 and 2010, respectively. In order to fund operations in the fiscal years ended June 30, 2012, 2011 and 2010, we relied on proceeds from the sale of gold and silver products aggregating $18,292,911, proceeds received under a senior secured bridge loan of $5,000,000, a subsequent senior secured note for $10,000,000 with a portion of the proceeds used to retire the $5,000,000 bridge loan, financing of $4,000,000 relating to the definitive gold sales agreement entered into in September 2009, registered direct sales of equity of $12,000,000, aggregate proceeds of $926,000 from the private placement sales of stock, $500,000 from the sales of stock utilizing an equity line of credit, $75,000 from the exercise of warrants, $1,202,049 from proceeds received from notes payable equipment financing, and equipment sales aggregating $56,400.

In December 2011, we secured a Senior Secured Loan providing for two $10.0 million tranches and a $5.0 million revolving working capital facility. At that time, we closed the first $10.0 million tranche of the Credit Agreement. The second $10.0 million tranche, which was subject to several funding conditions, was earmarked to fund the strategic acquisition of Columbus Silver Corporation which did not occur, and therefore the second tranche was not drawn down. The Credit Agreement provides for a 9% coupon, and the initial tranche, amortizes over a 12-

month term with the first payment due July 31, 2012. We received net proceeds of $4,125,000 after retiring the $5.0 million senior secured 15% bridge loan, and deducting commitment and transaction fees. In connection with the transaction, the Company entered into a gold and silver sale agreement to sell to Waterton the gold and silver produced from the Summit mine. We will use the net proceeds primarily to fund operations, including but not limited to, working capital for the Summit silver-gold project.

In August 2011, we secured a $5.0 million Senior Secured Loan, bearing interest at fifteen percent (15%) per annum, payable monthly in arrears and maturing upon the six month anniversary of the closing date. We received net proceeds of $4,555,000 after deducting placement agent fees and other offering expenses. Proceeds were used for general corporate purposes, including but not limited to, working capital for the Summit silver-gold project. The financing agreement was retired with proceeds from the December 23, 2011 Credit Agreement entered into by the Company.

In December 2010, we sold $2.0 million of securities to three institutional investors under a prospectus supplement filed with the Securities and Exchange Commission in connection with a take down from our shelf registration statement made on Form S-3. We received net proceeds of $1,864,001 after deducting placement agent fees and other offering expenses. Proceeds were used for on-going development of the Summit mine, support of other projects and general working capital.

In January 2010, we sold $10.0 million of securities to institutional investors in a registered direct offering pursuant to an S-3 Registration Statement. We received net proceeds of $9,375,000 after deducting placement agent fees and other offering expenses. Proceeds were used for on-going development of the Summit mine, support of other projects and general working capital.

In September 2009, we entered into a sale agreement for a portion of our gold production from the Summit mine. The agreement provided for an upfront cash payment of $4.0 million and ongoing production payments equal to the lesser of $400 per ounce and the prevailing market price, for each ounce of gold delivered pursuant to the agreement. Proceeds were used for on-going development of the Summit mine, completion of construction of the Banner mill processing facilities and general working capital.

In December 2007, we secured placement of $13.5 million of senior secured convertible debentures. Proceeds from the debentures were used primarily for the development of the Summit project. The debentures were issued in accordance with a pre-determined funding schedule. The term of the debentures is 60 months. In fiscal 2009 we received advances aggregating $8,150,000, bringing the total received to $13,500,000 since inception. The remainder of the proceeds of the fiscal 2011, 2010 and 2009 financing transactions was utilized as general working capital.

In September 2010, we signed a non-binding Memorandum of Understanding (“MOU”) with Columbus Silver Corporation (TSXV: CSC) (“Columbus Silver”) pursuant to which we proposed to acquire the outstanding shares of common stock of Columbus Silver in exchange for shares of our common stock. The contemplated business combination by way of a Plan of Arrangement was subject to Canadian court approval. In January 2011, in connection with the MOU, we loaned Columbus Silver $200,000 with an annual interest rate of four percent (4%) and principal and accrued interest due and payable on December 31, 2012. In April 2011 we announced our continuing efforts to obtain a revocation of the cease trade orders issued against us by the British Columbia and Ontario Securities Commissions in 2003 after we did not make required Canadian regulatory filings. We were unsuccessful in causing the cease trade orders to be revoked and as a result the proposed acquisition of Columbus Silver stock for shares of our stock did not proceed.

On September 6, 2011, we entered into a memorandum of understanding with Columbus Silver pursuant to which we conditionally agreed to acquire Columbus Silver’s outstanding common stock for a cash amount of Cdn

$0.20 per share in a transaction valued at Cdn $9,977,285. Until closing of the transaction, Santa Fe agreed to provide bridge financing to Columbus Silver to fund leasehold payments and for working capital, which through the end of June 2012 totaled $827,716 in advances and $200,000 in the form of a note receivable. The proposed transaction was subject to conditions that were not met and consequently the transaction did not proceed and expired by its terms on May 31, 2012. The advances and note receivable, including accrued interest, have been written-off as of June 30, 2012.

The results of operations for the fiscal years ended June 30, 2012, 2011 and 2010 reflect a continued under-capitalization of our Summit silver-gold project which requires additional funding to be able to achieve full project performance and sustained profitability. We expect results of operations in fiscal 2013 to reflect improved performance of the Summit mine. However, there is significant uncertainty in our Summit estimates of both future costs and future revenues, and we require additional capital resources to complete our plans.

We are dependent on additional financing to continue our exploration efforts in the future and if warranted, to develop and commence mining operations. While we have no current plans or arrangements for this additional capital requirement, we anticipate that we will be seeking additional equity financings in the future.

We anticipate a need for at least $24.0 million over the next 12 months, and $33.0 million over the next 36 months in order to satisfy past commitments, pay corporate overhead costs, complete Summit development, and fund acquisitions, feasibility studies and exploration programs as discussed under the Liquidity and Capital Resources section of this report. A portion of the required funding may be generated from cash flows from our Summit mine. If we fail to procure adequate funding on acceptable terms, we may be required to reduce or eliminate substantially all business activities until such time as funding can be secured on a basis acceptable to us.

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business. Should we be unable to continue as a going concern, we may be unable to realize the carrying value of our assets and to meet our obligations as they become due.

We have a total accumulated deficit of $63,966,224 at June 30, 2012. To continue as a going concern, we are dependent on continued fund raising. However, we have no commitment from any party to provide additional capital and there is no assurance that such funding will be available when needed, or if available, that its terms will be favorable or acceptable to us.

Liquidity and Capital Resources; Plan of Operation

As of June 30, 2012, we had cash and cash equivalents of $614,385 as compared to $172,531 at June 30, 2011. As of June 30, 2012, we had a working capital deficit of $15,122,356.

In August 2012, we raised $1,873,286 under a unit offering to stockholders, with each unit consisting of one share of common stock and one warrant to purchase an additional share of common stock. Each unit was sold at a price of $0.30. Each warrant has an exercise price of $0.40 per share of common stock and is exercisable for a period of three years. The Company issued 6,244,286 shares of common stock and 6,244,286 warrants pursuant to the unit offering. The securities described above have been registered on our registration statement on Form S-3. On July 6, August 1 and August 15, 2012, in relation to the unit offering to stockholders, we filed Current Reports on Form 8-K.

In June 2012, we raised $500,000 under an equity line of credit arrangement with Glengrove Small Cap Value, Ltd. (“Glengrove”). We issued 1,476,988 shares of common stock pursuant to the raising, at an average price

per share of approximately $0.34. Under a purchase agreement, Glengrove is committed to purchase from us from time to time, at our sole discretion and at threshold prices we set, subject to certain limitations, up to $15.0 million worth of our common stock over a 24-month term. The per share purchase price for the shares sold to Glengrove on any particular trading day during any 10-day pricing period will equal the daily volume weighted average price of the Company's common stock for that day, less a discount ranging from 5.0% to 5.5% . In consideration for Glengrove's entering into the purchase agreement, we issued to Glengrove 666,666 shares of our common stock. The securities described above have been registered on our registration statement on Form S-3.

On January 24, 2012, we announced contracts with three smelters to sell the majority of our anticipated 2012 production of high value precious metals concentrates and silica flux material. The three smelters include Aurubis AG in Germany, and Freeport McMoRan Miami Inc. and ASARCO LLC in Arizona. The contract with Aurubis provides for deliveries of up to 360 tons of concentrate, and the contracts with FMI Miami and Asarco provide for up to a total of 48,000 tons of silica flux.

On January 12, 2012, we completed a private placement of units with a single investor for proceeds of $700,000. We issued a total of 700,000 shares of common stock and warrants to purchase up to 350,000 additional shares of common stock. Each unit, consisting of one share of common stock and one-half of a warrant to purchase a share of common stock, was sold for a purchase price of $1.00. The warrants to purchase additional shares are exercisable at an exercise price of $1.00 per share and have a term of five years.

On December 23, 2011, we entered into a Senior Secured Gold Stream Credit Agreement (the "Credit Agreement") with Waterton Global Value L.P. (Waterton"). The Credit Agreement provides for two $10 million tranches and a $5 million revolving working capital facility. On December 23, 2011, we closed the first $10 million tranche of the Credit Agreement, of which $5 million was used to retire our 15% senior secured bridge loan with Victory Park Capital Advisors, LLC, and the remainder was used for working capital. The second $10 million tranche was earmarked to fund the strategic acquisition of Columbus Silver Corporation (TSXV: CSC) and was not drawn down. The Credit Agreement provides for a 9% coupon and the initial tranche amortizes over a 12-month term with the initial payment due July 31, 2012. As part of the transaction, we have agreed pursuant to a gold and silver sale agreement to sell to Waterton the gold and silver produced from the Summit mine. The senior obligations are secured by a first priority lien on the stock of Santa Fe's subsidiaries and by liens covering substantially all of the Company's assets with the exception of the Ortiz gold project.

On December 23, 2011, we issued 13,500,000 shares of common stock in connection with the conversion of the Company's senior secured convertible debentures totaling $13.5 million, at a conversion price of $1.00 per share.

On August 2, 2011, we entered into a financing agreement and closed a $5 million senior secured loan with Victory Park Capital Advisors, LLC. We received net proceeds of $4,555,000 after deducting fees and expenses. The interest rate on the loan was 15% per annum payable monthly in arrears. The loan was to mature and come due upon the six month anniversary of the closing date. We repaid the loan without penalty in December 2012 from proceeds of the Waterton financing. The senior obligations were secured by a first priority lien on the stock of Santa Fe's subsidiaries and on liens covering substantially all of the assets of the Company with the exception of the Ortiz project. In connection with the Loan, we issued warrants to purchase 500,000 shares of our common stock. The warrants have an exercise price of $1.00 per share and a term of five years.

On December 29, 2010, we entered into definitive agreements with institutional investors to purchase $2.0 million of securities in a registered direct offering. We received net proceeds of approximately $1,880,000 after deducting placement agent fees and other offering expenses. The securities were offered pursuant to an effective S-3 Registration Statement. The Company sold to the investors an aggregate of 1,666,668 shares of its common stock, and warrants to purchase up to 833,334 additional shares of common stock. Each unit, consisting of one share of

common stock and one-half of a warrant to purchase a share of common stock, was sold for a purchase price of $1.20. The warrants to purchase additional shares are exercisable at an exercise price of $1.50 per share and have a term of 5 years.

On January 20, 2010 we entered into definitive agreements with 23 institutional investors to purchase $10.0 million of securities in a registered direct offering. We received net proceeds of $9,375,000 after deducting placement agent fees and other offering expenses. The securities were offered pursuant to an effective S-3 Registration Statement. The Company sold to the investors an aggregate of 7,692,310 shares of its common stock, and warrants to purchase up to 3,846,155 additional shares of common stock. Each unit, consisting of one share of common stock and one-half of a warrant to purchase a share of common stock, was sold for a purchase price of $1.30. The warrants to purchase additional shares are exercisable at $1.70 per share and have a term of 5 years.

On January 15, 2010, a warrant holder exercised 60,000 warrants with an exercise price of $1.25 per share to purchase shares of the Company's common stock.

On September 11, 2009, we entered into a definitive gold sale agreement with Sandstorm Gold Ltd. (TSX-V: SSL) ("Sandstorm") to sell a portion of the life-of-mine gold production (but not silver production) from our Summit silver-gold mine. Under the agreement we received an upfront cash deposit of $4.0 million, plus we will receive ongoing production payments equal to the lesser of $400 per ounce or the prevailing market price, for each ounce of gold delivered pursuant to the agreement for the life of the mine. Gold production subject to the agreement includes 50% of the first 10,000 ounces of gold produced, and 22% of the gold thereafter. The amount of payable gold can be reduced from 22% to 15% provided that within 36 months the Summit mine reaches certain performance levels in any consecutive 12 month period, in compliance with prefeasibility estimates, including 1) the rate of ore mined and processed must average 400 tons per day or more, and 2) payable gold production must exceed 11,500 ounces during such consecutive 12 month period. Sandstorm made an initial payment of $500,000 and on October 7, 2009 paid the remaining $3,500,000 balance of the upfront cash deposit. We will receive credit against the $4.0 million upfront cash deposit for the difference between the market price and $400 per ounce for those gold deliveries where the prevailing market price exceeds $400 per ounce. These credits will be recognized as revenue, in addition to the ongoing production payments received for gold delivered pursuant to the agreement. In certain circumstances, including failure to meet minimum production rates, interruption in production due to permitting issues and customary events of default, the agreement may be terminated. In such event, we may be required to return to Sandstorm the upfront cash deposit of $4.0 million less a credit for gold delivered up to the date of that event, which is determined using the difference between the market price and $400 per ounce for gold deliveries where the prevailing market price exceeded $400 per ounce.

On March 29, 2011, the Company entered into Amendment 1 for the definitive gold sale agreement with Sandstorm. The amendment extended the original completion guarantee date from April 2011 to June 30, 2012. The completion guarantee test performs a calculation based upon that percentage of underproduction of gold produced relative to the amount of gold planned to have been produced as set out in the agreement. In exchange for the amended completion guarantee date, the Company agreed to deliver an additional 700 ounces of gold at equivalent sales terms over and above what is currently due under the agreement. Under the terms of the amendment the delivery of the additional gold is to be made prior to June 30, 2011.

On June 28, 2011, the Company entered into Amendment 2 for the definitive gold sale agreement with Sandstorm. The amendment extended the delivery date for the additional 700 ounces of gold agreed upon in Amendment 1 from June 30, 2011 until October 15, 2011. In exchange for the deferred delivery date the Company agreed to pay a per diem of 3 ounces of gold for each day the additional 700 ounces of gold under Amendment 1 remain outstanding past June 30, 2011 until the actual date of delivery, no later than October 15, 2011.

On June 30, 2012, the Company performed the calculation for the completion guarantee test obligation in accordance with the extension of time provided by Amendment 1 of the definitive gold sales agreement with Sandstorm. Based upon the calculation, the Company is required to make a payment in the amount of $3,359,873. Prior to the calculation of the completion guarantee test obligation, the deferred revenue balance totaled $2,855,824. Based upon the provisions of the Agreement, the completion guarantee test obligation directly reduces any remaining amounts of deferred revenue dollar for dollar at the time of the calculation. Consequently, deferred revenue has been reduced to zero at June 30, 2012 and the balance has been reclassified into a completion guarantee payable at June 30, 2012. The difference of $504,049 of additional fees between the completion guarantee test obligation and the amount of reclassified deferred revenue has been recognized in Other Expenses and accrued as the remaining component of the completion guarantee payable at June 30, 2012.

On August 6, 2009, the Company issued 100,000 shares of the Company's stock in a private placement. The shares were valued at $1.06 per share for total proceeds of $106,000. As part of the private placement the Company also issued 50,000 warrants with an exercise price of $1.06 and an expiration of 5 years.

On July 27, 2009, the Company issued 94,339 shares of the Company's stock in a private placement. The shares were valued at $1.06 per share for total proceeds of $100,000. As part of the private placement the Company also issued 47,169 warrants with an exercise price of $1.06 per share and an expiration of 5 years.

At June 30, 2012, we have an accumulated deficit of $63,966,224. Our consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. Our primary source of operating funds provided during our fiscal year 2012 was from the sales of our gold and silver products aggregating $11,531,869, debt financings, and from the sale of equity. We anticipate that our operations through fiscal 2013 will be funded from increased revenues at our Summit project, from debt financings and from the sale of equity. Additional funding may come from exercise of certain options and warrants and/or through strategic alliances or joint ventures. While we believe we will be able to finance our continuing activities, there is no assurance of success in this regard or in our ability to obtain continued financing through capital markets, joint ventures, or other acceptable arrangements. If our plans are not successful, operations and liquidity may be adversely impacted. In the event that we are unable to obtain additional required capital, we may be forced to reduce our exploration and operating expenditures or to cease future development operations altogether.

Important elements of the Company's plan include continued procurement of interim funding to provide for deployment of operations on our various property sites, and final stage development of our Summit property and the commencement of profitable production. During fiscal years 2007-2012, we secured a substantial portion of the funding necessary to place our Summit property into production. If we are able to secure additional required financing on acceptable terms, we believe we will be in a position to further advance our business plan.

We are continuing to seek funding to advance our business plan and strategies. We require funds to meet our corporate commitments, to complete Summit development, to make acquisitions, to continue feasibility studies on our mineral properties and to initiate exploration programs. A portion of the funds required may be generated from our Summit mine. We project the need for a minimum of $24.0 million over the next 12 months, and $33.0 million over the next 36 months, estimated as follows:

	Next 12 Months	Next 36 Months
Completion of Summit development	$ 2,000,000	$ 5,000,000
Exploration programs and feasibility studies	3,000,000	10,000,000
Acquisitions	2,000,000	5,000,000
Corporate overhead and related expenses	1,000,000	4,000,000
General working capital	5,000,000	5,000,000

Debt service		11,000,000		4,000,000
Total funding requirements	$	24,000,000	$	33,000,000

This projection assumes that we will be able to service our outstanding debt and lease commitments whereby interest, principal and lease payments will be paid from future project revenues or are refinanced or are paid with equity financial instruments.

With respect to the issuance of unregistered securities referenced above, all transactions were exempt from registration pursuant to Section 4(2) of the Securities Act of 1933 (the "1933 Act"), and Regulation D promulgated under the 1933 Act. In each instance, the purchaser had access to sufficient information regarding the Company so as to make an informed investment decision. More specifically, we had a reasonable basis to believe that each purchaser was an "accredited investor" as defined in Regulation D of the 1933 Act and otherwise had the requisite sophistication to make an investment in our securities.

Results of Operations

Fiscal Year Ended June 30, 2012 Compared to Fiscal Year Ended June 30, 2011

Sales

Sales increased to $11,531,869 in fiscal year 2012 from $6,440,897 in fiscal year 2011, an increase of $5,090,972. The increase in sales is due to the continued ramp up of the Summit Project during the current fiscal year and the achievement of commercial production in April 2012. The increase is comprised of precious metals sales of concentrate, flux material, and refined gold. Concentrate sales for fiscal year 2012, were $4,597,552, as compared to $3,907,364 for fiscal year2011, an increase of $690,188, while flux material sales were $5,164,498 for fiscal year 2012, as compared to $1,997,276 for fiscal year 2011, an increase of $3,167,222.

Sales of refined gold increased to $1,769,820 for fiscal year 2012, as compared to $536,257 for fiscal year 2011, an increase of $1,233,563. The increase in sales of refined gold is directly related to the increase in sales for concentrate and flux material in conjunction with the Sandstorm definitive gold sales agreement and the Waterton gold and silver supply agreement.

Costs Applicable to Sales

Costs applicable to sales, including related costs for concentrate, flux material, and refined gold and silver generated during fiscal year 2012 were $7,347,158, compared to $3,317,914 for fiscal year 2011, an increase of $4,029,244. Costs applicable to sales for concentrate and flux material increased to $4,371,919 for fiscal 2012 compared to $1,521,400 for fiscal 2011, an increase of $2,850,519. The change for concentrate and flux costs is comprised primarily of two factors. An increase of approximately $875,000 is related to the increase in tonnage produced during fiscal 2012 resulting from the continued ramp up of the Summit Project. Additionally beginning in fourth quarter with the achievement of commercial production, approximately $1,975,000 of mining costs were recognized as costs applicable to sales. Previously, mining costs related to extracting the ore were capitalized into mine development until such time as commercial production was achieved.

Total costs applicable to sales of refined gold are $2,975,239 for fiscal 2012, and $1,796,514 for fiscal 2011, an increase of $1,178,725. The increase is directly related to the increase in sales for concentrate and flux material and the corresponding requirements to deliver refined precious metals in conjunction with the Sandstorm definitive gold sales agreement and the Waterton commodity supply agreement. Estimated costs to purchase refined gold are accrued at the same time as the delivery of concentrate and flux products even though final sale of the refined gold occurs at a later date. The accrual for estimated costs to purchase refined gold is $591,208 for fiscal 2012, and $486,407 for fiscal 2011. Amendments #1 and #2 of the definitive gold agreement required the delivery of additional ounces of gold to Sandstorm for the extension of the completion guarantee test date and accounted for $301,935 and $773,850 in costs applicable to sales for fiscal years 2012 and 2011, respectively.

Exploration

Exploration and mine and mill start up costs increased in fiscal year 2012 to $2,680,856 from $2,147,511 in fiscal year 2011. The increase of $533,345 is attributable to the continued ramp up of production related to the Summit Project. Major components of the increase are approximately $290,000 related to royalty fees, $95,000 for property taxes, resource taxes, and claim fees, and $20,000 for engineering related costs.

General and Administrative

General and administrative expenses increased to $3,303,763 in fiscal year 2012, from $2,823,548 for fiscal year 2011, an increase of $480,215. Major components of the increased costs are comprised of investor relations costs of $163,952; auditing, accounting and related compliance fees of $53,520; office and travel costs of $14,495; loss on the disposal of an asset of $152,587; and legal fees of $314,621 related to securing multiple financing transactions including equity placements and two senior secured loans, the terminated Columbus Silver acquisition, and the settled Ortiz Project litigation. Major components of decreased costs offsetting the increases were payroll related costs of $236,705 primarily related to employee stock compensation; and corporate meetings of $36,711.

Stock-Based Compensation

Stock-based compensation included in General and Administrative in fiscal year 2012 decreased to $926,727 from $1,010,081 in fiscal year 2011, a decrease of $83,354. The decrease is comprised of $192,522 in fiscal 2012 for less employee related stock compensation, including deferred stock compensation and costs associated with options; and an increase of $113,277 for stock compensation in the form of options, warrants, and stock grants to outside parties for investor relations services.

Depreciation and Amortization

Depreciation and amortization during the current fiscal year 2012 increased to $4,039,875 as compared to $2,322,736 for the comparable fiscal year 2011, an increase of $1,717,139. Components of the increase relate to equipment placed into service for the Summit Project; and the amortization of capitalized mine development costs of $1,516,108. Amortization of capitalized mine development costs is comprised of $1,207,168 relating to costs attributable to periods prior to the mine achieving full production status in April 2012, and $308,940 relating to the last quarter of the fiscal year.

Other Income and Expense

Other income and (expenses) for fiscal year 2012 were $1,629,914 as compared to $(446,281) for fiscal 2011, an increase of $2,076,195. The increase in other income in the current fiscal year is attributable to an increased gain recognized on derivative instrument liabilities of $4,915,572 and a decrease in accretion of notes payable discounts of $208,968. These gains are offset by the write-off of the Columbus Silver acquisition costs of $207,088; write-off of advances to Columbus Silver of $827,716 and a write-off of the note receivable and accrued interest due from Columbus Silver of $210,889. Additional offsetting expenses include increases of interest expense, including financing transaction costs, of $1,301,394 primarily related to two senior secured loan transactions closed during the current year; and $504,049 attributable to the completion guarantee liability calculation for Sandstorm Gold, Ltd.

Gain (loss) on Derivative Financial Instruments

We recognized a non-cash gain on derivative instruments liabilities of $6,568,533 for fiscal year 2012, as compared to a gain of $1,652,961 for the prior fiscal comparable year 2011, an increase of $4,915,572. The non-cash gain arose from adjustments to record the derivative financial instruments at fair value. The derivative financial instruments arose in connection with senior secured convertible notes and warrants issued in connection with debt and equity placements. Otherwise, we generally do not use derivative financial instruments for other purposes, such as hedging cash flow or fair-value risks. The increase in the derivative gain in fiscal 2012 is mainly attributable to changes in the market price of our common stock, which is a component of the calculation model, and to the issuance of additional warrants resulting in derivative treatment. We use the Black-Scholes option pricing model to estimate the fair value of these derivatives. Because Black-Scholes uses the Company's stock price, changes in the stock price will result in volatility in the earnings in future periods as the Company continues to reflect the derivative financial instruments at fair values.

Fiscal Year Ended June 30, 2011 Compared to Fiscal Year Ended June 30, 2010

Sales

Sales increased to $6,440,897 in fiscal year 2011 from $320,145 in fiscal year 2010, an increase of $6,120,752. The increase in was comprised of precious metals sales of concentrate, flux material, and refined gold. Concentrate sales for fiscal year 2011, were $3,907,364, as compared to $-0- for fiscal year 2010, an increase of $3,907,364, while flux material sales were $1,997,276 for fiscal year 2011, as compared to $320,145 for fiscal year 2010, an increase of $1,677,131. Sales of refined gold increased to $536,257 for fiscal year 2011, as compared to $-0- for fiscal year 2010, the increase resulting from the delivery of refined gold commencing in accordance with the definitive gold sales agreement entered into on September 11, 2009.

Costs Applicable to Sales

Costs applicable to sales generated during fiscal year 2011, were $3,317,914, comprised of $1,521,400 for concentrate and flux material, and $1,796,514 related to sales of refined gold. No costs were attributable to sales for our fiscal year 2010. The increase of $1,796,514 for sales of refined gold includes a non-recurring accrual of $773,850 related to Amendment 1 of the definitive gold sales agreement for the extension of the completion guarantee date. Estimated costs to purchase refined gold are accrued at the same time as the delivery of concentrate and flux products even though final sale of the refined gold occurs at a later date. The accrual for estimated costs to purchase refined gold is $486,407 for fiscal 2011, and $-0- for fiscal 2010.

Exploration and Mine and Mill Start Up Costs

Exploration and mine and mill start up costs increased in fiscal year 2011 to $2,147,511 from $1,004,256 in fiscal year 2010. The increase of $1,143,255 is mainly attributable to increased non-capitalized costs incurred on the Summit project., including deployment of the mill into operations with increasing through put, continued development of the Summit mine and wrap up towards full production. Major components of increased costs were labor burden of $185,333; operating supplies and general expenses of $138,552; vehicle operating costs of $46,560; repairs and maintenance of $96,531; property and resource taxes of $101,387; royalty fees of $536,089; and exploration costs of $220,395. Significant decreased expense components offsetting these increases were utilities of $47,753 which were allocated to cost sales in fiscal year 2011; property, casualty and liability insurance of $18,020; relocation costs of $69,792 and land lease payments of $11,041

General and Administrative

General and administrative increased to $2,823,548 in fiscal year 2011, from $2,119,270 for fiscal year 2010, an increase of $704,278. Major components of the increased costs are comprised of labor burden of $103,843; employee stock compensation of $369,259; investor relations of $101,435; costs associated with options of $200,557; corporate filing fees of $20,953; director fees of $55,000; corporate meetings of $33,004; travel and

entertainment of $49,693 and office operating costs aggregating $30,476. Major components of decreased costs offsetting the increases were auditing, accounting and related compliance fees of $82,861; commissions of $12,097 and consulting fees of $142,245. The decreased auditing, accounting and related compliance fees are a result of an over accrual of approximately $30,000 related to prior audit fees recognized in fiscal year 2010, and reduced fees incurred on other special projects. The decrease in consulting fees is mainly attributable to $131,359 related to the termination of a consulting agreement for the discontinued Pilar project in Mexico.

Stock-Based Compensation

Stock-based compensation included in General and Administrative in fiscal year 2011 increased to $1,010,081 from $717,547 in fiscal year 2010, an increase of $292,534. The increase in the current fiscal year is attributable to increased costs recognized on stock grants to employees of $202,426; amortized costs associated with options of $200,556 and a reduction of amortized costs associated with stock issued for services aggregating $110,448.

Depreciation and Amortization

Depreciation and amortization during the current fiscal year 2011 increased to $2,322,736 as compared to $477,760 for the comparable fiscal year 2010, an increase of $1,844,976. The increase is directly attributable to the deployment of the Summit mine project and Banner mill project and related capitalized equipment costs put into service during fiscal year 2011 and 2010.

Other Income and Expense

Other income and (expense) for fiscal year 2011 were $(446,281) as compared to $2,071,787 for fiscal 2010, a decrease of $2,518,068. The increase in other expense incurred in the current fiscal year is mainly attributable to a decrease in a gain on derivative instrument liabilities of $1,642,986; an increase in accretion of discounts on notes payable of $223,651 and an increase of interest expense of $642,388.

The increase in interest expense was due primarily to the fact that the portion of interest expense on the debentures related to the construction of the mill facilities was previously capitalized. In July 2010 based upon the commissioning of the mill proceeding satisfactorily over the previous quarter, the mill facilities were placed into service and the capitalization of interest expense related to the mill construction ceased, contributing $658,213 in interest expense to the current fiscal year.

Gain (Loss) on Derivative Financial Instruments

We recognized a non-cash gain on derivative instruments liabilities of $1,652,961 for fiscal year 2011, as compared to a gain of $3,295,947 for the prior fiscal comparable year 2010, a reduction of $1,642,986. The non-cash gain arose from adjustments to record the derivative financial instruments at fair values in accordance with current accounting standards. The derivative financial instruments arose in connection with senior secured convertible notes and warrants issued in connection with debt and equity placements. Otherwise, we generally do not use derivative financial instruments for other purposes, such as hedging cash flow or fair-value risks. The decrease in the derivative gain in fiscal 2011 is mainly attributable to changes in the market price of our common stock, which is a component of the calculation model, and to the issuance of additional warrants resulting in derivative treatment. We use the Black-Scholes option pricing model to estimate the fair value of these derivatives. Because Black-Scholes uses the Company’s stock price, changes in the stock price will result in volatility in the earnings in future periods as the Company continues to reflect the derivative financial instruments at fair values.

Off-Balance Sheet Arrangements

As of and subsequent to June 30, 2012, we have no off-balance sheet arrangements.

Critical Accounting Policies

Our discussion and analysis of our consolidated financial condition and results of operations is based on the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses for each period. Critical accounting policies are defined, as policies that management believes are the most important to the portrayal of our consolidated financial condition and results of operations. These policies may require us to make difficult, subjective or complex judgments, commonly about the effects of matters that are inherently uncertain.

Our significant accounting policies are described in the audited consolidated financial statements and notes thereto. We believe our most critical accounting policies relate to asset retirement obligations, derivative instruments, estimates utilized, impairment of assets, revenue recognition, depreciation of equipment and mine development costs, and stock-based compensation.

Reclamation Costs

Reclamation obligations are recognized when incurred and recorded as liabilities at fair value. The liability is accreted over time through periodic charges to earnings. In addition, the asset retirement cost is capitalized as part of the asset's carrying value and amortized over the life of the related asset. Reclamation costs are periodically adjusted to reflect changes in the estimated present value resulting from the passage of time and revisions to the estimates of either the timing or amount of the reclamation costs. The reclamation obligation is based on when spending for an existing disturbance will occur. The Company reviews, on an annual basis, unless otherwise deemed necessary, the reclamation obligation at each mine site in accordance with ASC guidance for reclamation obligations. At June 30, 2012, the Company had a reclamation obligation totaling $159,048.

As of June 30, 2012, we maintained restricted assets of $230,716 held on deposit on behalf of the New Mexico Energy, Minerals and Natural Resources Department associated with reclamation costs for the Summit property. These amounts are held until all conditions of the reclamation agreement have been fulfilled. We have completed all required reclamation for our Black Canyon project and all associated restricted assets aggregating $178,658 have been released to the Company

Derivative Instruments

We do not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. We review the terms of convertible debt, equity instruments and other financing arrangements to determine whether there are embedded derivative instruments, including embedded conversion options that are required to be bifurcated and accounted for separately as a derivative financial instrument. Also, in connection with the issuance of financing instruments, we may issue freestanding options or warrants that may, depending on their terms, be accounted for as derivative instrument liabilities, rather than as equity. We may also issue options or warrants to non-employees in connection with consulting or other services.

Derivative financial instruments are initially measured at their fair value. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported as charges or credits to income. For warrant-

based derivative financial instruments, we use the Black-Scholes option pricing model to value the derivative instruments. To the extent that the initial fair values of the freestanding and/or bifurcated derivative instrument liabilities exceed the total proceeds received, an immediate charge to income is recognized, in order to initially record the derivative instrument liabilities at their fair value.

The discount from the face value of the convertible debt or equity instruments resulting from allocating some or all of the proceeds to the derivative instruments, together with the stated interest on the instrument, is amortized over the life of the instrument through periodic charges to income, usually using the effective interest method.

The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is reassessed at the end of each reporting period. If reclassification is required, the fair value of the derivative instrument, as of the determination date, is reclassified. Any previous charges or credits to income for changes in the fair value of the derivative instrument are not reversed. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates under different assumptions or conditions.

Significant estimates are used when accounting for the Company's carrying value of mineral properties, fixed assets, depreciation and amortization, accruals, derivative instrument liabilities, taxes and contingencies, asset retirement obligations, revenue recognition, and stock-based compensation which are discussed in the respective notes to the consolidated financial statements.

Impairment of Long-Lived Assets

The Company reviews and evaluates long-lived assets for impairment when events or changes in circumstances indicate the related carrying amounts may not be recoverable. The assets are subject to impairment consideration if events or circumstances indicate that their carrying amount might not be recoverable. An impairment loss is recognized when estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. When impairment is identified, the carrying amount of the asset is reduced to its estimated fair value which is generally derived from estimated discounted cash flows. As of June 30, 2012, exploration progress is on target with the Company's exploration and evaluation plan and no events or circumstances have happened to indicate the related carrying values of long-lived assets may not be recoverable.

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred either physically or through an irrevocable transfer of metals to the buyer's account, the price is fixed or determinable, no related obligations remain and collectability is probable.

Sales of all metals products sold directly to the Company's metals buyers, including byproduct metals, are recorded as revenues upon a buyer either taking physical delivery of the metals product in the case of siliceous flux

material or upon the buyer receiving all required documentation necessary to take physical delivery of the metals product in the case of concentrate (generally at the time the product is loaded onto a shipping vessel at the originating port and the bill of lading is generated).

Revenues for metals products are recorded at current market prices at the time of delivery and are subsequently adjusted to the current market prices existing at the end of each reporting period. Due to the period of time existing between delivery and final settlement with the buyer, the Company estimates the prices at which sales will be settled. Changes in metals prices between delivery and final settlement will result in adjustments to revenues previously recorded.

Sales of metals products are recorded net of charges from the buyer for treatment, refining, smelting losses, and other negotiated charges. Charges are estimated upon shipment of product based on contractual terms, and actual charges do not vary materially from estimates. Costs charged by smelters include a metals payable fee, fixed treatment and refining costs per ton of product.

Sales of refined precious metals related to the definitive gold sale agreement dated September 11, 2009, and the gold and silver supply agreement dated December 23, 2011, are recorded as revenues when the buyer takes delivery (See NOTE 14 – Commitments). The recorded revenues are final at that time. Due to the nature of the agreements, an obligation exists for the delivery of refined gold and silver concurrent with the delivery of concentrate and flux products. Consequently the associated costs to purchase refined gold and silver are also recorded at the same time as the delivery of the concentrate and flux products. The costs to purchase refined gold and silver are recorded using the current market price upon delivery of the refined precious metals or upon accrual of the obligation if undelivered. If necessary the accrual for any unsettled deliveries of refined gold and silver and the related costs to purchase such are adjusted to the current market price existing at the end of each reporting period until final delivery and adjustment occurs.

Depreciation and Amortization

Assets comprising property, equipment and mine development are carried at cost. Replacements, maintenance and repairs that do not improve or extend the life of the respective assets are expensed as incurred. Major renewals and improvements are capitalized, and depreciated over the same useful life of the original asset. Upon retirement, sale or other disposition, the cost and accumulated amortization are eliminated and the gain or loss is included in operations. Depreciation is taken over the estimated useful lives of the assets. Buildings are depreciated using the straight-line method over a period of 7 to 20 years. Equipment is depreciated using the straight-line method over an estimated useful life of 7 years. Vehicles are depreciated using the straight-line method over estimated useful lives of 3 to 7 years.

Mine development is amortized using the units-of-production method based upon estimated recoverable ounces in proven and probable reserves. To the extent that these costs benefit an entire ore body, they are amortized over the estimated life of the ore body. Costs incurred to access specific ore blocks or areas that only provide benefit over the life of that area are amortized over the estimated life of that specific ore body

We expense exploration costs as incurred, but capitalize costs directly attributable to the acquisition of mineral properties, pending determination as to their commercial feasibility.

Stock-Based Compensation

In connection with terms of employment with the Company's executives and employees, the Company occasionally issues options to acquire its common stock. Awards are made at the discretion of the Board of

Directors. Such options may be exercisable at varying exercise prices and generally vest over a period of six months to a year.

The Company accounts for share based based on the grant date fair value of the award. The Company estimates the fair value of the award using the Black-Scholes option pricing model for valuation of the share-based payments. The Company believes this model provides the best estimate of fair value due to its ability to incorporate inputs that change over time, such as volatility and interest rates, and to allow for actual exercise behavior of option holders. The simplified method is used to determine compensation expense since historical option exercise experience is limited. The compensation cost is recognized over the expected vesting period.

Recent Accounting Pronouncements

In January 2010, the ASC guidance for fair value measurements and disclosure was updated to require additional disclosures related to: i) transfers in and out of level 1 and 2 fair value measurements and ii) enhanced detail in the level 3 reconciliation. The guidance was amended to provide clarity about: i) the level of disaggregation required for assets and liabilities and ii) the disclosures required for inputs and valuation techniques used to measure fair value for both recurring and nonrecurring measurements that fall in either level 2 or level 3. The updated guidance is effective for the Company's fiscal year beginning July 1, 2010, with the exception of the level 3 disaggregation. The Company adopted this guidance on the Company's consolidated financial position, results of operations and cash flows with no impact to the Company's consolidated financial position or results of operations for the additional disclosure requirements in fiscal year 2011.

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, *"Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs"* ("ASU 2011-04"). ASU 2011-04 changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements to ensure consistency between U.S. GAAP and IFRS. ASU 2011-04 also expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. This new guidance is to be applied prospectively. There was no impact to the Company's consolidated financial position, results of operations or cash flows as a result of the adoption this updated standard.

In June 2011, the FASB issued ASU No. 2011-05, "Comprehensive Income (ASC Topic 220): Presentation of Comprehensive Income" ("ASU 2011-05"), which amends current comprehensive income guidance. This accounting update eliminates the option to present the components of other comprehensive income as part of the statement of shareholders' equity. Instead, the Company must report comprehensive income in either a single continuous statement of comprehensive income which contains two sections, net income and other comprehensive income, or in two separate but consecutive statements. ASU 2011-05 will be effective for public companies during the interim and annual periods beginning after December 15, 2011. The Company's adoption of ASU 2011-05 did not have any material impact on the Company's consolidated financial position, results of operations or cash flows as it only required a change in the format of the presentation.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, and the SEC did not, or are not believed by management to, have a material impact on the Company's present or future consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risks includes, but is not limited to, the following risks: changes in interest rates and equity price risks. We do not use derivative financial instruments as part of an overall strategy to manage market risk.

Interest Rate Risk

We had $11.4 million and $14.2 million of indebtedness under our credit facilities at June 30, 2012 and 2011, respectively. The annual interest rates on our credit facilities are 9.0% on $10,000,000 for our senior secured notes payable, and 10.0% on $450,000 for our senior subordinated convertible notes. Interest rates on capital leases and other notes payable range from 5.75% to 10.00% . Additionally, we do not have any investment in debt instruments other than highly liquid cash equivalents. Accordingly, we consider our interest rate risk exposure to be insignificant at this time.

Equity Price Risk

We have in the past sought and will likely in the future seek to acquire additional funding by sale of common stock and other equity instruments. Movements in the price of our common stock have been volatile in the past and may also be volatile in the future. As a result, there is a risk that we may not be able to sell common stock or other equity at an acceptable price to meet future funding requirements.

Commodity Price Risk

We currently have only limited production but expect to produce increasing amounts of gold and silver in our fiscal year 2013. As we increase production and sales, changes in the price of gold and other minerals could significantly affect our results of operations and cash flows. We do not presently expect to hedge the sale of any of our anticipated production.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

SANTA FE GOLD CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

As of June 30, 2012 and 2011 and for the Years Ended June 30, 2012, 2011 and 2010

SANTA FE GOLD CORPORATION

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Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Santa Fe Gold Corporation
Albuquerque, New Mexico

We have audited the accompanying consolidated balance sheets of Santa Fe Gold Corporation as of June 30, 2012 and 2011, and the related consolidated statements of comprehensive loss, changes in shareholders' equity (deficit), and cash flows for each of the years in the three-year period ended June 30, 2012. We also have audited Santa Fe Gold Corporation's internal control over financial reporting as of June 30, 2012 based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Santa Fe Gold Corporation's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the entity's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

An entity's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and directors of the entity; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become

inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The accompanying consolidated financial statements have been prepared assuming that the entity will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered recurring losses from operations, has a working capital deficiency and needs to secure additional financing to remain a going concern. These factors raise substantial doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Santa Fe Gold Corporation as of June 30, 2012 and 2011, and the results of its operations and its cash flows for each of the years in the three-year period ended June 30, 2012 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, Santa Fe Gold Corporation maintained, in all material respects, effective internal control over financial reporting as of June 30, 2012 based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Denver, Colorado
September 28, 2012

SANTA FE GOLD CORPORATION

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Company, including the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934, as amended.

Our internal controls were designed to provide reasonable assurance as to (i) the reliability of our financial reporting; (ii) the reliability of the preparation and presentation of the consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States; and (iii) the safeguarding of assets from unauthorized use or disposition.

We conducted an evaluation of the effectiveness of our internal control over financial reporting as of June 30, 2012 based on *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Through this evaluation, we did not identify any material weaknesses in our internal controls. There are inherent limitations in the effectiveness of any system of internal control over financial reporting; however, based on our evaluation, we have concluded that our internal control over financial reporting was effective at a reasonable assurance level as of June 30, 2012.

The operating effectiveness of our internal control over financial reporting as of June 30, 2012 has been audited by StarkSchenkein, LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

Date: September 28, 2012

By: /s/ W. Pierce Carson

W. Pierce Carson
President, Chief Executive Officer,
Director and Chairman of the Board

SANTA FE GOLD CORPORATION

CONSOLIDATED BALANCE SHEETS

	June 30, 2012	June 30, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 614,385	$ 172,531
Accounts receivable	2,442,399	2,230,605
Inventory	951,458	175,578
Marketable securities	48,776	97,260
Prepaid expenses and other current assets	329,466	279,064
Total Current Assets	4,386,484	2,955,038
MINERAL PROPERTIES	579,000	579,000
PROPERTY, EQUIPMENT AND MINE DEVELOPMENT, net	24,139,166	13,104,215
OTHER ASSETS:		
Construction in process	-	8,427,113
Idle equipment, net	1,223,528	1,223,528
Note receivable	-	203,422
Restricted cash	231,716	410,374
Deferred financing costs, net	1,102,070	314,700
Total Other Assets	2,557,314	10,579,137
Total Assets	$ 31,661,964	$ 27,217,390
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	$ 2,199,026	$ 1,090,907
Accrued liabilities	2,505,785	2,231,860
Derivative instrument liabilities	1,026,765	8,973,066
Current portion, notes payable	9,931,468	78,384
Current portion, senior subordinated convertible notes payable, net of discount of $5,564 and $-0-, respectively	444,436	-
Current portion, capital leases	41,487	83,856

Completion guarantee payable	3,359,873	-
Deferred revenue	-	3,611,266
Total Current Liabilities	19,508,840	16,069,339
LONG TERM LIABILITIES:		
Senior secured convertible notes payable, net of discount of $-0- and $2,498,065, respectively	-	11,001,935
Senior subordinated convertible notes payable, net of discount of $-0- and $19,684, respectively	-	430,316
Notes payable, net of current portion	936,996	58,957
Capital leases, net of current portion	3,545	45,057
Asset retirement obligation	159,048	149,236
Total Liabilities	20,608,429	27,754,840
STOCKHOLDERS' EQUITY (DEFICIT):		
Common stock, $.002 par value, 300,000,000 shares authorized; 111,143,684 and 94,744,412 shares issued and outstanding, respectively; Includes non-vested shares of -0- and 237,500, respectively	222,287	188,341
Additional paid in capital	74,846,754	59,021,550
Accumulated (deficit)	(63,966,224)	(59,746,543)
Accumulated other comprehensive (loss)	(49,282)	(798)
Total Stockholders' Equity (Deficit)	11,053,535	(537,450)
	$ 31,661,964	$ 27,217,390

The accompanying notes are an integral part of the consolidated financial statements.

SANTA FE GOLD CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS)

	For the Years Ended June 30,		
	2012	**2011**	**2010**
SALES, Net	$ 11,531,869	$ 6,440,897	$ 320,145
OPERATING COSTS AND EXPENSES:			
Costs applicable to sales	7,347,158	3,317,914	-
Exploration	2,680,856	2,147,511	1,004,256
General and administrative	3,303,763	2,823,548	2,119,270
Depreciation and amortization	4,039,875	2,322,736	477,760
Accretion of asset retirement obligation	9,812	-	-
	17,381,464	10,611,709	3,601,286
LOSS FROM OPERATIONS	(5,849,595)	(4,170,812)	(3,281,141)
OTHER INCOME (EXPENSE):			
Interest income	9,108	11,645	16,410
Miscellaneous income	5,328	-	4,278
Other expense	(1,749,742)	-	-

Gain on derivative instrument liabilities	6,568,533	1,652,961	3,295,947
Accretion of discounts on notes payable	(1,066,843)	(1,275,811)	(1,052,160)
Interest expense	(2,136,470)	(835,076)	(192,688)
	1,629,914	(446,281)	2,071,787
LOSS BEFORE PROVISION FOR INCOME TAXES	(4,219,681)	(4,617,093)	(1,209,354)
PROVISION FOR INCOME TAXES	-	-	-
NET LOSS	(4,219,681)	(4,617,093)	(1,209,354)
OTHER COMPREHENSIVE LOSS			
Unrealized loss on marketable securities	(48,484)	(798)	-
NET COMPREHENSIVE LOSS	$ (4,268,165)	$ (4,617,891)	$ (1,209,354)
Basic and Diluted Per Share data			
Net Loss - basic and diluted	$ (0.04)	$ (0.05)	$ (0.01)
Weighted Average Common Shares Outstanding:			
Basic and diluted	101,959,367	93,249,081	87,639,127

The accompanying notes are an integral part of the consolidated financial statements.

SANTA FE GOLD CORPORATION
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED JUNE 30, 2012, 2011 AND 2010

	Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	
	Shares	Amount	Capital	(Deficit)	(Loss)	Total
Balance, June 30, 2009	82,316,112	164,632	49,926,931	(52,977,460)	-	(2,885,897)
Cumulative effect of change in accounting on derivative financial instruments	-	-	(1,439,258)	(942,636)	-	(2,381,894)
Balance, June 30, 2009 - Restated	82,316,112	164,632	48,487,673	(53,920,096)	-	(5,267,791)
Settlement of accrued liability	1,162,500	2,325	197,675	-	-	200,000
Cashless exercise of options and warrants	317,877	636	(636)	-	-	-
Shares issued for services and commissions	31,343	63	41,435	-	-	41,498
Exercise of warrants	60,000	120	74,880	-	-	75,000
Shares sold for cash proceeds	7,905,517	15,812	10,210,191	-	-	10,226,003
Conversion of note payable	18,219	36	18,183	-	-	18,219
Conversion of accrued interest	483,000	966	482,034	-	-	483,000
Fees attributable to private placement	-	-	(625,000)	-	-	(625,000)
Private placement proceeds allocated to warrant derivative liability	-	-	(3,275,067)	-	-	(3,275,067)
Stock sale proceeds allocated to warrant derivative liability	-	-	(192,507)	-	-	(192,507)
Derivative instrument liability at exercise date	-	-	788,293	-	-	788,293
Deferred stock compensation	-	-	342,415	-	-	342,415
Issuance of non-vested stock grants	765,000	-	-	-	-	-
Costs associated with vested options	-	-	333,634	-	-	333,634
Net loss	-	-	-	(1,209,354)	-	(1,209,354)

Balance, June 30, 2010	93,059,568	184,590	56,883,203	(55,129,450)	-	1,938,343
Shares issued for services	17,500	35	16,515	-	-	16,550
Issuance of vested stock grants	-	180	(180)	-	-	-
Cancellation of non-vested stock grants	(100,000)	-	-	-	-	-
Shares issued in private placement	1,666,668	3,333	1,996,668	-	-	2,000,001
Private placement fees	-	-	(136,000)	-	-	(136,000)

The accompanying notes are an integral part of the consolidated financial statements.

SANTA FE GOLD CORPORSTION
CONSOLIDATED STATEMENT OF STOCKHOLDER'S (DEFICIT) EQUITY
FOR THE YEARS ENDED JUNE 30, 2012, 2011 AND 2010

	Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	
	Shares	Amount	Capital	(Deficit)	(Loss)	Total
Private placement proceeds allocated to warrant derivative	-	-	(731,984)	-	-	(731,984)
Cashless exercise of options	100,676	203	(203)	-	-	-
Costs associated with vested options	-	-	534,191	-	-	534,191
Deferred stock compensation	-	-	459,340	-	-	459,340
Mark to market on securities	-	-	-	-	(798)	(798)
Net loss	-	-	-	(4,617,093)	-	(4,617,093)
Balance, June 30, 2011	94,744,412	188,341	59,021,550	(59,746,543)	(798)	(537,450)
Shares issued for services	716,666	1,433	346,567	-	-	348,000
Conversion of convertible notes payable	13,500,000	27,000	13,405,424	-	-	13,432,424
Shares issued in private placement	700,000	1,400	526,050	-	-	527,450
Warrants issued in private placement	-	-	172,550	-	-	172,550
Shares sold under equity line	1,476,988	2,954	526,087	-	-	529,041
Equity line fees	-	-	(29,041)		-	(29,041)
Cashless options exercise	5,618	11	(11)	-	-	-
Costs associated with vested options	-	-	562,194	-	-	562,194
Costs associated with vested warrants	-	-	220,564	-	-	220,564
Deferred stock compensation	-	-	95,968	-	-	95,968
Mark to market on securities	-	-	-	-	(48,484)	(48,484)
Issuance of vested stock grants	-	1,148	(1,148)	-	-	-
Net loss	-	-	-	(4,219,681)	-	(4,219,681)
Balance, June 30, 2012	111,143,684	$ 222,287	$ 74,846,754	$ (63,966,224)	$ (49,282)	$ 11,053,535

The accompanying notes are an integral part of the consolidated financial statements.

SANTA FE GOLD CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended June 30,		
	2012	**2011**	**2010**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (4,219,681)	$ (4,617,093)	$ (1,209,354)

Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	4,039,875	2,322,736	477,760
Stock-based compensation	926,727	1,010,081	717,547
Accretion of discount on notes payable	1,066,843	1,275,811	1,052,160
Accretion of asset retirement obligation	9,812	-	-
Write-off of note receivable	210,889	-	-
(Gain) on derivative instrument liabilities	(6,568,533)	(1,652,961)	(3,295,947)
Loss on disposal of assets	152,587	-	3,572
Amortization of deferred financing costs	882,629	98,317	89,026
Net change in operating assets and liabilities:			
Accounts receivable	(211,794)	(2,230,605)	-
Inventory	(775,880)	(175,578)	-
Prepaid expenses and other current assets	54,719	(11,856)	(116,957)
Accounts payable and accrued liabilities	1,382,044	2,523,580	(654,285)
Deferred revenue	(755,442)	(388,734)	-
Completion guarantee payable	504,049	-	-
Net Cash Used in Operating Activities	(3,301,156)	(1,846,302)	(2,936,478)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Decrease to restricted cash	178,658	-	-
Proceeds from disposal of assets	25,000	-	31,400
Purchase of marketable securities	-	(98,058)	-
Note receivable	(7,467)	(203,422)	-
Additions of property, equipment and mine development	(1,826,306)	(1,156,276)	(402,858)
Construction in progress	(4,208,960)	(3,665,034)	(4,893,365)
Net Cash Used in Investing Activities	(5,839,075)	(5,122,790)	(5,264,823)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of stock	1,200,000	2,000,001	10,301,003
Proceeds from notes payable	15,000,000	77,306	212,762
Proceeds from deferred revenue	-	-	4,000,000
Payment of private placement fees	-	(136,000)	(625,000)
Payments on notes payable	(5,164,034)	(201,701)	(238,369)
Payments on capital leases	(83,881)	(138,113)	(130,811)
Payment of financing costs	(1,370,000)	-	(288,000)
Net Cash Provided by Financing Activities	9,582,085	1,601,493	13,231,585
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	441,854	(5,367,599)	5,030,284
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	172,531	5,540,130	509,846
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 614,385	$ 172,531	$ 5,540,130

SANTA FE GOLD CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Continued)

	For the Years Ended June 30,		
	2012	2011	2010
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid for interest	$ 1,482,441	$ 799,354	$ 521,642
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Stock issued for services	$ 300,000	$ -	$ -
Stock issued for conversion of convertible notes payable	$ 13,432,424	$ -	$ -
Stock issued for conversion of accrued interest	$ -	$ -	$ 483,000
Stock issued for conversion of accrued liability	$ -	$ -	$ 200,000
Stock issued for conversion of note payable	$ -	$ -	$ 18,219
Insurance premiums financed with note payable	$ 105,121	$ -	$ -
Equipment purchased with note payable	$ 790,035	$ -	$ 16,825

The accompanying notes are an integral part of the consolidated financial statements.

SANTA FE GOLD CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 1 – NATURE OF OPERATIONS

Santa Fe Gold Corporation (the Company) is a U.S. mining company incorporated in Delaware in August 1991. Its general business strategy is to acquire, explore and develop mineral properties. The Company's principal assets are the 100% owned Summit silver-gold property located in New Mexico, the leased Ortiz gold project in New Mexico and the 100% owned Black Canyon mica project in Arizona.

In November 2002, the Company ceased crushing and concentration activities at its Black Canyon project due to economic constraints. Limited marketing and sales continued during 2003-2005 at its Glendale mica processing facility. The Company is continuing to seek a joint-venture partner to help finance and operate the project or to sell the project in its entirety.

In May 2006, for a cash price of $1.3 million, the Company acquired 100% of the shares of The Lordsburg Mining Company (Lordsburg Mining), a New Mexico corporation. With the acquisition of Lordsburg Mining, the Company acquired the Summit project, consisting of approximately 117.6 acres of patented and approximately 520 acres of unpatented mining claims in Grant County, New Mexico; approximately 257 acres of patented mining claims in Hidalgo County, New Mexico; and milling equipment including a ball mill and floatation plant in Sierra County, New Mexico.

On June 30, 2008, Lordsburg Mining purchased from St. Cloud Mining Company, a New Mexico corporation, for a price of $841,500, mineral processing equipment and real property situated adjacent to the Banner mill site located south of Lordsburg, New Mexico. The equipment included in the purchase constitutes important components for the Banner mill processing facility, notably a portable crushing and screening plant and a feeding and conveying system. The real property included in the purchase consists of 70 patented and 5 unpatented mining claims, and assignments of mineral leases covering 17 patented and 6 unpatented mining claims. These mining claims and mineral leases, together with the patented mining claims Lordsburg Mining already owned in the area of the Banner mill site, cover approximately 1,500 acres (2.3 square miles) and comprise the core of the Virginia Mining District. Historical production of copper, gold and silver from the district has been substantial. Lordsburg Mining assumed certain potential environmental obligations in connection with the real property, including those related to reclamation of old workings, should such obligations arise in the future.

The Company commenced processing operations at the Banner Mill in March 2010. Commissioning of the mill proceeded satisfactorily and in July 2010, mill operations were expanded to two shifts per day, five days a week. In April 2012, the Company commenced commercial production at the Summit silver–gold mine.

In June 2009, the Company formed a wholly owned Mexican subsidiary, Minera Sandia S.A. de C.V, in order to conduct business legally within the country of Mexico, including entering into contracts such as the option purchase contract on the Pilar Gold Property described below.

On June 13, 2009, the Company's wholly owned Mexican subsidiary, Minera Sandia S.A. de C.V, entered into an option purchase contract on the Pilar Gold Property consisting of two mineral exploitation concessions located 165 kilometers east-southeast of Hermosillo, Sonora, Mexico. In March 2010, the Company relinquished its interest in this property.

In September 2009, the Company formed a wholly owned Barbados subsidiary, Santa Fe Gold Barbados Corporation, in connection with the definitive gold sales agreement entered into on September 11, 2009. Under separate agreements, Santa Fe Gold Barbados Corporation sells refined gold to Sandstorm Gold Resources, Ltd., and refined gold and silver to Waterton Global Value L.P. (See NOTE 14 – Commitments, for additional details).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Going Concern

The financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities and commitments in the normal course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Company has incurred a loss of $4,219,681 for the fiscal year ended June 30, 2012, and has a total accumulated deficit of $63,966,224 and a significant working capital deficit at June 30, 2012. The Company began revenue generating operations during the fiscal year ended June 30, 2011, through the sales of precious metals and flux material. To continue as a going concern, the Company is dependent on continued fund raising for project development and payment of operating and financing expenses until production at the Summit mine site attains cash flow to cover the Company's costs. The Company has no continuing commitment from any party to provide additional working capital and there is no assurance that such funding will be available if needed, or if available, that its terms will be favorable or acceptable to the Company.

The Company's consolidated financial statements do not include any adjustment relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Azco Mica, Inc., a Delaware corporation, The Lordsburg Mining Company, a New Mexico corporation, Minera Sandia, S.A. de C.V., a Mexican corporation and Santa Fe Gold Barbados Corporation, a Barbados corporation. All significant inter-company accounts and transactions have been eliminated in consolidation.

Reclassifications

Certain items in these consolidated financial statements have been reclassified to conform to the current year's presentation.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates under different assumptions or conditions.

Significant estimates are used when accounting for the Company's carrying value of mineral properties, fixed assets, depreciation and amortization, accruals, derivative instrument liabilities, taxes and contingencies, asset retirement obligations, revenue recognition, and stock-based compensation which are discussed in the respective notes to the consolidated financial statements.

Marketable Securities

Marketable securities are classified as available for sale and classified as current assets as they are subject to use within one year. The marketable securities are carried at fair value with unrealized gains and losses, if any, included as a component of accumulated other comprehensive income (loss) in stockholders' equity. Unrealized loss amounted to $48,484 and $798 for the years ended June 30, 2012 and 2011, respectively.

Inventory

Major types of inventories include ore stockpile inventories, in-process inventories, siliceous flux material inventories and concentrate inventories, as described below. Inventories are carried at the lower of average cost or net realizable value. The net realizable value of ore stockpile inventories and in-process inventories represents the estimated future sales price of the product based on current and future metals prices, less the estimated costs to complete production and bring the product to sale. Concentrate inventories and siliceous flux material inventories are carried at the lower of full cost of production or net realizable value based on current and future metals prices. Write-downs of inventory are reported as a component of costs applicable to sales.

Ore Stockpile Inventories: Ore stockpile inventories represent mineralized materials that have been mined and are available for further processing. Costs are allocated to ore stockpile inventories based on relative values of material stockpiled and processed using current mining costs incurred up to the point of stockpiling the ore,

including applicable overhead, depreciation, and amortization. Material is removed from the stockpile at an average cost per ton. The current portion of ore stockpiles is determined based on the expected amounts to be processed within the next 12 months. Ore stockpile inventories not expected to be processed within the next 12 months, if any, are classified as long-term.

In-process Inventories: In-process inventories represent materials that are currently in the process of being converted to a saleable product. In-process inventories are valued at the lower of average cost or net realizable value of the material fed into the process attributable to the source material plus the in-process conversion costs, including applicable depreciation relating to the process facilities incurred to that point in the process.

Siliceous Flux Material Inventories: The siliceous flux material inventories represent ore stockpiles that have been crushed and screened to the customer's specifications, and represent a saleable product.

Concentrate Inventories: Concentrates inventories include metal concentrates located either at the Company's facilities or in transit to the customer's port. Inventories consist of gold and silver metal concentrates and represent a saleable product.

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, restricted cash, accounts payable and accrued liabilities approximated their related fair values as of June 30, 2012 and 2011, due to the relatively short-term nature of these instruments.

Cash and Cash Equivalents

The Company considers all liquid investments purchased with an initial maturity of three months or less to be cash equivalents. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash balances. Restricted cash is excluded from cash and cash equivalents and is included in other assets.

Accounts Receivable

Accounts receivable consist of trade receivables from precious metals sales of concentrate, flux, and refined gold As of June 30, 2012, total accounts receivable by customer are 41% from Aurubis AG, ("Aurubis"), 11% from Asarco LLC ("Asarco"), and 48% from Freeport.

In evaluating the collectability of accounts receivable, the Company analyzes past results and identifies trends for each major payer source of revenue for the purpose of estimating an allowance for doubtful accounts. Data in each major payer source are regularly reviewed to evaluate the adequacy of the allowance, and actual write-offs are charged against the allowance. There was no allowance for doubtful accounts as of June 30, 2012 and 2011.

Property, Equipment and Mine Development

Property and Equipment

Property and equipment are carried at cost. Maintenance and repairs that do not improve or extend the life of the respective assets are expensed as incurred. Expenditures for new property or equipment and expenditures that extend the useful lives of existing property and equipment are capitalized and recorded at cost. Upon retirement, sale

or other disposition, the cost and accumulated amortization are eliminated and the gain or loss is included in operations. Depreciation is taken over the estimated useful lives of the assets using the straight-line method. The estimated useful lives of property and equipment is shown below. Land is not depreciated.

	Estimated Useful Life
Leasehold improvements	3 Years
Office furniture and equipment	3 Years
Mine processing equipment and buildings	7 – 20 Years
Plant	3 – 9 Years
Tailings	3 Years
Environmental and permits	7 Years
Asset retirement obligation	5 Years
Automotive	3 – 5 Years
Software	5 Years

Mine Development

Mine development costs include engineering and metallurgical studies, drilling and other related costs to delineate an ore body, and the building of access ways, shafts, lateral access, drifts, ramps and other infrastructure in an underground mine. Costs incurred before mineralization is classified as proven and probable reserves are expensed and classified as exploration expense. Capitalization of mine development project costs, that meet the definition of an asset, begins once mineralization is classified as proven and probable reserves.

Drilling and related costs are capitalized for an ore body where proven and probable reserves exist and the activities are directed at obtaining additional information on the ore body or converting non-reserve mineralization to proven and probable reserves. All other drilling and related costs are expensed as incurred. Drilling costs incurred during the production phase for operational ore control are allocated to inventory costs and then included as a component of Costs applicable to sales.

Mine development is amortized using the units-of-production method based upon estimated recoverable ounces in proven and probable reserves. To the extent that these costs benefit an entire ore body, they are amortized over the estimated life of the ore body. Costs incurred to access specific ore blocks or areas that only provide benefit over the life of that area are amortized over the estimated life of that specific ore body.

Idle Equipment

The Company has certain idle equipment in storage related primarily to the Black Canyon project. The equipment's carrying value totaled $1,223,528 as of June 30, 2012 and 2011. The Company evaluates the carrying value of the idle equipment when events or changes in circumstances indicate the related carrying amount may not be recoverable. The Company has not recorded any impairment during the years ended June 30, 2012, 2011, and 2010.

Mineral Properties

Mineral properties are capitalized at their fair value at the acquisition date, either as an individual asset purchase or as part of a business combination. When it is determined that a mineral property can be economically developed as a result of establishing reserves, subsequent mine development are capitalized and are amortized using the "Units of Production" method over the estimated life of the ore body based on estimated recoverable ounces in proven and probable reserves.

The Company's mineral rights generally are enforceable regardless of whether proven and probable reserves have been established. The Company has the ability and intent to renew mineral interests where the existing term is not sufficient to recover all identified and valued proven and probable reserves and/or undeveloped mineralized material.

Impairment of Long-Lived Assets

The Company reviews and evaluates long-lived assets for impairment when events or changes in circumstances indicate the related carrying amounts may not be recoverable. The assets are subject to impairment consideration if events or circumstances indicate that their carrying amount might not be recoverable. An impairment loss is recognized when estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. When impairment is identified, the carrying amount of the asset is reduced to its estimated fair value which is generally derived from estimated discounted cahs flows. As of June 30, 2012, exploration progress is on target with the Company's exploration and evaluation plan and no events or circumstances have happened to indicate the related carrying values of long-lived assets may not be recoverable.

Restricted Cash

Restricted cash totaled $231,716 and $410,374 at June 30, 2012 and 2011, respectively. Restricted cash is maintained in connection with requirements for reclamation of projects and bonding requirements for a weighmaster.

Derivative Financial Instruments

The Company does not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks.

The Company reviews the terms of convertible debt, equity instruments and other financing arrangements to determine whether there are embedded derivative instruments, including embedded conversion options that are required to be bifurcated and accounted for separately as a derivative financial instrument. Also, in connection with the issuance of financing instruments, the Company may issue freestanding options or warrants that may, depending on their terms, be accounted for as derivative instrument liabilities, rather than as equity. The Company may also issue options or warrants to non-employees in connection with consulting or other services.

Derivative financial instruments are initially measured at their fair value. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported as charges or credits to income. For warrant-based derivative financial instruments, the Company uses the Black-Scholes option pricing model to value the derivative instruments. To the extent that the initial fair values of the freestanding and/or bifurcated derivative instrument liabilities exceed the total proceeds received, an immediate charge to income is recognized, in order to initially record the derivative instrument liabilities at their fair value.

The discount from the face value of the convertible debt or equity instruments resulting from allocating some or all of the proceeds to the derivative instruments, together with the stated interest on the instrument, is amortized over the life of the instrument through periodic charges to income, usually using the effective interest method.

The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is reassessed at the end of each reporting period. If reclassification is required, the fair value of the derivative instrument, as of the determination date, is reclassified. Any previous charges or credits to income for changes in the fair value of the derivative instrument are not reversed. Derivative instrument liabilities are

classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within twelve months of the balance sheet date.

Reclamation Costs

Reclamation obligations are recognized when incurred and recorded as liabilities at fair value. The liability is accreted over time through periodic charges to earnings. In addition, the asset retirement cost is capitalized as part of the asset's carrying value and amortized over the life of the related asset. Reclamation costs are periodically adjusted to reflect changes in the estimated present value resulting from the passage of time and revisions to the estimates of either the timing or amount of the reclamation costs. The reclamation obligation is based on when spending for an existing disturbance will occur. The Company reviews, on an annual basis, unless otherwise deemed necessary, the reclamation obligation at each mine site in accordance with ASC guidance for reclamation obligations. At June 30, 2012 and 2011, the Company had a reclamation obligation totaling $159,048 and $149,236, respectively.

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred either physically or through an irrevocable transfer of metals to the buyer's account, the price is fixed or determinable, no related obligations remain and collectability is probable.

Sales of all metals products sold directly to the Company's metals buyers, including by-product metals, are recorded as revenues upon a buyer either taking physical delivery of the metals product in the case of siliceous flux material or upon the buyer receiving all required documentation necessary to take physical delivery of the metals product in the case of concentrate (generally at the time the product is loaded onto a shipping vessel at the originating port and the bill of lading is generated).

Revenues for metals products are recorded at current market prices at the time of delivery and are subsequently adjusted to the current market prices existing at the end of each reporting period. Due to the period of time existing between delivery and final settlement with the buyer, the Company estimates the prices at which sales will be settled. Changes in metals prices between delivery and final settlement will result in adjustments to revenues previously recorded.

Sales of metals products are recorded net of charges from the buyer for treatment, refining, smelting losses, and other negotiated charges. Charges are estimated upon shipment of product based on contractual terms, and actual charges do not vary materially from estimates. Costs charged by smelters include a metals payable fee, fixed treatment and refining costs per ton of product.

Sales of refined precious metals related to the definitive gold sale agreement dated September 11, 2009, and the gold and silver supply agreement dated December 23, 2011, are recorded as revenues when the buyer takes delivery (See NOTE 14 – Commitments). The recorded revenues are final at that time. Due to the nature of the agreements, an obligation exists for the delivery of refined gold and silver concurrent with the delivery of concentrate and flux products. Consequently the associated costs to purchase refined gold and silver are also recorded at the same time as the delivery of the concentrate and flux products. The costs to purchase refined gold and silver are recorded using the current market price upon delivery of the refined precious metals or upon accrual of the obligation if undelivered. If necessary the accrual for any unsettled deliveries of refined gold and silver and the related costs to purchase such are adjusted to the current market price existing at the end of each reporting period until final delivery and adjustment occurs.

Deferred Revenue/ Completion Guarantee Payable

Deferred revenue represents a cash advance made under a definitive gold sale agreement ("the Agreement') to sell a portion of the life-of-mine gold production only, not silver production, from our Summit silver-gold mine. Under the terms of the Agreement, the Company received an upfront cash deposit of $4 million, plus it will receive on-going production payments. The purchase price for the gold is determined as the prevailing the market price, payable in cash, provided that if the market price is greater than $400 per ounce, the Company will receive a fixed cash amount of $400 per ounce, with the difference between the market price and fixed cash amount received to be credited against the upfront cash deposit. In the event the upfront cash deposit of $4 million has been reduced to zero from the application of the foregoing provision, the purchase price is then determined to be the lesser of the fixed price of $400 per ounce or the prevailing market price.

In accordance with the completion guarantee provision in the Agreement, the Company has recorded an obligation at June 30, 2012 totaling $3,359,873 related to the percentage of underproduction of gold produced relative to the amount of gold planned to have been produced as set out in the Agreement. Prior to the calculation of the completion guarantee payable at June 30, 2012, the deferred revenue balance totaled $2,855,824. In connection with the calculation, the balance was reclassified to the completion guarantee payable at June 30, 2012. Additional fees associated with the transaction totaling $504,049 were also recognized in Other Expenses and accrued as part of the completion guarantee payable at June 30, 2012. Based upon the provisions of the Agreement, the completion guarantee payable directly reduces any remaining amounts of deferred revenue dollar for dollar at the time of the calculation. Consequently, deferred revenue has been reduced to zero at June 30, 2012. Deferred revenue amounted to $3,611,266 at June 30, 2011 (See NOTE 14 – Commitments).

Concentration of Credit Risk

For the year ended June 30, 2012, the composition of sales generated from precious metals were 40% to Aurubis, 24% to Asarco, 20% to Freeport McMoran ("Freeport"), 11% to Sandstorm, and 4% to Waterton. For the year ended June 30, 2011, the composition of sales generated from precious metals were 61% to Aurubis, 23% to Asarco, 8% to Freeport McMoran ("Freeport"), and 8% to Sandstorm.

The Company's Summit project located in the state of New Mexico accounted for 100% of the Company's total sales.

Income Taxes

The Company accounts for income taxes using the asset and liability approach, which requires recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of such assets and liabilities. This method utilizes enacted statutory tax rates in effect for the year in which the temporary differences are expected to reverse and gives immediate effect to changes in income tax rates upon enactment. A valuation allowance is recorded when it is more likely than not that deferred tax assets will be unrealizable in future periods. As of June 30, 2012 and 2011, the Company has recorded a valuation allowance against the full amount of its net deferred tax assets. The inability to foresee taxable income in future years makes it more likely than not that the Company will not realize its recorded deferred tax assets in future periods.

Net Loss Per Share

Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted average number of common shares outstanding for the period. Diluted earnings per share is calculated by dividing net income (loss) by the weighted average number of common shares and dilutive common stock equivalents outstanding. During the periods when they are anti-dilutive, common stock equivalents, if any, are not considered in the computation. For

the years ended June 30, 2012, 2011 and 2010, the impact of outstanding stock equivalents has not been included as they would be anti-dilutive.

Comprehensive Loss

In addition to net loss, comprehensive loss includes all changes in equity during a period, such as cumulative unrealized changes in the fair value of marketable securities available for sale or other investments.

Stock-Based Compensation

In connection with terms of employment with the Company's executives and employees, the Company occasionally issues options to acquire its common stock. Awards are made at the discretion of the Board of Directors. Such options may be exercisable at varying exercise prices and generally vest over a period of six months to a year.

The Company accounts for share based based on the grant date fair value of the award. The Company estimates the fair value of the award using the Black-Scholes option pricing model for valuation of the share-based payments. The Company believes this model provides the best estimate of fair value due to its ability to incorporate inputs that change over time, such as volatility and interest rates, and to allow for actual exercise behavior of option holders. The simplified method is used to determine compensation expense since historical option exercise experience is limited. The compensation cost is recognized over the expected vesting period.

Recent Accounting Pronouncements

In January 2010, the ASC guidance for fair value measurements and disclosure was updated to require additional disclosures related to: i) transfers in and out of level 1 and 2 fair value measurements and ii) enhanced detail in the level 3 reconciliation. The guidance was amended to provide clarity about: i) the level of disaggregation required for assets and liabilities and ii) the disclosures required for inputs and valuation techniques used to measure fair value for both recurring and nonrecurring measurements that fall in either level 2 or level 3. The updated guidance is effective for the Company's fiscal year beginning July 1, 2010, with the exception of the level 3 disaggregation. The Company adopted this guidance on the Company's consolidated financial position, results of operations and cash flows with no impact to the Company's financial position or results of operations for the additional disclosure requirements in fiscal year 2011.

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, *"Fair Value Measurements (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs"* ("ASU 2011-04"). ASU 2011-04 changes the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements to ensure consistency between U.S. GAAP and IFRS. ASU 2011-04 also expands the disclosures for fair value measurements that are estimated using significant unobservable (Level 3) inputs. This new guidance is to be applied prospectively. There was no impact to the Company's financial position, results of operations or cash flows as a result of the adoption this updated standard.

In June 2011, the FASB issued ASU No. 2011-05, "Comprehensive Income (ASC Topic 220): Presentation of Comprehensive Income" ("ASU 2011-05"), which amends current comprehensive income guidance. This accounting update eliminates the option to present the components of other comprehensive income as part of the statement of shareholders' equity. Instead, the Company must report comprehensive income in either a single continuous statement of comprehensive income which contains two sections, net income and other comprehensive income, or in two separate but consecutive statements. ASU 2011-05 will be effective for public companies during

the interim and annual periods beginning after December 15, 2011. The Company's adoption of ASU 2011-05 did not have an impact on the Company's consolidated financial position, results of operations or cash flows as it only required a change in the format of the presentation.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, and the SEC did not, or are not believed by management to, have a material impact on the Company's present or future consolidated financial statements.

NOTE 3 – INVENTORY

The following table provides the components of inventory as of June 30, 2012 and 2011:

	2012	2011
Stockpiled ore	$ 9,268	$ 23,296
In-process material	479	24,281
Siliceous flux material	66,206	46,135
Precious metals concentrate	875,505	81,866
	$ 951,458	$ 175,578

NOTE 4– MINERAL PROPERTIES

Mineral properties were comprised of acquisition costs related to properties in New Mexico and Arizona, as shown below as of June 30, 2012 and 2011:

	2012	2011
Summit property, Grant County, NM	$ 119,000	$ 119,000
Banner property, Hidalgo County, NM	210,000	210,000
New Planet property, La Paz County, AZ	250,000	250,000
	$ 579,000	$ 579,000

NOTE 5 - PROPERTY, EQUIPMENT AND MINE DEVELOPMENT

Property, equipment, and mine development consists of the following at June 30, 2012 and 2011:

	2012	2011
Leasehold improvements	$ 1,645	$ 1,645
Office furniture and equipment	37,779	37,779
Land	163,000	163,000
Mine processing equipment and buildings	7,707,089	5,489,538
Plant	8,096,590	8,053,672
Tailings	1,726,677	1,726,677
Environmental and permits	267,078	267,078
Mine development	12,636,073	--
Asset retirement obligation	149,236	149,236
Automotive	315,786	218,258
Software	87,848	87,848
	31,188,801	16,194,731
Less: Accumulated depreciation	(7,049,635)	(3,090,516)

	$ 24,139,166	$ 13,104,215

Depreciation and amortization expense for the years ended June 30, 2012, 2011 and 2010 was $4,039,875, $2,322,736 and $477,760, respectively.

Construction in progress consists of the following at June 30, 2012 and 2011:

	2012	2011
Summit mine site	$ --	$ 7,550,583
Capitalized interest expense	--	876,530
	$ --	$ 8,427,113

During the current fiscal year, the Company put into service the Summit Mine Site consisting of capitalized costs of aggregating $11,605,578 and capitalized interest of $1,030,495.

NOTE 6– NOTE RECEIVABLE

On January 27, 2011, the Company advanced $200,000 to Columbus Silver Corporation ("Columbus Silver") (TSXV: CSC) in exchange for a promissory note bearing interest at 4% per annum. All accrued interest and principal is due and payable on December 31, 2012. The loan was extended for the purpose of providing Columbus Silver with working capital in connection with a non-binding Memorandum of Understanding ("MOU") dated September 23, 2010, in contemplation of a business combination (the "Transaction"). Under certain circumstances listed in the definitive agreement dated December 15, 2011 in which the transaction is unable to consummate, the note receivable including accrued interest may not be refundable to the Company. On June 1, 2012, the Company announced the termination of the agreement to acquire Columbus Silver. The Company wrote-off the note receivable and accrued interest receivable totaling $210,889 at June 30, 2012.

NOTE 7- DERIVATIVE INSTRUMENT LIABILITIES

On March 20, 2006, the Company completed a private placement of senior secured convertible notes, additional investment rights and warrants to institutional investors for an aggregate purchase price of $2,500,000. These notes were evaluated using Emerging Issues Task Force ("EITF") issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock ("EITF 00-19")" and it was determined that the warrants, embedded conversion and interest components and additional investment rights should be accounted for as derivative instrument liabilities. Accordingly, they are to be marked to market each reporting period, with the corresponding non-cash gain or loss reflected in the Company's current period statement of operations.

On September 6, 2006, the Company amended the terms of the private placement of the senior secured convertible notes that were issued on March 20, 2006. The common stock warrants and additional investment rights held by the investors were also amended. In connection with the amendment, the investors agreed to purchase in the aggregate an additional $1,000,000 of notes under the amended terms, bringing the total outstanding principal, including interest and liquidated damages, due under the notes to $3,781,662. This principal amount plus interest was repaid in full in December 2007.

On February 23, 2007, the Company agreed with the institutional investors to amend the terms of the private placement of senior secured convertible notes, additional investment rights and warrants issued March 20, 2006 and September 6, 2006. Under terms of this Amendment 2, the date by which the Company was required to file a registration statement with the Securities and Exchange Commission was extended from November 5, 2006, until

April 30, 2007 (subsequently filed March 23, 2007), and the date by which such registration statement was required to be declared effective, was extended from February 4, 2007, until July 31, 2007. The investors agreed to forgo all liquidated damages and penalties related to the previous deadlines. The Company agreed to seek stockholder approval for an increase in the Company's authorized capital, from the authorized limit of 100 million shares, to 200 million shares, and, if necessary, to file additional registration statements. In connection with the amendment, the Company issued 1,750,000 warrants, giving note holders the right to purchase common stock at a price of $1.25 per share for a period of five years. The Company uses the Black-Scholes option pricing model to value options, warrants, imbedded conversion option components and additional investment rights that are recorded as derivative liabilities. The fair value of the derivative instruments liability for these warrants at the time of issuance was determined to be $1,773,013 with the following assumptions: (1) risk free interest rate of 4.67%, (2) remaining contractual life of 5 years, (3) expected stock price volatility of 116%, and (4) expected dividend yield of zero.

On December 21, 2007, the warrant exercise price of $1.25 per share on the 1,750,000 warrants was reduced to $1.00 under the terms and conditions of the warrant with the reduction resulting from the placement of a 7% Senior Secured Convertible Debenture with attached warrants at an exercise price of $1.00 per share. The original warrant also contained an anti-dilution provision and the warrants were increased by 437,500 to 2,187,500. The fair value of the derivative instruments liability for these warrants was recalculated at the time of the price reduction and warrant increase which is further described below.

On October 30, 2007, the Company completed the placement of 10% Convertible Senior Subordinated Notes in the amount of $450,000. The notes were placed with three accredited investors in the amount of $150,000 each. The notes have a term of 60 months and bear interest at 10% per annum. In connection with the transaction, the Company issued a five year warrant for each $2.50 invested, each warrant giving the note holder the right to purchase common stock at a price of $1.25 per share. An aggregate of 180,000 warrants were issued under the notes.

On December 21, 2007, the Company entered into a definitive agreement for the placement with a single investor of a 7% Senior Secured Convertible Debenture in the amount of $13,500,000. Proceeds from the debenture were issued in accordance with a pre-determined funding schedule and the term of the debenture is 60 months. In connection with the transaction, for every $2.00 of the original principal amount of the debenture, the investor received a warrant to purchase one share of common stock at a price of $1.00. The warrants are exercisable from July 1, 2010, to December 31, 2014. On December 27, 2007, the Company received the initial advance under the agreement of $350,000 and issued 175,000 warrants relating to the advance.

The fair value of the derivative instruments liability for these warrants issued under the placements at the time of issuance in the October 2007, and December 2007, transactions was determined to be $163,627 with the following assumptions: (1) risk free interest rate of 3.50% to 4.05%, (2) remaining contractual life of 5 and 7 years, (3) expected stock price volatility of 114% to 118%, and (4) expected dividend yield of zero. This derivative instruments liability was recorded as a discount to the convertible notes at the time of the transaction.

On January 9, 2008 and January 10, 2008, the Company completed the placement of Additional Investment Rights aggregating $225,000 with two institutional investors. The notes have a term of 17 months and bear interest at 7% per annum. In connection with the transaction, the Company issued a five year warrant for each $2.00 invested, each warrant giving the note holder the right to purchase common stock at a price of $1.00 per share. An aggregate of 112,500 warrants were issued under the notes. The notes also have an embedded convertible option for principal and interest.

On January 15, 2008, the Company received the second advance of $1,500,000 and issued 750,000 warrants relating to the advance as provided for under the terms and conditions of the $13,500,000 7% Senior Secured Convertible Debenture entered into on December 21, 2007.

On February 1, 2008, the Company completed the private placement of a 10% Convertible Senior subordinated Note of $237,143 with an accredited investor and issued a note and related warrants under terms and conditions the same as for the private placements completed October 31, 2007. In connection with the transaction, the Company issued a five year warrant for each $2.50 invested, for a total of 94,858 warrants, each warrant giving the note holder the right to purchase one share of common stock at a price of $1.25 per share.

The fair value of the derivative instruments liability for these warrants and embedded convertible options issued under the placements at the time of issuance in the January 2008, and February 2008, transactions was determined to be $771,323 with the following assumptions: (1) risk free interest rate of 2.46% to 3.3%, (2) remaining contractual life of 1.5 and 7 years, (3) expected stock price volatility of 112% to 113%, and (4) expected dividend yield of zero. This derivative instruments liability was recorded as a discount to the convertible notes at the time of the transaction.

On April 15, 2008, the Company received the third advance of $3,500,000 and issued 1,750,000 warrants relating to the advance as provided for under the terms and conditions of the $13,500,000 7% Senior Secured Convertible Debenture entered into on December 21, 2007.

On April 30, 2008, and June 2, 2008, the Company completed the placement of Additional Investment Rights aggregating $418,614 with an institutional investor. The notes have a term of 17 months and bear interest at 7% per annum. In connection with the transaction, the Company issued a five year warrant for each $2.00 invested, each warrant giving the note holder the right to purchase common stock at a price of $1.00 per share. An aggregate of 209,307 warrants were issued under the notes. The notes also have an embedded convertible option for principal and interest.

The fair value of the derivative instruments liability for these warrants and embedded convertible options issued under the placements at the time of issuance in the April 2008 and June 2008 transactions was determined to be $1,447,716 with the following assumptions: (1) risk free interest rate of 2.29% to 3.28%, (2) remaining contractual life of 1.42 to 6.72 years, (3) expected stock price volatility of 106% to 107%, and (4) expected dividend yield of zero. This derivative instruments liability was recorded as a discount to the convertible notes at the time of the transaction.

On July 15, 2008, under the terms of 7% Senior Secured Convertible Debenture dated December 21, 2007, the Company received the fourth advance under the agreement of $3,500,000 and issued 1,750,000 warrants relating to the advance. The fair value of the derivative instruments liability for these warrants issued under the placements at the time of issuance was determined to be $1,184,521 with the following assumptions: (1) risk free interest rate of 3.43%, (2) an expected life of 6.5 years, (3) expected stock price volatility of 104%, and (4) expected dividend yield of zero.

The convertible debenture was determined to have a beneficial conversion feature of $589,521 based upon the effective computed conversion price, which was charged to the note discount and credited to Additional Paid in Capital. The beneficial conversion feature in conjunction with the derivative instruments liability for the warrants resulted in an aggregated note discount of $1,774,042.

On October 15, 2008, under the terms of the 7% Senior Secured Convertible Debenture dated December 21, 2007; the Company received the fifth advance under the agreement for $3,500,000 and issued 1,750,000 warrants relating to the advance. The fair value of the derivative instruments liability for these warrants issued under the placements at the time of issuance was determined to be $811,917 with the following assumptions: (1) risk free interest rate of 2.98%, (2) an expected life of 6.2 years, (3) expected stock price volatility of 92%, and (4) expected dividend yield of zero.

On December 22, 2008, under the terms of the 7% Senior Secured Convertible Debenture dated December 21, 2007; the Company received the sixth and final advance under the agreement for $1,150,000 and issued 575,000 warrants relating to the advance. The fair value of the derivative instruments liability for these warrants issued under the placements at the time of issuance was determined to be $236,828 with the following assumptions: (1) risk free

interest rate of 1.55%, (2) an expected life of 6.0 years, (3) expected stock price volatility of 89%, and (4) expected dividend yield of zero.

On July 27, 2009, in connection with a private placement for 94,339 shares of the Company's common stock, the Company issued 47,169 five year warrants giving the holder the right to purchase common stock at $1.06 per share. The fair market value of the warrants under the placement at the time of issuance was determined to be $35,017 with the following assumptions: (1) risk-free rate of interest of 2.63%, (2) an expected life of 5.0 years, (3) expected stock price volatility of 87.31%, and (4) expected dividend yield of zero. The private placement was subject to a sales commission and an additional 4,716 five year warrants were issued as a commission on the transaction. The fair market value of the commission warrants under the placement at the time of issuance was determined to be $3,501 with the following assumptions: (1) risk-free rate of interest of 2.63%, (2) an expected life of 5.0 years, (3) expected stock price volatility of 87.31%, and (4) expected dividend yield of zero.

On August 6, 2009, in connection with a private placement for 100,000 shares of the Company's common stock, the Company issued 50,000 five year warrants giving the holder the right to purchase common stock at $1.06 per share. The fair market value of the warrants under the placement at the time of issuance was determined to be $35,579 with the following assumptions: (1) risk-free rate of interest of 2.73%, (2) an expected life of 5.0 years, (3) expected stock price volatility of 86.19%, and (4) expected dividend yield of zero.

On August 17, 2009, in connection with a private placement for 18,868 shares of the Company's common stock, the Company issued 9,434 five year warrants giving the holder the right to purchase common stock at $1.06 per share. The fair market value of the warrants under the placement at the time of issuance was determined to be $6,769 with the following assumptions: (1) risk-free rate of interest of 2.43%, (2) an expected life of 5.0 years, (3) expected stock price volatility of 86.19%, and (4) expected dividend yield of zero. The private placement was subject to a sales commission and an additional 944 warrants were issued as a commission on the transaction. The fair market value of the commission warrants under the placement at the time of issuance was determined to be $677 with the following assumptions: (1) risk-free rate of interest of 2.43%, (2) an expected life of 5.0 years, (3) expected stock price volatility of 86.19%, and (4) expected dividend yield of zero.

On January 20, 2010, in connection with the registered direct offering for 7,692,310 shares of the Company's common stock, the Company issued 3,846,155 five year warrants giving the holder the right to purchase common stock at $1.70 per share. The warrants are exercisable immediately after issuance and will expire five years from the date of issuance. The fair market value of the warrants under the placement at the time of issuance was determined to be $2,921,877 with the following assumptions: (1) risk-free rate of interest of 2.45%, (2) an expected life of 5.0 years, (3) expected stock price volatility of 85.19%, and (4) expected dividend yield of zero. The private placement was subject to the issuance of 461,539 warrants to placement agents, exercisable at $1.625 per share and has an exercise period of approximately 4.9 years. The warrants vest six months from the date of issuance. The fair market value of the placement agent warrants under the placement at the time of issuance was determined to be $353,190 with the following assumptions: (1) risk-free rate of interest of 2.45%, (2) an expected life of 4.94 years, (3) expected stock price volatility of 85.19%, and (4) expected dividend yield of zero.

On December 30, 2010, in connection with the registered direct offering to three institutional investors for 1,666,668 shares of the Company's common stock, the Company issued 833,334 five year warrants giving the holders the right to purchase common stock at $1.50 per share. The warrants are exercisable immediately after issuance and will expire five years from the date of issuance. Using the Black-Scholes option pricing model, the fair market value of the warrants under the placement at the time of issuance was determined to be $669,372 with the following assumptions: (1) risk-free rate of interest of 2.01%, (2) an expected life of 5.0 years, (3) expected stock price volatility of 79.51%, and (4) expected dividend yield of zero. The private placement was subject to the issuance of 100,000 warrants to the placement agent, exercisable at $1.50 per share and has an exercise period of approximately 3.92 years. The warrants are exercisable immediately after issuance. Using the Black-Scholes option

pricing model, the fair market value of the placement agent warrants under the placement at the time of issuance was determined to be $62,614 with the following assumptions: (1) risk-free rate of interest of 1.47%, (2) an expected life of 3.92 years, (3) expected stock price volatility of 68.65%, and (4) expected dividend yield of zero.

On August 2, 2011, the Company secured a $5 million senior secured loan with Victory Park Capital Advisors, LLC ("Victory Park"), (see NOTE 10). In connection with the loan, the Company issued warrants to purchase 500,000 shares of its common stock. The warrants have an exercise price of $1.00 per share, are exercisable immediately after issuance and will expire five years from the date of issuance. Using the Black-Scholes option pricing model, the fair market value of the warrants at the time of issuance was determined to be $339,247 with the following assumptions: risk-free rate of interest of 1.23%, expected life of 5.0 years, expected stock price volatility of 86.79%, and expected dividend yield of zero.

The fair market value of the derivative instruments liabilities at June 30, 2012, was determined to be $1,026,765 with the following assumptions: (1) risk free interest rate of 0.112% to 0.58%, (2) remaining contractual life of 0.33 to 4.09 years, (3) expected stock price volatility of 57.31% to 69.84%, and (4) expected dividend yield of zero. Based upon the change in fair value, the Company has recorded a non-cash gain on derivative instruments for the year ended June 30, 2012, of $6,568,533 and a corresponding decrease in the derivative instruments liability. The tables below show the gain on the derivative instruments liability for the years ended June 30, 2012, 2011, and 2010.

	Derivative Liability as of June 30, 2011	Derivative Liability as of June 30, 2012	Gain for the year ended June 30, 2012
Purchase Agreement Warrants	5,712,913	1,026,765	4,686,148
Amendment # 2 Warrants	332,387	---	332,387
Embedded Conversion Option	2,927,766	---	2,927,766
Totals	$ 8,973,066	$ 1,026,765	7,946,301
Portion applied to additional paid in capital			(1,717,015)
Amount allocated to warrants at inception			339,247
			$ 6,568,533

	Derivative Liability as of June 30, 2010	Derivative Liability as of June 30, 2011	Gain for the year ended June 30, 2011
Purchase Agreement Warrants	6,585,752	5,712,913	872,839
Amendment # 2 Warrants	637,296	332,387	304,909
Embedded Conversion Option	2,670,995	2,927,766	(256,771)
Totals	$ 9,894,043	$ 8,973,066	920,977
Amount allocated to warrants at inception			731,984
			$ 1,652,961

	Derivative Liability as of June 30, 2009	Derivative Liability as of June 30, 2010	Gain for the year ended June 30, 2010
Compound Embedded Derivatives	$ 4,907	$ -	$ 4,907

Purchase Agreement Warrants	6,543,873	6,585,752	(41,879)
Amendment # 2 Warrants	1,256,896	637,296	619,600
Embedded Conversion Option	--	2,670,993	(2,670,993)
Totals	$ 7,805,676	$ 9,894,041	(2,088,365)

Derivative liability at the time of warrant exercise applied to additional paid in capital	(788,293)
Amount at adoption of accounting change on July 1, 2009	2,705,031
Amount allocated to warrants at transaction inception	3,467,574
	$ 3,295,947

The derivative liability is comprised of the following as of:

	June 30, 2012	June 30, 2011
Current portion of derivative instruments liabilities	$ 1,026,765	$ 8,973,066
Long-term portion of derivative instruments liabilities	-	-
	$ 1,026,765	$ 8,973,066

The entire amount of derivative instrument liabilities are classified as current due to the fact that settlement of the derivative instruments could be required within twelve months of the balance sheet date.

NOTE 8 –CONVERTIBLE NOTES PAYABLE AND DEBENTURES

Senior Subordinated Convertible Notes

On October 30, 2007, the Company completed the placement of 10% Senior Subordinated Convertible Notes of $450,000. The notes were placed with three accredited investors for $150,000 each. The notes have a term of 60 months, and at such time all remaining principal and interest shall be due. The notes bear interest at 10% per annum. Interest will accrue for 18 months from the date of closing. Interest on the outstanding principal balance will then be payable in quarterly installments commencing on the first day of the 19th month following closing. In connection with the transaction, the Company issued a five year warrant for each $2.50 invested, for a total of 180,000 warrants, each warrant giving the note holder the right to purchase one share of common stock at a price of $1.25 per share. At the option of the holders of the convertible notes, the outstanding principal and interest is convertible at any time into shares of the Company's common stock at conversion price of $1.25 per share. The notes will be automatically converted into common stock if the weighted average closing sales price of the stock exceeds $2.50 per share for ten consecutive trading days. The shares underlying the notes and warrants will be registered on request of the note holders, provided the weighted average closing price of the stock exceeds $1.50 per share for ten consecutive trading days.

At June 30, 2012 and 2011, the outstanding balance on the Senior Subordinated Convertible Notes, was $450,000.

Senior Secured Convertible Debenture

On December 21, 2007, the Company entered into definitive agreements for the placement with a single investor of a 7% Senior Secured Convertible Debenture in the amount of $13,500,000. Proceeds from the debenture were issued in accordance with a pre-determined funding schedule related to the Summit project's anticipated construction requirements. The term of the debenture is 60 months, at the end of which time all remaining principal

and interest shall be due. The debenture bears interest at the rate of 7% per annum. Interest on the outstanding principal balance is payable in quarterly installments, commencing on July 1, 2009. Interest may be paid in cash or stock at the investor's election. If paid in stock, the number of shares will be calculated using the average of the daily volume weighted average sales prices of the common stock for the twenty (20) trading days immediately preceding the payment date. The entire amount of principal and any unpaid interest will be due December 31, 2012, subject to the investor's right to require the Company after 36 and 48 months to apply up to 30% of the Summit project's positive cash flow toward retirement of the debenture. The debenture is secured by a mortgage on the Summit real property and a security interest in Summit personal property. The investor may at any time convert unpaid principal and interest into shares of our common stock at the rate of $1.00 per share. The debenture will be automatically converted into common stock if the weighted average closing sales price of the stock exceeds $2.50 per share for 10 consecutive trading days. Beginning January 1, 2011, the Company may redeem the entire outstanding amount of the debenture, including principal and outstanding interest, subject to the investor's right to convert the debenture into shares of common stock. In connection with the transaction, for every $2.00 of the original principal amount of the debenture, the investor will receive a warrant to purchase one share of common stock at a price of $1.00. The warrants are exercisable from July 1, 2010 to December 31, 2014. The Company has received the total advances under the agreement of $13,500,000, and the Company has issued an aggregate of 6,750,000 warrants under the debenture advances.

On June 30, 2009, the Company entered into Amendment 2 on the Senior Secured Convertible Debenture dated December 21, 2007. Pursuant to the amendment, all the accrued interest on the debentures due June 30, 2009, in the collective aggregate amount of $974,360, was automatically converted into 974,360 shares of the Company's common stock effective as of June 30, 2009. The amendment also provided that the accrued interest for the quarters ended September 30, 2009 and December 31, 2009 shall be paid in shares of the Company's common stock, to be valued at $1.00 per share at the time of payment and issuance. Accordingly the Company issued 483,000 shares of its common stock for payment of $483,000 of aggregate accrued interest for the quarters ended September 30, 2009 and December 31, 2009. Additionally the amendment provided that on March 31, 2010, the note holder shall have the option to make a six-month election, by providing written notice of its election thirty days prior to March 31, 2010, to have the March 31, 2010 and June 30, 2010 quarterly interest payments paid in shares of the Company's common stock. The note holder has chosen not to make the election, and consequently the accrued interest relating to the debentures, totaling $475,125 for the quarters ended March 31, 2010 and June 30, 2010 was paid in cash during the year. Commencing September 30, 2010, the note holder shall have the option to make an annual election, by providing 30 days prior written notice of its election, to have the subsequent four quarterly interest payments paid in shares of the Company's common stock. Valuation of the common stock shall be based upon the market price of the stock for the 30 trading days immediately preceding the payment due date.

On December 23, 2011, the Company issued 13,500,000 shares of its common stock in connection with the conversion of $13.5 million principal amount of its Senior Secured Convertible Debentures held by Sulane Holdings Inc., at a conversion price of $1.00 per share. In January 2012 all accrued interest due on the Senior Secured Convertible Debentures was paid in full.

The components of the Senior Subordinated Convertible Notes and the Senior Secured Convertible Debenture are as follows as of June 30, 2012 and 2011:

June 30, 2012:	Principal Amount	Unamortized Discount	Net
Current portion	$ 450,000	$ (5,564)	$ 444,436
Long-term portion, net of current	-	-	-
	$ 450,000	$ (5,564)	$ 444,436

June 30, 2011:	Principal	Unamortized

	Amount	Discount	Net
Current portion	$ -	$ -	$ -
Long-term portion, net of current	13,950,000	(2,517,749)	11,432,251
	$ 13,950,000	$ (3,793,560)	$ 10,156,440

NOTE 9 – SENIOR SECURED GOLD STREAM CREDIT AGREEMENT

On December 23, 2011, the Company and its subsidiaries entered into a Senior Secured Gold Stream Credit Agreement (the "Credit Agreement") with Waterton Global Value, L.P. ("Waterton"). The Credit Agreement provides for two $10 million tranches and a $5 million revolving working capital facility. On December 23, 2011, the Company closed the first $10 million tranche of the Credit Agreement. The second $10 million tranche was earmarked to fund the strategic acquisition of Columbus Silver and was not drawn down due to the expiration of the Columbus Silver acquisition agreement.

Proceeds from the initial $10 million tranche of the Credit Agreement were used to retire the Company's $5 million, 15% Senior Secured Bridge loan with Victory Park Capital Advisors, LLC, in addition to the payment of transaction fees and expenses. The Company is utilizing the remaining net proceeds for operations, including but not limited to, working capital for the Summit silver-gold project.

The Credit Agreement provides for a 9% coupon and the initial $10 million tranche amortizes over a 12-month term with the first payment due July 31, 2013. In connection with the transaction, the Company entered into a gold and silver sale agreement (the "Gold and Silver Supply Agreement") to sell the gold and silver originating from the Summit property to Waterton. (See NOTE 14).

Pursuant to a series of guarantees, security agreements, deeds of trust, a mortgage and a stock pledge agreement, the senior obligations are secured by a first priority lien on the stock of the Company's subsidiaries and on liens covering substantially all of the Company's assets, with the exception of the Ortiz gold project, including the Summit silver-gold project, the Black Canyon mica project and the Planet micaceous iron oxide project. Existing creditor, Sandstorm Gold (Barbados) Ltd., executed an intercreditor agreement that provides for subordination of its security interests in favor of Waterton.

The Credit Agreement calls for a fee of 1.5% of the gross amount borrowed to each of Global Hunter Securities and Source Capital Group, Inc. who are registered broker dealers and members of FINRA and SIPC. The fees are to be paid half upon closing of the first tranche of $10,000,000 and half upon closing of the second tranche of $10,000,000. No fees are payable in connection with the revolving credit facility of $5,000,000. Fees aggregating $300,000 were paid in relation to the closing of the first tranche for the quarter ended December 31, 2011. The outstanding amounts owed for the Senior Secured Gold Stream Credit Agreement, including discounts, are aggregated with Notes Payable for financial statement presentation. (See NOTE 10).

NOTE 10 – NOTES PAYABLE

On June 5, 2008, the Company agreed to exercise the option to purchase the Planet MIO property, consisting of thirty-one patented mining claims totaling 523 acres in La Paz County, Arizona. The Company originally leased the property in 2000 from New Planet Copper Mining Company under the terms of a Lease with Option to Purchase. The Company agreed to exercise the purchase option in connection with settlement of an action the Company commenced in March 2007 seeking to confirm that the lease remained in good standing. The purchase price was $250,000. The Company signed a promissory note for $200,000 with interest payable at 10% per annum from the date of closing of the transaction. The original provisions of the note called for a $50,000 payment at the signing of the note, which occurred in August 2008, and four subsequent principal payments of $50,000 plus interest due each

anniversary date of the agreement. In August 2009, the amortization schedule of the note was amended to reflect four equal annual payments of principal and interest of $63,094. The due date for the first annual payment was extended with the interest rate increased to 20% per annum during the extension period. The Company also agreed to pay an additional $2,000 in legal and miscellaneous fees to document the amendment. All other provisions of the original agreement remain unchanged including the provision for a 5% royalty to be paid on any future production from the property.

On July 25, 2008, the Company entered into an installment sales contract for $94,613 to purchase certain equipment. The term of the agreement is for 36 months at an interest rate of 6.75%, with the equipment securing the loan.

On September 30, 2009, the Company entered into an installment sales contract for $16,825 to purchase certain equipment. The term of the agreement is for 36 months at an interest rate of 9.25%, with the equipment securing the loan.

On September 27, 2010, the Company entered into an agreement to finance insurance premiums in the amount of $77,306 at an interest rate of 6.99% with equal payments due monthly beginning November 1, 2010 and continuing until September 1, 2011.

On August 2, 2011, the Company entered into a financing agreement for a $5 million senior secured loan for working capital. The loan bears interest at 15% per annum payable in monthly installments in arrears. The loan is due six months from the anniversary date of the loan and the loan may be repaid at any time without penalty. The senior obligations are secured by a first priority lien on the stock of the Company's subsidiaries and first priority liens covering substantially all of the assets of the Company, including the Summit silver-gold project, the Black Canyon mica project and the Planet micaceous iron oxide project. In connection with the loan, the Company issued warrants to purchase 500,000 shares of its common stock. The warrants have an exercise price of $1.00 per share and a term of five years. The financing agreement was retired with proceeds from the December 23, 2011 Credit Agreement entered into by the Company.

On September 30, 2011, the Company entered into an agreement to finance insurance premiums in the amount of $105,121 at an interest rate of 4.99% with equal payments due monthly beginning November 1, 2011 and continuing until September 1, 2012.

On April 23, 2012, the Company entered into an installment sales contract for $150,000 to purchase certain equipment. The term of the agreement is for 12 months at an interest rate of 10.00%, with the equipment securing the loan.

On May 8, 2012, the Company entered into an installment sales contract for $46,379 to purchase certain equipment. The term of the agreement is for 48 months at an interest rate of 5.75%, with the equipment securing the loan.

On June 1, 2012, the Company entered into an installment sales contract for $593,657 to purchase certain equipment. The term of the agreement is for 48 months at an interest rate of 5.75%, with the equipment securing the loan.

The following summarizes notes payable, including the Senior Secured Gold Stream Credit Agreement, at June 30, 2012 and June 30, 2011:

	June 30, 2012	June 30, 2011

Note payable for mineral property, interest at 10%, payable in 4 annual installments of $63,094, including interest through August 2012.	$ 57,359	$ 109,502
Installment sales contract on equipment, interest at 6.75%, payable in 36 monthly installments of $2,911, including interest through September 2011.	- -	5,777
Installment sales contract on equipment, interest at 9.25%, payable in 36 monthly installments of $537, including interest through October 2012.	1,598	7,635
Installment sales contract on equipment, interest at 10.0%, payable in 12 monthly installments of $13,073, including interest through July 2013.	150,000	--
Installment sales contract on equipment, interest at 5.75%, payable in 36 monthly installments of $1,406, including interest through June 2015.	46,379	--
Installment sales contract on equipment, interest at 5.75%, payable in 48 monthly installments of $13,874, including interest through July 2016.	593,657	--
Financing contract on insurance premiums, interest at 6.99%, payable in 11 monthly installments of $7,326, including interest through September 2011.	--	14,427
Financing contract on insurance premiums, interest at 4.99%, payable in 11 monthly installments of $9,797, including interest through September 2012.	19,471	--

Senior Secured Gold Stream Credit Agreement, interest at 9% per annum, payable monthly in arrears, principal payments deferred to July 2012; principal installments are $425,000 for July and August 2012, $870,455 monthly for September 2012 through June 2013 and $445,450 in July 2013	10,000,000	--
Total Outstanding Notes Payable	10,868,464	137,341
Less: Current portion	(9,931,468)	(78,384)
Notes payable, net of current portion and discount	$ 936,996	$ 58,957

The aggregate maturities of notes payable as of June 30, 2012, is as follows:

Year ending June 30,	
2013 $	9,931,467
2014	605,519
2015	167,956
2016	160,508
2017	3,014

Total Outstanding Notes Payable	$ 10,868,464

NOTE 12 – CAPITAL LEASES

The Company utilizes capital leases for the purchase of equipment. Lease terms and interest rates for the equipment are 60 months at 6.25%, 36 months at 5.34%, and 36 months at 5.78% . The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized or depreciated over their estimated productive lives.

Minimum future lease payments under capital leases, as of June30, 2012, for each of the following years and in aggregate, are as follows:

Fiscal year ended June 30,		
	2013	$ 43,041
	2014	3,561
Total minimum lease payments		46,602
Amount representing interest		(1,570)
Present value of future minimum lease payments		45,032
Current portion of capital lease obligations		(41,487)
Obligations of capital leases due after one year		$ 3,545

The total amount of equipment and related accumulated depreciation related to equipment purchased with capital leases is as follows:

	June 30, 2012	June 30, 2011
Equipment	$ 576,061	$ 576,061
Accumulated depreciation	(319,855)	(221,280)
Net equipment under capital lease	$ 256,206	$ 354,781

NOTE 13 – FAIR VALUE MEASUREMENTS

Fair value accounting establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability;
Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company's financial instruments consist of marketable securities and derivative instruments which are measured at fair value on a recurring basis. Marketable securities are comprised of 1,000,000 shares of common stock of Columbus Silver Corporation which is traded on the TSX Venture Exchange (TSXV: CSC). The derivative instruments consist of certain warrant contracts. The derivatives are measured on their respective origination dates,

at the end of each reporting period and at other points in time when necessary, such as modifications, using Level 3 inputs in accordance with GAAP. The Company does not report any financial assets or liabilities that it measures using Level 2 inputs. The fair value measurement of financial instruments and other assets as of June 30, 2012 and 2011 are as follows:

	Level 1	Level 2	Level 3	Balance at June 30, 2012
Assets:				
Marketable securities	$ 48,776	---	---	$ 48,776
Liabilities:				
Derivative instruments	---	---	$ 1,026,765	$ 1,026,765

	Level 1	Level 2	Level 3	Balance at June 30, 2011
Assets:				
Marketable securities	$ 97,260	---	---	$ 97,260
Liabilities:				
Derivative instruments	---	---	$ 8,973,066	$ 8,973,066

Reconciliation of changes in fair value – Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to their fair value measurement. Our derivative financial instruments that are measured at fair value on a recurring basis are all measured at fair value using Level 3 inputs. Level 3 inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following represents a reconciliation of the changes in fair value of financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2012 and 2011:.

	2012	2011
Beginning balance: Derivative instruments liabilities	$ 8,973,066	$ 9,894,043
Gain on derivative instruments liabilities	(6,568,533)	(1,652,961)
Reclassification of liability to equity	(1,717,015)	—
Amount allocated to warrants at inception	339,247	731,984
Ending balance: Derivative instruments liabilities	$ 1,026,765	$ 8,973,066

NOTE 14 - CONTINGENCIES AND COMMITMENTS

Office and Real Property Leases

On March 1, 2007, the Company entered into a lease for office space located in Albuquerque, New Mexico, for a period of three years. Effective March 1, 2010 the lease was extended for an additional period of three years and expires on February 28, 2013.

On March 1, 2008, the Company entered into a lease for storage space located in Glendale, Arizona for a period of one year. The lease has subsequently been extended for a one year period multiple times. Effective March 1, 2012 the lease was extended for an additional period of one year.

Future minimum lease payments under operating leases are $36,157 for the year ended June 30, 2013.

Total rental expense was $53,531, $52,155 and $52,155 for the years ended June 30, 2012, 2011 and 2010, respectively.

Employment Agreements

On October 7, 2003, the Company entered into employment and change of control agreements with its President and Chief Executive Officer. The employment agreement describes, among other things, the officer's duties, compensation levels and benefits. The agreement provided for annual salary of $180,000 adjusted by the Consumer Price Index (CPI). The term of the agreement is from October 16, 2003, through and including October 15, 2006, and then automatically extends through October 15, 2008, and thereafter on a yearly basis unless terminated on 90 days prior notice. The change of control agreement provides that if there is a change of control of the Company and the officer leaves the employment of the Company, for reason other than discharge for cause, death, or disability, within six months after such change of control, the officer shall receive a lump sum cash payment of 299% of the base amount as defined in IRC Section 280G (b) (3), subject to certain limitations of the Internal Revenue Code. In addition, the officer will continue to be covered by the Company's medical, health, life and dental plans for 24 months after such cessation of employment.

On May 19, 2009, the Company entered into change of control agreements with two of its employees, the manager of legal affairs, who is also the son of the current president, and the Company controller. The change of control agreements provide that if there is a change of control of the Company and the individual leaves the employment of the Company, for reason other than discharge for cause, death, or disability, within six months after such change of control, the employee shall receive a lump sum cash payment of 100% of the base salary in effect at the time of change of control. In addition, the employee will continue to be covered by the Company's medical, health, life and dental plans for 24 months after such cessation of employment.

Property Identification Agreement

On October 6, 2003, the Company entered into a confidential property identification agreement with its current President and Chief Executive Officer, prior to his becoming an officer and director of the Company. Under terms of the agreement, the current officer, on the basis of his prior knowledge, provided a list of 24 specific mineral properties with potential for exploration and development that might represent attractive acquisition opportunities for the Company. The Company agreed to pay compensation to the current officer in the form of a royalty of 1.0% of the value of future production, if any, derived from identified properties that the Company acquires. In the event an identified property is acquired and subsequently sold, the Company agreed to pay the current officer an amount equal to 10.0% of the value of the sale. The Ortiz gold property that was acquired in August 2004 and the Summit silver-gold project are two of the 24 properties identified and are subject to the property identification agreement.

New Planet Project Royalty Agreement

Under the June 5, 2008 exercise of the option to purchase the Planet MIO property, as part of the agreement, the Company is obligated to pay a 5% royalty on any future production from the property.

Ortiz Gold Project

On August 1, 2004, the Company entered into an option and lease agreement with Ortiz Mines, Inc., a New Mexico corporation, whereby the Company acquired exclusive rights for exploration, development and mining of gold and other minerals on 57,267 acres (approximately 90 square miles) of the Ortiz Mine Grant in Santa Fe County, New Mexico. On November 1, 2007, the Company relinquished 14,970 acres and retained under lease 42,297 acres (66 square miles). On May 1, 2010, we agreed with Ortiz Mines, Inc., to amend the terms of the lease. Under the amended terms, the lease provides for an extension of the initial term from seven to ten years (17 years in certain circumstances), continuing year-to-year thereafter for so long as we are producing gold or other leased minerals in commercial quantities and otherwise are performing our obligations under the lease. Among other terms, the amended lease provides for annual lease payments of $130,000; a sliding-scale production royalty varying from 3% to 5% depending on the price of gold; the requirement that we comply with governmental permitting and other regulations; and other terms common in mining leases of this type. Total lease expense recognized was $130,000, $128,186, and $139,228 for the years ended June 30, 2012, 2011 and 2010, respectively. The Ortiz gold project is subject to a property identification agreement between us and our President and Chief Executive Officer.

The minimum and maximum future payments due on this lease are as follows for the next five years and thereafter:

Payment Due Date	Minimum Due ($)	Maximum Due ($)
February 1, 2013	130,000	130,000
February 1, 2014	130,000	260,000
February 1, 2015	130,000	260,000
February 1, 2016	130,000	260,000
February 1, 2017 and thereafter	130,000	260,000

On August 31, 2011, the Company filed a complaint in the United States District Court for the District of New Mexico against Ortiz Mines, Inc. (“OMI”) in connection with OMI’s purported termination of the Company’s exclusive leasehold rights to explore, develop and mine gold, silver, copper and other minerals on the Ortiz Mine Grant in Santa Fe County, New Mexico and OMI’s demand for significant additional consideration to allow the lease to continue. The Complaint alleged several causes of action, including breach of contract and breach of the covenant of good faith and fair dealing.

A settlement was reached on May 23, 2012 on the federal court litigation between the Company and OMI. The settlement agreement confirms the continuation of the Company’s exclusive lease rights to explore, develop and mine gold, silver, copper and other minerals on 66 square miles of the Ortiz Mine Grant in Santa Fe County, New Mexico. In connection with the settlement, annual lease payments remain unchanged but the Company has agreed, subject to certain qualifications, to expend at least $500,000 by November 22, 2012, and a total of $1.0 million by May 22, 2013, on work programs in support of project development.

Summit Silver-Gold Project

The Summit project is subject to two underlying royalties and a net proceeds interest as follows: (1) a 7.5% royalty on net smelter returns toward an end price of $1,250,000; (2) a 5% royalty on net smelter returns toward an end price of $4,000,000 less any amount paid under the royalty described in (1); and (3) a net proceeds interest of 5% of net proceeds from sales of unbeneficiated mineralized rock until such time as the royalties described in (1) and (2) have been satisfied, and 10% of such net proceeds thereafter toward an end price of $2,400,000. The Summit silver-gold project is subject to a property identification agreement between the Company and President and Chief

Executive Officer. The property identification agreement specifies that a 1% royalty be paid on the value of future production from the project.

For the year ended June 30, 2012 the Company recorded $831,575 for royalty expense, which includes $97,832 resulting from the property identification agreement with the Company's President and Chief Executive Officer. At June 30, 2012, an accrued royalty liability of $702,608 was recorded, which includes $82,660 payable to the Company's President and Chief Executive Officer.

Title to Mineral Properties

Although the Company has taken steps, consistent with industry standards, to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Commitments

On September 11, 2009, we entered into a definitive gold sale agreement with Sandstorm Gold Ltd. (TSX-V: SSL) ("Sandstorm") to sell a portion of the life-of-mine gold production (but not silver production) from our Summit silver-gold mine. Under the agreement we received an upfront cash deposit of $4.0 million, plus we will receive ongoing production payments equal to the lesser of $400 per ounce or the prevailing market price, for each ounce of gold delivered pursuant to the agreement for the life of the mine. Gold production subject to the agreement includes 50% of the first 10,000 ounces of gold produced, and 22% of the gold thereafter. The amount of payable gold can be reduced from 22% to 15% provided that within 36 months the Summit mine reaches certain performance levels in any consecutive 12 month period, in compliance with prefeasibility estimates, including 1) the rate of ore mined and processed must average 400 tons per day or more, and 2) payable gold production must exceed 11,500 ounces during such consecutive 12 month period. Sandstorm made an initial payment of $500,000 and on October 7, 2009 paid the remaining $3,500,000 balance of the upfront cash deposit. We will receive credit against the $4,000,000 upfront cash deposit for the difference between the market price and $400 per ounce for those gold deliveries where the prevailing market price exceeds $400 per ounce. These credits will be recognized as revenue, in addition to the ongoing production payments received for gold delivered pursuant to the agreement. In certain circumstances, including failure to meet minimum production rates, interruption in production due to permitting issues and customary events of default, the agreement may be terminated. In such event, we may be required to return to Sandstorm the upfront cash deposit of $4.0 million less a credit for gold delivered up to the date of that event, which is determined using the difference between the market price and $400 per ounce for gold deliveries where the prevailing market price exceeded $400 per ounce.

On March 29, 2011, the Company entered into Amendment 1 for the definitive gold sale agreement dated September 11, 2009. The amendment extended the original completion guarantee date from April 2011 to June 30, 2012. The completion guarantee test performs a calculation based upon that percentage of underproduction of gold produced relative to the amount of gold planned to have been produced as set out in the agreement. In exchange for the amended completion guarantee date, the Company agreed to deliver an additional 700 ounces of gold at equivalent sales terms over and above what is currently due under the agreement. Under the terms of the amendment the delivery of the additional gold is to be made prior to June 30, 2011.

On June 28, 2011, the Company entered into Amendment 2 for the definitive gold sale agreement. The amendment extended the delivery date for the additional 700 ounces of gold agreed upon in Amendment 1 from June 30, 2011 until October 15, 2011. In exchange for the deferred delivery date the Company agreed to pay a per diem of 3 ounces of gold for each day the additional 700 ounces of gold under Amendment 1 remain outstanding past June 30, 2011 until the actual date of delivery, no later than October 15, 2011. Based upon the sale terms of the agreement, the Company recorded an accrued liability of $773,850 based upon the closing gold price on June 30, 2011. On August 9, 2011 the Company satisfied the requirements of Amendment 2 and delivered 817 ounces of gold. The net cost of delivering the gold after receiving payment from Sandstorm of $400 per ounce delivered was $1,075,785. In order to recognize the final cost of delivering the gold, the accrued liability of $773,850 at June 30,

2011 was adjusted by an additional $301,935 and recognized during the quarter ended September 30, 2011 as costs applicable to sales.

At June 30, 2012, the Company calculated the completion guarantee payable provided by Amendment 1. Accordingly, the Company recorded an obligation totaling $3,359,873 at June 30, 2012. Based upon the provisions of the agreement, the completion guarantee payment reduces any remaining amounts of deferred revenue dollar for dollar at the time of the calculation. Deferred revenue at the time of the calculation was $2,855,824, and consequently the amount of deferred revenue has been reclassified to completion guarantee payable at June 30, 2012. An expense of $504,049 has been recognized in other expenses, representing the difference between the completion guarantee liability of $3,359,873 at June 30, 2012 and the deferred revenue of $2,855,824 at the time of the completion guarantee payable calculation.

On December 23, 2011, the Company and its subsidiaries entered into a Senior Secured Gold Stream Credit Agreement (the "Credit Agreement") with Waterton Global Value, L.P. ("Waterton"). The Credit Agreement provides for two $10 million tranches and a $5 million revolving working capital facility. On December 23, 2011, the Company closed the first $10 million tranche of the Credit Agreement. The second $10 million tranche, which was subject to serveral funding conditions, was earmarked to fund the strategic acquisition of Columbus Silver. The acquisition did not occur and consequently the second tranche was not drawn down. As part of the transaction, the Company has agreed pursuant to a gold and silver sale agreement (the "Gold and Silver Supply Agreement") to sell refined gold and silver to Waterton for the life the Summit mine. Gold and silver subject to the agreement includes all gold and silver originating from the Summit property that is not otherwise committed to delivery to and purchased by Sandstorm Gold, Ltd, pursuant to the September 9, 2011 definitive gold sale agreement. The sales price for refined gold and silver is based upon a formulation which considers the London Bullion Market Association ("LBMA") PM fix settlement price for each respective metal, less a discount of three percent for each metal, and a transaction cost of $1.75 per ounce for gold and $0.07 per ounce for silver. The discount on gold and silver is only applicable until and ceases after the later of either, three years after all outstanding amounts due under the Senior Secured Gold Stream Credit Agreement have been repaid, or the date on which the Company has sold 125,000 gold equivalent ounces under the Gold and Silver Supply Agreement.

NOTE 15 - STOCKHOLDERS' EQUITY (DEFICIT)

Issuances of Common Stock

On July 17, 2009, a director exercised options to purchase 1,150,000 shares of common stock as follows: 1,000,000 shares at $0.10 per share, 75,000 shares at $0.55 per share, and 75,000 shares at $0.60 per share. The total purchase price for the exercise of the options was $186,250. The director utilized proceeds from the Agreement to Sell Royalty dated May 19, 2009. At that time the director also utilized the remaining $13,750 from the Agreement to Sell Royalty to purchase an additional 12,500 shares at $1.10 per share, the market closing price on July 17, 2009. Under the Agreement to Sell Royalty, the entire $200,000 has been utilized and no further amounts are due to the director under the agreement.

On July 20, 2009, an individual exercised an option to purchase 20,000 shares of common stock at $0.60 per share on a cashless basis. Under the cashless basis exercise, 8,991 shares were issued. On August 13, 2009, an individual exercised an option to purchase 20,000 shares of common stock at $0.60 per share on a cashless basis. Under the cashless basis exercise, 8,679 shares were issued. On August 25, 2009, an individual exercised an option to purchase 10,000 shares of common stock at $0.60 per share on a cashless basis. Under the cashless basis exercise, 4,286 shares were issued. On November 10, 2009, a warrant holder exercised 239,989 warrants with an exercise price of $1.00 per share to purchase shares of the Company's stock on a cashless basis. Under the cashless basis, 67,335 shares were issued. On December 11, 2009, a warrant holder exercised 651,945 warrants with an exercise price of $1.00 per share to purchase shares of the Company's stock on a cashless basis. Under the cashless basis,

207,235 shares were issued. On December 29, 2009, an option holder exercised 10,000 options with an exercise price of $0.60 per share to purchase shares of the Company's stock on a cashless basis. Under the cashless basis, 5,522 shares were issued. On March 22, 2010, an option holder exercised 20,000 options with an exercise price of $0.60 per share to purchase shares of the Company's stock on a cashless basis. Under the cashless basis, 8,680 shares were issued. On April 16, 2010, an individual exercised an option to purchase 10,000 shares of common stock at $0.60 per share on a cashless basis. Under the cashless basis exercise, 3,815 shares were issued. On June 30, 2010, an individual exercised an option to purchase 10,000 shares of common stock at $0.60 per share on a cashless basis. Under the cashless basis exercise, 3,334 shares were issued. The aggregate amount of shares issued on a cashless basis for the exercise of options and warrants during the year ended June 30, 2010, was 317,877.

On July 27, 2009, the Company issued 94,339 shares of common stock at $1.06 per share in connection with a private placement. As part of the private placement the Company also issued 47,169 warrants with an exercise price of $1.06 per share and an expiration of 5 years. The warrants were valued as a derivative instrument liability and recorded separately at fair value at the time of issuance, reducing the value of the equity recorded by the same amount. The private placement was subject to a sales commission and an additional 9,433 shares of common stock were issued as a commission on the transaction at the fair market value of $10,116 and recognized as stock-based compensation as of June 30, 2010.

On August 6, 2009, the Company issued 100,000 shares of common stock at $1.06 per share in connection with a private placement. As part of the private placement the Company also issued 50,000 warrants with an exercise price of $1.06 and an expiration of 5 years. The warrants were valued as a derivative instrument liability and recorded separately at fair value at the time of issuance, reducing the value of the equity recorded by the same amount.

On August 17, 2009, the Company issued 18,868 shares of common stock at $1.06 per share in connection with a private placement. As part of the private placement the Company also issued 9,434 warrants with an exercise price of $1.06 per share and an expiration of 5 years. The warrants were valued as a derivative instrument liability and recorded separately at fair value at the time of issuance, reducing the value of the equity recorded by the same amount. The private placement was subject to a sales commission and an additional 1,910 shares of common stock were issued as a commission on the transaction at the fair market value of $1,981 and recognized as stock-based compensation as of June 30, 2010.

On September 30, 2009, a convertible debenture holder converted $241,500 of accrued interest into 241,500 shares of the Company's stock. The aggregate amount of accrued interest converted was recorded as capitalized interest expense during the three months ended September 30, 2009. On December 31, 2009, a convertible debenture holder converted $241,500 of accrued interest into 241,500 shares of the Company's stock. The aggregate amount of accrued interest converted was recorded as capitalized interest expense during the three months ended December 31, 2009. The aggregate amount of accrued interest converted totals $483,000, and this amount was recorded as capitalized interest during the year ended June 30, 2010.

On November 18, 2009, 18,219 shares of common stock were issued to a convertible debenture holder for conversion of $18,219 of note principal at $1.00 per share in accordance with the debenture terms.

On December 7, 2009, the Company issued 20,000 shares of common stock at a market value of $29,400 for investor relations services. This amount was expensed as stock-based compensation during the year ended June 30, 2010.

On January 15, 2010, a warrant holder exercised 60,000 warrants with an exercise price of $1.25 per share to purchase shares of the Company's common stock and the Company received cash proceeds of $75,000.

On January 20, 2010, the Company closed a registered direct offering with 23 institutional investors and issued 7,692,310 shares of common stock and warrants to purchase an additional 3,846,155 shares of common stock. The Company received net proceeds of approximately $9,375,000, after deducting placement agent fees and other offering expenses. The securities were issued pursuant to the Company's effective S-3 Registration Statement under which the securities are registered. The units, including the Shares and Warrants (including the Placement Agent warrants) and shares issuable upon exercise of the Warrants were issued pursuant to a prospectus supplement dated as of January 20, 2010, which was filed with the Securities and Exchange Commission ("SEC") in connection with a takedown from Santa Fe's shelf registration statement on Form S-3, which became effective on December 29, 2009, and the base prospectus contained in such registration statement.

On May 1, 2010, the Company issued 90,000 unvested shares of the Company's stock for services related to investor relations. The shares have a vesting period of six months. The shares were valued at $0.95 per share, the closing price on the date of grant. The aggregate value of the transaction of $85,500 was classified as deferred stock compensation on the date of issue. During the years ended June 30, 2011 and 2010, stock compensation expense for services of $57,155 and $28,345 was recorded, respectively.

On June 8, 2010, the Company granted and issued 575,000 unvested shares of the Company's stock to employees and 100,000 unvested shares to outside Board of Directors for services. The shares have a vesting period of two years for the employee share grant and six months for the outside Board of Directors grant. The shares were valued at $0.86 per share, the closing price on the date of grant. The aggregate value of the transaction of $580,500 was classified as deferred stock compensation on the date of issue. During the years ended June 30, 2012, 2011 and 2010, stock compensation expense of $95,970, $402,184 and $32,926 was recorded, respectively.

On August 31, 2010, an individual exercised an option to purchase 10,000 shares of common stock at $0.60 per share on a cashless basis. Under the cashless basis exercise, 2,942 shares were issued.

On September 29, 2010, an individual exercised an option to purchase 10,000 shares of common stock at $0.60 per share on a cashless basis. Under the cashless basis exercise, 4,445 shares were issued.

On October 8, 2010, an individual exercised an option to purchase 75,000 shares of common stock at $0.60 per share on a cashless basis. Under the cashless basis exercise, 34,822 shares were issued.

On November 16, 2010, 7,500 shares of common stock were issued to a consultant for services, valued at $6,750 based on the closing market price on the date of the transaction and recognized as stock-based compensation as of June 30, 2011.

On December 30, 2010, 1,666,668 common shares of common stock were issued to three institutional investors pursuant to the Company's shelf registration statement on Form S-3. The shares were sold at $1.20 per share and gross cash proceeds aggregated $2,000,001. Placement agent fees of $136,000 were paid on the offering.

On December 31, 2010, an individual forfeited 100,000 shares of stock which were unvested at the time employment with the Company was terminated.

On January 1, 2011, an individual exercised an option to purchase 10,000 shares of common stock at $1.165 per share on a cashless basis. Under the cashless basis exercise, 1,241 shares were issued.

During January 3 through January 10, 2011, five individuals exercised options, on a cashless basis, to purchase an aggregate of 70,000 shares of common stock at $0.86 per share. Under the cashless basis exercises, 19,611 shares were issued.

On February 23, 2011, the Company issued 10,000 shares of common stock to a consultant for services, valued at $9,800 based on the closing market price on the date of the transaction and recognized as stock-based compensation as of June 30, 2011.

On March 29, 2011, an individual exercised options to purchase 100,000 shares of common stock at $0.86 per share and 200,000 shares at $1.00 per share, both on a cashless basis. Under the cashless basis exercises, 37,615 shares were issued.

On July 1, 2011, the Company issued 337,500 shares of previously recorded vested stock grants to employees of the Company.

On July 1, 2011, 50,000 shares of common stock were issued to a consultant for services, valued at $48,000 based on the closing market price on the date of the transaction.

On December 23, 2011, 13,500,000 shares of common stock were issued in connection with the conversion of $13.5 million principal amount of its Senior Secured Convertible Debentures, at a conversion price of $1.00 per share. The Company did not receive any cash proceeds in connection with the debt conversion.

On January 12, 2012, the Company issued 700,000 shares of the common stock pursuant to Regulation S of the Securities Act of 1933 at $1.00 per share for total net proceeds of $700,000.

On January 30, 2012, an individual exercised an option to purchase 20,000 shares of common stock at average price of $0.94 per share on a cashless basis. Under the cashless basis exercise, 3,598 shares were issued.

On February 23, 2012, an individual exercised an option to purchase 20,000 shares of common stock at average price of $0.94 per share on a cashless basis. Under the cashless basis exercise, 2,020 shares were issued.

On June 20, 2012, the Company entered into an equity line of credit for the purchase of its securities. Under the purchase agreement, the placement agent is committed to purchase from us from time to time, at our sole discretion and at threshold prices the Company sets, subject to certain limitations, up to $15.0 million worth of its common stock over a 24-month term. The per share purchase price for the shares sold to the placement agent on any particular trading day during any 10-day pricing period will equal the daily volume weighted average price of the Company's common stock for that day, less a discount ranging from 5.0% to 5.5% . In consideration for entering into the purchase agreement, the Company issued 666,666 shares of our common stock to the placement agent. The shares were valued at $300,000 based on the closing market price on the date of the transaction.

On June 29, 2012, the Company issued 1,476,988 shares of common stock under the equity line of credit arrangement at $0.36 per share for total net proceeds of $500,000, after fees.

On June 30, 2012, the Company issued 237,500 shares common stock for vested share grants to employees.

Issuance of Warrants

On October 31, 2007, in connection with the issuance of 10% Convertible Senior Subordinated Notes aggregating $450,000, the Company issued a five year warrant for each $2.50 invested, for a total of 180,000 warrants, each warrant giving the note holder the right to purchase one share of common stock at a price of $1.25 per share.

On December 21, 2007, the warrant exercise price of $1.25 per share on 1,750,000 warrants was reduced to $1.00 under the terms and conditions of the warrant with the reduction resulting from the placement of a 7% Senior Secured Convertible Debenture with attached warrants at an exercise price of $1.00 per share. The original warrant contained an anti-dilution provision and the warrants were increased by 437,500 to 2,187,500.

On December 21, 2007, in connection with a scheduled advance of $350,000 on the 7% Senior Secured Convertible Debenture, the Company issued 175,000 warrants, each warrant giving the note holder the right to purchase one share of common stock at a price of $1.00 per share. The warrants are exercisable from July 1, 2010 to December 31, 2014.

On January 9, 2008, and January 10, 2008, in connection with the exercise of Additional Investment Rights, the Company issued 112,500 five year warrants giving the right to purchase common stock at a price of $1.00 per share. The warrants issued contain an anti-dilution ratchet provision.

On January 15, 2008, in connection with a scheduled advance of $1,500,000 on the 7% Senior Secured Convertible Debenture, the Company issued 750,000 warrants, each warrant giving the note holder the right to purchase one share of common stock at a price of $1.00 per share. The warrants are exercisable from July 1, 2010 to December 31, 2014 and contain a re-pricing anti-dilution feature and in certain circumstances an anti-dilution ratchet provision.

On February 1, 2008, in connection with the issuance of a 10% Convertible Senior Subordinated Note for $237,143, the Company issued a five year warrant for each $2.50 invested, for a total of 94,858 warrants, each warrant giving the note holder the right to purchase one share of common stock at a price of $1.25 per share.

On April 15, 2008, in connection with a scheduled advance of $3,500,000 on the 7% Senior Secured Convertible Debenture, the Company issued 1,750,000 warrants, each warrant giving the note holder the right to purchase one share of common stock at a price of $1.00 per share. The warrants are exercisable from July 1, 2010 to December 31, 2014 and contain a re-pricing anti-dilution feature and in certain circumstances an anti-dilution ratchet provision.

On April 30, 2008, and June 2, 2008, in connection with the exercise of Additional Investment Rights, the Company issued 209,307 five year warrants giving the right to purchase common stock at a price of $1.00 per share. The warrants issued contain an anti-dilution ratchet provision.

On July 15, 2008, in connection with a scheduled advance of $3,500,000 under the 7% Senior Secured Convertible Debenture, the Company issued 1,750,000 warrants, each warrant giving the note holder the right to purchase one share of common stock at a price of $1.00 per share. The warrants are exercisable from July 1, 2010 to December 31, 2014 and contain a re-pricing anti-dilution feature and in certain circumstances an anti-dilution ratchet provision.

On October 15, 2008, in connection with a scheduled advance of $3,500,000 under the 7% Senior Secured Convertible Debenture, the Company issued 1,750,000 warrants, each warrant giving the note holder the right to purchase one share of common stock at a price of $1.00 per share. The warrants are exercisable from July 1, 2010 to December 31, 2014 and contain a re-pricing anti-dilution feature and in certain circumstances an anti-dilution ratchet provision.

On December 22, 2008, in connection with a scheduled advance of $1,150,000 under the 7% Senior Secured Convertible Debenture, the Company issued 575,000 warrants, each warrant giving the note holder the right to purchase one share of common stock at a price of $1.00 per share. The warrants are exercisable from July 1, 2010 to

December 31, 2014 and contain a re-pricing anti-dilution feature and in certain circumstances an anti-dilution ratchet provision.

On June 22, 2009, in connection with a private placement for 283,019 shares of the Company's common stock, the Company issued 141,510 five year warrants giving the holder the right to purchase common stock at $1.06 per share.

On July 27, 2009, in connection with a private placement for 94,339 shares of the Company's common stock, the Company issued 47,169 five year warrants giving the holder the right to purchase common stock at $1.06 per share. The fair market value of the warrants under the placement at the time of issuance was determined to be $35,017 with the following assumptions: (1) risk-free rate of interest of 2.63%, (2) an expected life of 5.0 years, (3) expected stock price volatility of 87.31%, and (4) expected dividend yield of zero. The private placement was subject to a sales commission and an additional 4,716 five year warrants were issued as a commission on the transaction. The fair market value of the commission warrants under the placement at the time of issuance was determined to be $3,501 with the following assumptions: (1) risk-free rate of interest of 2.63%, (2) an expected life of 5.0 years, (3) expected stock price volatility of 87.31%, and (4) expected dividend yield of zero.

On August 6, 2009, in connection with a private placement for 100,000 shares of the Company's common stock, the Company issued 50,000 five year warrants giving the holder the right to purchase common stock at $1.06 per share. The fair market value of the warrants under the placement at the time of issuance was determined to be $35,579 with the following assumptions: (1) risk-free rate of interest of 2.73%, (2) an expected life of 5.0 years, (3) expected stock price volatility of 86.19%, and (4) expected dividend yield of zero.

On August 17, 2009, in connection with a private placement for 18,868 shares of the Company's common stock, the Company issued 9,434 five year warrants giving the holder the right to purchase common stock at $1.06 per share. The fair market value of the warrants under the placement at the time of issuance was determined to be $6,769 with the following assumptions: (1) risk-free rate of interest of 2.43%, (2) an expected life of 5.0 years, (3) expected stock price volatility of 86.19%, and (4) expected dividend yield of zero. The private placement was subject to a sales commission and an additional 944 warrants were issued as a commission on the transaction. The fair market value of the commission warrants under the placement at the time of issuance was determined to be $677 with the following assumptions: (1) risk-free rate of interest of 2.43%, (2) an expected life of 5.0 years, (3) expected stock price volatility of 86.19%, and (4) expected dividend yield of zero.

In connection with the private placement of the senior secured convertible notes on March 20, 2006, the Company issued warrants for 75,001 shares of common stock as part of the financial advisory fee associated with the transaction. The warrants had an exercise price of $1.58 and an initial term of term of three years. On September 6, 2006, the warrant expiration date was amended to September 6, 2009. The warrants were not exercised and expired on September 6, 2009.

On January 20, 2010, in connection with the registered direct offering for 7,692,310 shares of the Company's common stock, the Company issued 3,846,155 five year warrants giving the holder the right to purchase common stock at $1.70 per share. The warrants are exercisable immediately after issuance and will expire five years from the date of issuance. The fair market value of the warrants under the placement at the time of issuance was determined to be $2,921,877 with the following assumptions: (1) risk-free rate of interest of 2.45%, (2) an expected life of 5.0 years, (3) expected stock price volatility of 85.19%, and (4) expected dividend yield of zero. The private placement was subject to the issuance of 461,539 warrants to placement agents, exercisable at $1.625 per share and has an exercise period of approximately 4.9 years. The warrants vest six months from the date of issuance. The fair market value of the placement agent warrants under the placement at the time of issuance was determined to be $353,190 with the following assumptions: (1) risk-free rate of interest of 2.45%, (2) an expected life of 4.94 years, (3) expected stock price volatility of 85.19%, and (4) expected dividend yield of zero.

On December 30, 2010, in connection with the registered direct offering to three institutional investors for 1,666,668 shares of the Company's common stock, the Company issued 833,334 five-year warrants giving the holders the right to purchase common stock at $1.50 per share. The warrants are exercisable immediately after issuance and will expire five years from the date of issuance. Using the Black-Scholes option pricing model, the fair market value of the warrants under the placement at the time of issuance was determined to be $669,372 with the following assumptions: (1) risk-free rate of interest of 2.01%, (2) an expected life of 5.0 years, (3) expected stock price volatility of 79.51%, and (4) expected dividend yield of zero. In connection with the registered direct offering, the Company issued 100,000 warrants to the placement agent, exercisable at $1.50 per share and with an exercise period of approximately 3.92 years. The warrants are exercisable immediately after issuance. Using the Black-Scholes option pricing model, the fair market value of the placement agent warrants at the time of issuance was determined to be $62,614 with the following assumptions: (1) risk-free rate of interest of 1.47%, (2) an expected life of 3.92 years, (3) expected stock price volatility of 68.65%, and (4) expected dividend yield of zero.

On August 2, 2011, in connection with a $5 million senior secured loan with Victory Park, the Company issued warrants to purchase 500,000 shares of its common stock. The warrants have an exercise price of $1.00 per share, are exercisable immediately after issuance and will expire five years from the date of issuance. Using the Black-Scholes option pricing model, the fair market value of the warrants at the time of issuance was determined to be $339,247 with the following assumptions: risk-free rate of interest of 1.23%, expected life of 5.0 years, expected stock price volatility of 86.79%, and expected dividend yield of zero. The warrants issued contain a re-pricing provision for anti-dilution.

On August 8, 2011, the Company issued 250,000 warrants exercisable at $1.00 per share and with an exercise period of 5.0 years for investor relations services to be provided over a period of one year. The warrants are exercisable immediately after issuance. The warrants under GAAP accounting are considered equity warrants and using the Black-Scholes option pricing model, the fair market value of the placement agent warrants at the time of issuance was determined to be $138,426 with the following assumptions: risk-free rate of interest of 1.11%, expected life of 5 years, expected stock price volatility of 86.96%, and expected dividend yield of zero. This amount is reported as stock compensation over the period of the agreement and $138,426 was expensed for the year ended June 30, 2012.

On January 12, 2012, in connection with a private placement for 700,000 shares of the Company's common stock pursuant to Regulation S of the Securities Act of 1933, the Company issued 350,000 five year warrants giving the holder the right to purchase common stock at $1.00 per share. The warrants under GAAP accounting are considered equity warrants with fair market value of $172,550. The warrants were valued using the following significant assumptions: a risk free interest rate of 0.84%, expected life of 5.0 years, expected stock price volatility of 84.57% and expected dividend yield of zero.

On January 26, 2012, the Company entered into an agreement for investor relations services to be provided over a period of four months and requiring the issuance of 250,000 warrants exercisable at $1.25 per share with an exercise period of 5.0 years. The warrants are to be issued in two separate transactions with the first 125,000 warrants due and exercisable immediately upon execution of the agreement. The remaining 125,000 warrants are due and exercisable after 90 days. Using the Black-Scholes option pricing model, the initial fair market value for the entire 250,000 placement agent warrants upon execution of the agreement was determined to be $112,379 with the following assumptions: risk-free rate of interest of 0.31%, expected life of 3 years, expected stock price volatility of 62.92%, and expected dividend yield of zero. The remaining 125,000 warrants were valued at April 26, 2012 with the following assumptions: risk-free rate of interest of 0.29%, expected life of 2.75 years, expected stock price volatility of 59.01%, and expected dividend yield of zero. The final valuation of the 250,000 warrants issued was subsequently adjusted to reflect the actual measurement dates for each of the warrant issuances and resulted in a fair market value of $82,138. Accordingly, the final amount reported as stock compensation is $82,138 for the year ended June 30, 2012.

On June 29, 2012, the warrant exercise price of $1.00 per share on 6,750,000 warrants related to the 7% Senior Secured Convertible Debentures was reduced to $0.35 under the terms and conditions of the warrant with the reduction resulting from the issuance of stock in connection with the equity line of credit. The original warrants contained a repricing anti-dilution provision.

On June 29, 2012, the warrant exercise price of $1.00 per share on 500,000 warrants related to the June 2, 2011 warrant issuance was reduced to $0.98 under the terms and conditions of the warrant with the reduction resulting from the issuance of stock in connection with the equity line of credit. The original warrants contained a re-pricing anti-dilution provision.

On June 29, 2012, the warrant exercise price of $1.00 per share on 321,807 warrants related to the Additional Investment Rights issues of January 9, April 30, and June 2, 2008, was reduced to $0.35 under the terms and conditions of the warrant with the reduction resulting from the issuance of stock in connection with the equity line of credit. The original warrant contained an anti-dilution ratchet provision and the warrants were increased by 597,641 to 919,448.

During the year ended June 30, 2012, a total of 3,161,396 warrants have expired.

Stock Options and the 2007 Equity Incentive Plan

At the Company's Annual Meeting on July 24, 2007, the stockholders approved the 2007 Equity Incentive Plan ("2007 EIP"). The 2007 EIP became effective on July 25, 2007, and will terminate on July 24, 2017. A maximum of 8,000,000 shares of common stock are reserved for the grant of non-qualified stock options, incentive stock options, restricted stock awards and other stock awards under the 2007 EIP. The 2007 EIP replaces the Company's 1989 Stock Option Plan, which terminated on April 30, 2007.

The purpose of the 2007 EIP is to provide the employees, non-employee directors, and consultants who are selected for participation in the 2007 EIP with added incentives to continue in the long-term service of the Company and to create in such persons a more direct interest in the future success of the Company's operations by relating increases in compensation to increases in stockholder value, so that the income of the participants in the 2007 EIP is more closely aligned with the financial interests of the Company's stockholders. The 2007 EIP is also intended to provide a financial incentive that will enable the Company to attract, retain and motivate the most qualified directors, employees, and consultants.

On June 25, 2008, the Board of Directors granted awards of 500,000 shares of restricted stock to an officer and 200,000 shares of restricted stock to an employee. The shares will vest on December 31, 2008, and are subject to forfeiture contingent on attainment of certain performance objectives related to construction of the Summit project. The stock grants were valued at $448,000 using the closing price on the date of the grant of $0.64 per share.

On December 3, 2008, the Company cancelled and re-issued several outstanding options to four employees. The new options grant each employee a five (5) year option to purchase 100,000 shares of common stock at an option exercise price of $0.60 per share, the closing price on the date of grant, and the options will vest on June 30, 2009. Each option was valued at $30,101 using the Black-Scholes option pricing model. The options were valued using a volatility of 80%, a risk free interest rate of 0.76%, an expected life of 2.8 years and zero quarterly dividends. The following describes the options that were cancelled:

- On May 2, 2006, the Company granted a non-plan five (5) year option to purchase 50,000 shares of common stock to an employee, who is the son of the Company's President and Chief Executive Officer, in connection with an employment agreement. The option exercise price is $1.24 per share, the closing price on the date of grant and the options vested on the date of grant. The options were valued at $50,971 using the Black-Scholes option pricing model. On December 3, 2008, the options were cancelled and re-issued. The options were fully vested and amortized at the time of cancellation

- On April 25, 2007, the Company granted non-plan a five (5) year option to purchase 50,000 shares of common stock to an employee, who is the son of the Company's President and Chief Executive Officer. The option exercise price is $0.74 per share, the closing price on the date of grant and the options vested on the date of grant. The options were valued at $30,505 using the Black-Scholes option pricing model and are expensed in the period granted. On December 3, 2008, the options were cancelled and re-issued. The options were fully vested and amortized at the time of cancellation.
- On March 24, 2008, the Company granted a five (5) year option to purchase 100,000 shares of common stock to an employee. The option exercise price is $0.73 per share, the closing price on the date of grant, and the options have a vesting period of six months from the date of grant. The options were valued at $57,048 using the Black-Scholes option pricing model. On December 3, 2008 the options were cancelled and re- issued. The options were fully vested and amortized at the time of the cancellation.
- On May 1, 2008, the Company granted a five (5) year option to purchase 100,000 shares of common stock to an employee. The option exercise price is $0.79 per share, the closing price on the date of grant. The options were valued at $61,724 using the Black-Scholes option pricing model. On December 3, 2008, the options were cancelled and re-issued. The options were fully vested and amortized at the time of the cancellation.
- On July 22, 2008, the Company granted a five (5) year option to purchase 100,000 shares of common stock to an employee. The option exercise price is $0.83 per share, the closing price on the date of grant and the options have a vesting period of six months from the date of grant. The options were valued at $64,247 using the Black-Scholes option pricing model. The options were valued using a volatility of 104%, a risk free interest rate of 3.48%, an expected life of 5.0 years and zero quarterly dividends. On December 3, 2008, the options were cancelled and re- issued, with any further amortization of the options ceasing on that date.

On December 3, 2008, the Company granted a five (5) year option to twenty-three employees and two board members to purchase 830,000 shares of common stock at an option exercise price of $0.60 per share, the closing price on the date of grant, and the options will vest on June 30, 2009. The options were valued at $370,517 using the Black-Scholes option pricing model. The options were valued using a volatility of 80%, a risk free interest rate of 0.76%, an expected life of 2.8 years and zero quarterly dividends.

On May 19, 2009, the Company granted a five (5) year option to eight employees to purchase 120,000 shares of common stock at an option exercise price of $1.165 per share, the closing price on the date of grant, and the options will vest on December 31, 2009. The options were valued at $73,581 using the Black-Scholes option pricing model. The options were valued using a volatility of 84%, a risk free interest rate of 0.91%, an expected life of 2.8 years and zero quarterly dividends. During the years ended June 30, 2010 and 2009, stock-based compensation of $36,392 and $10,512 was recorded, respectively.

On July 13, 2009, the Company granted a five (5) year option to purchase 200,000 shares of common stock to an employee under the 2007 Equity Incentive Plan. The option exercise price is $1.00 per share, the closing price on the date of grant, and the options have a vesting period of six months from the date of grant. The fair market value of the options at the time of issuance was determined to be $103,123 with the following assumptions: (1) risk-free rate of interest of 0.92%, (2) an expected life of 2.75 years, (3) expected stock price volatility of 83.13%, and (4) expected dividend yield of zero. During the year ended June 30, 2010 stock-based compensation of $103,123 was recorded.

On January 1, 2010, the Company issued 75,000 five year options with an exercise of $1.38, the market price on the date of the grant, to each of the two outside directors under the 2007 Equity Incentive Plan. The options have a vesting period of six months from the date of grant. The fair market value of the options at the time of issuance was determined to be $114,640 with the following assumptions: (1) risk-free rate of interest of 1.70%, (2) an expected life of 3.0 years, (3) expected stock price volatility of 85.14%, and (4) expected dividend yield of zero. During the year ended June 30, 2010 stock-based compensation of $114,640 was recorded.

On May 1, 2010, the Company granted to an investor relations firm a three (3) year option to purchase 125,000 shares of common stock at an option exercise price of $1.30 per share and a three (3) year option to purchase 125,000 shares of common stock at an option exercise price of $1.70. Each of the option grants vest 50% on August 1, 2010, and 50% on November 1, 2010. The options were valued at $85,209 using the Black-Scholes option pricing model. The options were valued using a volatility of 71.55%, a risk free interest rate of 1.56%, an expected life of 3.0 years and zero quarterly dividends. During the years ended June 30, 2011 and 2010, stock-based compensation expense of $42,601 and $42,608 was recorded, respectively.

On June 8, 2010, the Company granted a five (5) year option to thirty-five employees and two board members to purchase 1,095,000 shares of common stock at an option exercise price of $0.86 per share, the closing price on the date of grant, and 1,055,000 options will vest on December 31, 2010 and 40,000 options will vest on June 30, 2011. The options were valued at $342,869 using the Black-Scholes option pricing model. The options were valued using a volatility of 55.2%, a risk free interest rate of 1.11 to 1.16%, an expected life of 2.78 to 2.88 years and zero quarterly dividends. During the years ended June 30, 2011 and 2010, stock-based compensation expense of $304,936 and $36,872 was recorded, respectively.

On November 10, 2010, the Company granted 150,000 three-year options at an exercise price of $1.30 per share. The options have a six month vesting period from the date of grant. The options were valued at $55,368 using the Black-Scholes option pricing model. The options were valued using the following assumptions: (1) a risk free interest rate of 0.63%, (2) an expected life of 3.0 years, (3) expected stock price volatility of 75.51%, and (4) expected dividend yield of zero. During the year ended June 30, 2011 stock-based compensation of $55,368 was recorded.

On January 1, 2011, the Company granted 75,000 five-year options at an exercise price of $1.21 per share to each of the two outside directors. The options have a six month vesting period from the date of grant. The options were valued at $62,071 using the Black-Scholes option pricing model. The options were valued using the following assumptions: (1) a risk free interest rate of 2.02%, (2) an expected life of 5.0 years, (3) expected stock price volatility of 79.05%, and (4) expected dividend yield of zero. During the year ended June 30, 2011 stock-based compensation of $62,071 was recorded.

On March 1, 2011, the Company granted 50,000 five-year options at an exercise price of $0.88 per share to an employee. The options have a six month vesting period from the date of grant. The options were valued at $15,894 using the Black-Scholes option pricing model. The options were valued using the following assumptions: (1) a risk free interest rate of 2.11%, (2) an expected life of 5.0 years, (3) expected stock price volatility of 73.03%, and (4) expected dividend yield of zero. During the years ended June 30, 2012 and 2011 stock-based compensation of $5,298 and $10,596 was recorded was recorded, respectively.

On May 17, 2011, the Company granted a five (5) year option to twenty-seven employees and two consultants to purchase 805,000 shares of common stock at an option exercise price of $1.01 per share, the closing price on the date of grant and the options will vest on December 31, 2011. The options were valued at $298,311 using the Black-Scholes option pricing model. The options were valued using a volatility of 55.62%, a risk free interest rate of 0.84%, an expected life of 2.82 years and zero quarterly dividends. During the years ended June 30, 2012 and 2011 stock- based compensation of $239,692 and $58,619 was recorded.

On January 3, 2012, the Company granted 75,000 five-year options at an exercise price of $0.95 per share to each of the two outside directors, the closing price on the date of grant and the options will vest on June 30, 2012. The options were valued at $74,465 using the Black-Scholes option pricing model. The options were valued using the following significant assumptions: a risk free interest rate of 0.37%, expected life of 2.75 years, stock price volatility of 85.2% and expected dividend yield of zero. Stock-based compensation of $60,321was recorded during

the six months ended June 30, 2012. Unvested options to one director were cancelled and $14,144 of stock compensation was not recognized.

On January 9, 2012, the Company granted a five (5) year option to five employees to purchase 350,000 shares of common stock at an option exercise price of $0.94 per share, the closing price on the date of grant and the options will vest on June 30, 2012. The options were valued at $171,609 using the Black-Scholes option pricing model. The options were valued using the following significant assumptions: a risk free interest rate of 0.35%, expected life of 2.74 years, stock price volatility of 85.21% and expected dividend yield of zero. During the year ended June 30, 2012, stock-based compensation of $171,609 was recorded.

On March 12, 2012, the Company granted 250,000 five-year options at an exercise price of $1.03 per share to an employee, the closing price on the date of grant and the options will vest on September 12, 2012. The options were valued at $132,325 using the Black-Scholes option pricing model. The options were valued using the following significant assumptions: a risk free interest rate of 0.44%, expected life of 2.75 years, expected stock price volatility of 83.39% and expected dividend yield of zero. Stock-based compensation of $79,827 was recorded during the year ended June 30, 2012 and $52,498 will be reported over the remaining vesting period.

During the year ended June 30, 2012, 175,000 options were cancelled and 40,000 options were exercised on a cashless basis.

In addition to options under the 1989 Stock Option Plan and 2007 EIP, the Company previously issued non-plan options outside of these plans, exercisable over various terms up to a maximum of ten years.

Stock option and warrant activity, both within the 1989 Stock Option Plan and 2007 EIP and outside of these plans, for the years ended June 30, 2012, 2011 and 2010 are as follows:

	Stock Options		Stock Warrants	
	Shares	Weighted Average Price	Shares	Weighted Exercise Price
Outstanding at June 30, 2009	6,390,000	$ 0.22	11,616,506	$ 1.01
Granted	1,695,000	$ 1.02	4,419,957	$1.68
Canceled	(130,000)	$ 0.99	---	---
Expired	---	---	(75,001)	$ 1.58
Exercised	(1,250,000)	$0.20	(951,934)	$ 1.02
Outstanding at June 30, 2010	6,705,000	$0.41	15,009,528	$1.20
Granted	1,155,000	$1.07	933,334	$1.50
Canceled	(30,000)	$0.96	---	---
Expired	---	---	---	---
Exercised	(475,000)	$0.87	---	---
Outstanding at June 30, 2011	7,355,000	$ 0.48	15,942,862	$ 1.22
Granted	1,000,000	$0.98	1,947,641	$083
Canceled	(175,000)	$0.89	---	---
Expired	---	---	(3,161,396)	$1.00
Exercised	(40,000)	$0.94	-	---
Outstanding at June 30, 2012	8,140,000	$ 0.53	14,729,107	$ 0.90

Stock options and warrants outstanding and exercisable at June 30, 2012, are as follows:

Outstanding and Exercisable Options					Outstanding and Exercisable Warrants				
Exercise Price Range	Outstanding Number	Exercisable Number	Weighted Average Contractual Remaining Life (in Years)	Weighted Average Exercise Price	Exercise Price Range	Outstanding Number	Exercisable Number	Weighted Average Contractual Remaining Life (in Years)	Weighted Average Exercise Price
$0.11	4,000,000	4,000,000	1.27	$ 0.11	$ 0.35	7,669,448	7,669,448	2.29	$ 0.35
$0.46	100,000	100,000	0.07	$ 0.46	$ 0.98	500,000	500,000	4.09	$ 0.98
$0.55	175,000	175,000	0.50	$ 0.55	$ 1.00	600,000	600,000	4.36	$ 1.00
$0.60	605,000	605,000	1.43	$ 0.60	$ 1.06	253,773	253,773	2.03	$ 1.06
$0.86	800,000	800,000	2.94	$ 0.86	$ 1.25	464,858	464,858	1.58	$ 1.25
$0.88	50,000	50,000	3.67	$ 0.88	$ 1.50	933,334	933,334	3.39	$ 1.50
$0.94	350,000	350,000	4.53	$ 0.94	$ 1.625	461,539	461,539	2.50	$ 1.625
$0.95	75,000	75,000	4.52	$ 0.95	$ 1.70	3,846,155	3,846,155	2.56	$ 1.70
$1.00	250,000	125,000	2.79	$ 1.00					
$1.01	765,000	765,000	3.88	$ 1.01					
$1.03	250,000	--	4.70	$ 1.03					
$1.165	20,000	20,000	1.88	$ 1.165					
$1.21	150,000	150,000	3.50	$ 1.21					
$1.30	125,000	125,000	0.83	$ 1.30					
$1.30	150,000	150,000	1.36	$ 1.30					
$1.38	150,000	150,000	250	$ 1.38					
$1.70	125,000	125,000	0.83	$ 1.70					
	8,140,000	7,765,000				14,729,107	14,729,107		
Outstanding Options			2.05	$0.53	Outstanding Warrants			2.56	$0.90
Exercisable Options			1.95	$0.51	Exercisable Warrants			2.56	$0.90

As of June 30, 2012, the aggregate intrinsic value of all stock options and warrants vested and expected to vest was approximately $911,600 and the aggregate intrinsic value of currently exercisable stock options and warrants was approximately $911,600. The intrinsic value of each option share is the difference between the fair market value of the common stock and the exercise price of such option or warrant share to the extent it is "in-the-money". Aggregate intrinsic value represents the value that would have been received by the holders of in-the-money options had they exercised their options on the last trading day of the quarter and sold the underlying shares at the closing stock price on such day. The intrinsic value calculation is based on the $0.34 closing stock price of the Common Stock on June 30, 2012. The total number of in-the-money options and warrants vested and exercisable as of June 30, 2012, was 4,000,000.

The total intrinsic value associated with options exercised during the year ended June 30, 2012, was approximately $6,200. Intrinsic value of exercised shares is the total value of such shares on the date of exercise less the cash received from the option or warrant holder to exercise the options.

The total fair value of options and warrants granted during the year ended June 30, 2012, was approximately $1,256,033. The total grant-date fair value of option and warrant shares vested during the year ended June 30, 2012, was approximately $224,736.

NOTE 16 – PENSION PLAN

During the year ended June 30, 2009, the Company adopted a 401(K) plan, which covers substantially all employees. Under the terms of the plan, the Company matches employee salary deferrals dollar for dollar up to a maximum of 5% of compensation. For the years ended June 30, 2012, 2011 and 2010, the Company recorded $32,198, $45,627 and $31,363, respectively, in expenses related to the plan.

NOTE 17- INCOME TAXES

The Company has had no income tax expense or benefit since July 1, 1997, because of operating losses. Deferred tax assets and liabilities are determined based on the estimated future tax effect of differences between the financial statement and tax reporting basis of assets and liabilities, as well as for net operating loss carry forwards, given the provisions of existing tax laws.

The income tax benefit is computed by applying the U.S. federal income tax rate of 35% to net (loss) before taxes for the fiscal year ended June 30, 2012 and 34% for the prior year periods.

	2012	2011	2010
Tax (expense) benefit at the federal statutory rate	$ 3,232,137	$ 1,569,812	$ 411,180
State tax(expense) benefit	507,907	253,940	66,514
Expiration of state operating benefit	21,564	(375,113)	(111,229)
Change in state tax rate	---	536	---
Prior year true-up	947,324	---	---
(Increase) in valuation allowance	(4,708,932)	(1,449,175)	(366,465)
Income tax expense	$ ---	$ ---	$ ---

The components of the deferred tax assets at June 30, 2012 and 2011 are as follows:

Deferred Tax Asset	2012	2011
Federal net operating loss carry forwards	$ 22,190,845	$ 18,011,385
State net operating loss carry forwards	1,376,117	846,645
Valuation allowance	(23,566,962)	(18,858,030)
Net deferred tax asset	$ ---	$ ---

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. Due to the Company's history of losses, the deferred tax assets are fully offset by a valuation allowance as of June 30, 2012, and 2011. The valuation allowance for the year ended June 30, 2012 increased by $4,708,932 due primarily to the net loss for the fiscal year.

At June 30, 2012, the Company had federal tax basis net operating loss carry forwards for federal income tax purposes of approximately $65.0 million. Net operating losses for federal income tax purposes may be carried back for two years and forward for twenty years. The net operating losses expire in varying amounts from June 30, 2019 to 2032.

At June 30, 2012, the Company had state tax basis net operating loss carry forwards for state income tax purposes of approximately $25.0 million. Net operating losses for state income tax purposes may be carried forward for five years. These losses expire in varying amounts from June 30, 2013 to 2017.

NOTE 18 – OTHER EXPENSES

On May 31, 2012, the definitive agreement to acquire Columbus Silver Corporation expired and the acquisition was not completed. During the term of the agreement, the Company provided bridge financing to fund leasehold payments and working capital in the amount of $827,716 of advances and an additional $210,889 in the form of a note receivable, including accrued interest. Additionally, the Company capitalized $207,088 of acquisition costs related to the transaction. The advances, note receivable plus accrued interest, and acquisition costs have been written-off in Other Expenses as of June 30, 2012.

On June 30, 2012, the Company performed the calculation for the completion guarantee test obligation in accordance with the extension of time provided by Amendment 1 of the definitive gold sales agreement with Sandstorm. Based upon the calculation, the Company is required to make a payment in the amount of $3,359,873. Prior to the calculation of the completion guarantee test obligation, the deferred revenue balance totaled $2,855,824. Based upon the provisions of the Agreement, the completion guarantee test obligation directly reduces any remaining amounts of deferred revenue dollar for dollar at the time of the calculation. Consequently, deferred revenue has been reduced to zero at June 30, 2012 and the balance has been reclassified into a completion guarantee payable at June 30, 2012. The difference of $504,049 of additional fees between the completion guarantee test obligation and the amount of reclassified deferred revenue has been recognized in Other Expenses and accrued as an additional component of the completion guarantee payable at June 30, 2012.

NOTE 19 – RELATED PARTY TRANSACTIONS

On October 6, 2003, the Company entered into a confidential property identification agreement with its current President and Chief Executive Officer, prior to his becoming an officer and director of the Company. Under terms of the agreement, the current officer, on the basis of his prior knowledge, provided a list of 24 specific mineral properties with potential for exploration and development that might represent attractive acquisition opportunities for the Company. The Company agreed to pay compensation to the current officer in the form of a royalty of 1.0% of the value of future production, if any, derived from identified properties that the Company acquires. In the event an identified property is acquired and subsequently sold, the Company agreed to pay the current officer an amount equal to 10.0% of the value of the sale. The Ortiz gold property that was acquired in August 2004 and the Summit silver-gold project are two of the 24 properties identified and are subject to the property identification agreement. For the years ended June 30, 2012, 2011, and 2010 the Company recorded $97,832, $59,046, and $-0- relating to the Summit project for royalty expense resulting from the property identification agreement. At June 30, 2012, an accrued royalty liability of $82,660 related to the Summit project is payable to the Company's President and Chief Executive Officer.

NOTE 20 – SUBSEQUENT EVENTS

The Company evaluated all events subsequent to the balance sheet dated June 30, 2012, through the date of issuance of these consolidated financial statements and has determined that, except as set forth below, there are no further subsequent events that require disclosure.

On July 19, 2012, the Company entered into an agreement for investment banking services. In connection with the agreement the Company issued 4,500,000 warrants to purchase common stock at an exercise price of $0.40 per share.

In August 2012, the Company raised $1,873,286 under a unit offering to stockholders, with each unit consisting of one share of common stock and one warrant to purchase an additional share of common stock. Each unit was sold at a price of $0.30. Each warrant has an exercise price of $0.40 per share of common stock and is exercisable for a period of three years. The Company issued 6,244,286 shares of common stock and 6,244,286 warrants pursuant to the unit offering. The securities described above have been registered on our registration statement on Form S-3. On July 6, August 1 and August 15, 2012, in relation to the unit offering to stockholders, we filed Current Reports on Form 8-K.

On August 3, 2012, the Company agreed to issue 150,000 shares of stock for investor relations services.

On August 15, 2012, the Company suspended any further draw-downs under its previously announced $15 million equity financing facility.

On August 17, 2012, the warrant exercise price of $0.35 per share, previously reduced on June 29, 2012, on 6,750,000 warrants related to the 7% Senior Secured Convertible Debentures, was reduced to $0.30 under the terms and conditions of the warrant with the reduction resulting from the placement of the unit offering to stockholders.

On August 17, 2012, the warrant exercise price of $0.98 per share, previously reduced on June 29, 2012, on 500,000 warrants related to the June 2, 2011 warrant issuance was reduced to $0.91 under the terms and conditions of the warrant with the reduction resulting from the placement of the unit offering to stockholders.

On August 17, 2012, the warrant exercise price of $0.35 per share, previously reduced on June 29, 2012, on 919,448 warrants related to the Additional Investment Rights issues of January 9, April 30, and June 2, 2008, was reduced to $0.30 under the terms and conditions of the warrant with the reduction resulting from the placement of the unit offering to stockholders. The original warrant contained an anti-dilution provision and the warrants were increased by 153,242 to 1,072,690.

On August 20, 2012, the Company announced director and officer appointments. Mr. Erich Hofer was appointed to the Board of Directors and named chairman of the Board's audit committee. Consistent with the Company's compensation policy for non-employee independent directors, Mr. Hofer was issued 100,000 options, with a vesting period of twelve months, from our 2007 Employee Incentive Plan. The Company also named three new officers. John White, Michael Martinez, and Ryan Carson were named Vice President of Operations, Chief Financial Officer and Treasurer, and Secretary and Assistant Treasurer, respectively. Each new officer received 100,000 options, with a vesting period of six months, from our 2007 Employee Incentive Plan. On August 21, 2012, in relation to the director and officer appointments, we filed a Current Report on Form 8-K.

On August 20, 2012, the Company issued 50,000 options each to two key employees with a vesting period of six months. The options have an exercise price of $0.32, the stock closing price of the date of issue.

On September 10, 2012, the Company executed an amendment to extend the final payment due on the New Planet Copper Mining promissory note. The due date for the final annual payment was extended until November 5, 2012 with the interest rate increased to 20% per annum during the extension period. The Company also agreed to pay an additional $2,000 in legal and miscellaneous fees to document the amendment. All other provisions of the original agreement remain unchanged including the provision for a 5% royalty to be paid on any future production from the property.

On September 14, 2012, the Company entered into an agreement for financial advisory services. In connection with the agreement the Company issued 500,000 warrants to purchase common stock at an exercise price of $0.40 per share.

On September 17, 2012, the Company entered into change of control agreements with three of its officers, the Vice-President of Operations, the Chief Financial Officer and Treasurer, and the Secretary and Assistant Treasurer, who is also the son of the current president. The change of control agreements provide that if there is a change of control of the Company and the individual leaves the employment of the Company, for reason other than discharge for cause, death, or disability, within six months after such change of control, the employee shall receive a lump sum cash payment of 200% of the base amount as defined in IRC Section 280 G in effect at the time of change of control. In addition, the employee will continue to be covered by the Company's medical, health, life and dental plans for 24 months after such cessation of employment.

On September 17, 2012, the Company entered into a change of control agreement with one of its employees who is a Vice-President of The Lordsburg Mining Company, the Company's wholly-owned subsidiary. The change of control agreement provides that if there is a change of control of the Company and the individual leaves the employment of the Company, for reason other than discharge for cause, death, or disability, within six months after

such change of control, the employee shall receive a lump sum cash payment of 100% of the base salary in effect at the time of change of control. In addition, the employee will continue to be covered by the Company's medical, health, life and dental plans for 24 months after such cessation of employment.

On September 19, 2012, the Company entered into an option agreement with Columbus Silver Corporation (CSC: TSX-V), whereby the Company may acquire the Mogollon Project, Catron County, New Mexico, for deferred payments aggregating $4,500,000. Upon signing of the agreement, the Company paid $100,000 and will pay an additional $150,000 within 3 business days upon approval of the agreement by the TSX Venture Exchange. The agreement also calls for a $500,000 payment by December 31, 2012, and four payments of $937,500 each on June 30, 2013, December 31, 2013, June 30, 2014, and December 31, 2014.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A(T). CONTROLS AND PROCEDURES

We maintain "disclosure controls and procedures" (as defined in Rules 13a-15(d) 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 recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms, and that our disclosure controls and procedures are effective in alerting management on a timely basis to material information required to be disclosed in our periodic reports. Under the supervision of, and the participation of our management, our Chief Executive Officer and Principal Financial Officer, or persons performing similar functions, have conducted an evaluation of our disclosure controls and procedures as of June 30, 2012. This evaluation included certain areas in which we have made, and are continuing to make, changes to improve and enhance controls. Based on this evaluation, our Chief Executive Officer and Principal Financial Officer have concluded that our disclosure controls and procedures are effective in providing reasonable assurance that information required to be disclosed by us in reports we file with the Securities and Exchange Commission is recorded, processed, summarized and reported within the time periods required, and are effective in alerting management on a timely basis to material information required to be disclosed in our periodic reports.

During the fiscal year ended June 30, 2012, there were no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION

Mine Safety Disclosures

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("The Act") requires the operators of mines, including gold and silver mines, to include in each periodic report filed with the Securities and Exchange Commission certain specified disclosures regarding the company's history of mine safety.

In evaluating these disclosures, consideration should be given to factors such as: (i) the number of citations and orders may vary depending on the size of the mine, (ii) the number of citations issued will vary from inspector to inspector and mine to mine, and (iii) citations and orders can be contested and appealed, and in that process, are often reduced in severity and amount, and are sometimes dismissed.

Specified disclosures relating to The Act and pertaining to the Summit Mine for the year ended June 30, 2012 are as follows:

(i) Total number of violations of mandatory health or safety standards that could "significantly and substantially" ("S&S") contribute to a safety or health hazard under the Federal Mine Safety and Health Act of 1977 (the "Mine Safety Act") for which the Company received a citation from the Mine Safety and Health Administration ("MSHA"): - Five; (These are violations that could "significantly and substantially" contribute to a safety or health hazard as issued.);

(ii) Total number of orders and citations issued under Section 104(b) of the Mine Safety Act (a "failure to abate"): - None;

(iii) Total number of citations and orders for unwarrantable failure to comply with mandatory health and safety standards under Section 104(b): - None;

(iv) Total number of imminent danger orders under Section 107(a) of the Mine Safety Act issued to the Company: - None;

(v) Total dollar value of proposed assessments from MSHA: - $2,385;

(vi) Total number of mining related fatalities: - None;

(vii) Mines for which the operator has received written notice of a pattern of violations or the potential to have such a pattern: - None;

(viii) Pending legal action before the Mine Safety and Health Review Commission: - We have multiple citation protests pending before the Commission.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The Company's present directors and officers as well as those who served during fiscal 2012 are as follows:

Name	Age	Position	Date Elected
Lawrence G. Olson	74	Chairman of the Board Former President and Chief Executive Officer	1999 / served as President and Chief Executive Officer from October 2000 to October 7, 2003
W. Pierce Carson	69	Chairman of the Board President and Chief Executive Officer	October 7, 2003
John E. Frost	88	Director	May 7, 2007
Erich Hofer	51	Director	August 20, 2012

The directors and officers have held their principal occupations as set out above during at least the last five years, except as described below:

Lawrence G. Olson, age 74, Chairman, became a director in March 1999 in connection with the acquisition of Arizona Mica. He held the position of Chairman from October 2000 until he passed away in April 2012, and also formerly held the positions of President and Chief Executive Officer from October 2000 until October 2003. Mr. Olson owned and operated his own business, Olson Precast of Arizona Inc., since its establishment in1973. Mr. Olson received a B.S. Degree in Civil Engineering from the University of Southern California.

W. Pierce Carson, age 69, was appointed Chairman after the death of Lawrence G. Olson in April 2012. Dr. Carson was named President and Chief Executive Officer and a director in October 2003, following a consulting assignment with us. He has 40 years of international mining experience and has managed the discovery, financing, development and operation of precious metals, base metals and industrial mineral properties in the United States, Australia and other countries. From 1981 to 2000, he worked for Nord Pacific Limited and Nord Resources Corporation in senior management capacities, including president and chief executive officer. Prior to 1981, he managed exploration programs for Exxon Minerals Company and Kennecott Copper Company. Dr. Carson holds a Bachelors Degree in Geology from Princeton University and MS and PhD Degrees in Economic Geology from Stanford University.

John E. (Jack) Frost, age 88, joined our board of directors in May 2007. Dr. Frost has over 50 years of international mining experience in a wide range of metallic and non-metallic minerals and has been closely involved in the discovery and/or acquisition of more than 40 mineral deposits. Since 1986, Dr. Frost has served as principal of Frost Minerals International, Inc., a provider of management and consulting services to the mining industry. From 1967 until 1986, he worked for Exxon Minerals Company and its affiliates in a number of senior management capacities, including president of Exxon Minerals International. His responsibilities at Exxon Minerals included establishing and managing Exxon Minerals' domestic and international minerals exploration programs. Prior to 1967, he managed exploration and mining activities for Duval Corporation and Philippine Iron Mines. Dr. Frost holds a B.S. Degree in Mining Engineering, an M.S. Degree in Geology and a Ph.D. in Geology, all from Stanford University.

Erich Hofer, age 51 joined our board of directors in August 2012. Mr. Hofer is a finance and management executive with over 30 years of international business experience in engineering, energy, manufacturing and financial services. As principal of HFE MAC LLC since 2007, he provides management and advisory services to public and private companies and has assumed key management roles for clients, several of which have been natural resources companies. From 1999 to 2007, Mr. Hofer was CFO for three Swiss technology, manufacturing and energy management companies, and from 1995 to 1998 was financial controller for Zurich State Bank. He also served as Chief of Logistics, Colonel and a Member of General Staff in the Swiss Army. Mr. Hofer holds a MBA Degree from the University of Chicago, and three degrees, including Master of Finance, Bachelor of Economics and Bachelor of Engineering from universities in Switzerland.

Board Meetings and Committees

During fiscal 2012, our board met once and took action by unanimous consent eight times. All of our directors attended at least 75% of the meetings of our board and its assigned committees during 2012. We strongly encourage our directors to attend annual meetings, but we do not have a formal policy regarding attendance.

Our entire board considers all major decisions concerning our business. Our board has also established committees so that certain matters can be addressed in more depth than may be possible at a full board meeting. Our board's current standing committees are as follows, with the "X" denoting the members of the committee:

Name	Nominating and Corporate Governance Committee	Audit Committee	Compensation Committee
Employee Director:			
W. Pierce Carson	X[1]		
Non-Employee Directors:			
Erich Hofer	X	X[1]	X
John E. Frost	X	X	X[1]

(1) Chairman

Our board has adopted a charter for each committee. The charters are available on our website at www.santafegoldcorp.com. The information contained on our website is not, and should not be considered, a part of this financial statement. The information below sets out the current members of each of our board committees and summarizes the functions of each of the committees.

Nominating and Corporate Governance Committee

The primary purposes of the committee are:

- identifying individuals qualified to become directors;
- monitoring the implementation of our corporate governance guidelines; and

- overseeing the evaluation of our management and our board.

The committee currently consists of Messrs. Carson, Hofer and Frost, with Mr. Carson serving as chairman. We do not anticipate any significant change in the composition of the committee prior to our next annual meeting of stockholders.

The committee was constituted in May 2007, and met once during fiscal 2012.

The committee is responsible for identifying individuals qualified to become directors and for evaluating potential or suggested director nominees.

The committee plans to perform a preliminary evaluation of potential candidates primarily based on the need to fill any vacancies on our board, the need to expand the size of our board and the need to obtain representation in key market areas. Once a potential candidate is identified that fills a specific need, the committee plans to perform a full evaluation of the potential candidate. This evaluation will include reviewing the potential candidate's background information, relevant experience, willingness to serve, independence and integrity. In connection with this evaluation, the committee may interview the candidate in person or by telephone. After completing its evaluation, the committee will make a recommendation to the full board as to the persons who should be nominated by our board. Our board determines the nominees after considering the recommendations and a report of the committee.

To date, the committee has not paid a fee to any third party to assist in the process of identifying or evaluating director candidates.

Audit Committee

The primary purposes of the committee are:

- assisting our board in fulfilling its oversight responsibilities by reviewing the financial information to be provided to stockholders and others;
- overseeing and evaluating our system of internal controls established by management; and
- supervising the audit and financial reporting process (including direct responsibility for the appointment, compensation and oversight of the independent auditors engaged to perform the annual audit and quarterly reviews with respect to our financial statements).

The committee will also prepare a report each year in conformity with the rules of the SEC for inclusion in our annual proxy statement.

The committee currently consists of Messrs. Hofer and Frost, with Mr. Hofer serving as chairman. We do not anticipate any significant change in the composition of the committee prior to our next annual meeting of stockholders. Messrs. Hofer and Frost meet prescribed independence standards under the NASDAQ listing standards and applicable Securities and Exchange Commission rules. Mr. Hoffer qualifies as an "audit committee financial expert" as defined by the rules promulgated by the Securities and Exchange Commission. Mr. Frost may not satisfy the criteria for an audit committee financial expert. Each Audit Committee member is able to read and understand fundamental financial statements, including our consolidated balance sheet, consolidated statement of operations and consolidated statement of cash flows.

The Audit Committee met once during fiscal 2012.

Compensation Committee

The primary purposes of the committee are:

- reviewing and approving annually the corporate goals and objectives relevant to our chief executive officer, other executive officers and our board;
- evaluating the performance of our chief executive officer, other executive officers and our board in light of these goals and objectives; and

- recommending the compensation levels for our chief executive officer, other executive officers and our board.

The committee also prepares a report each year in conformity with the rules of the SEC for inclusion in our annual proxy statement.

The committee currently consists of Messrs. Frost and Hofer, with Mr. Frost serving as chairman. We do not anticipate any significant change in the composition of the committee prior to our next annual meeting of stockholders. Messrs. Frost and Hofer are "independent" under the NASDAQ listing standards and applicable Securities and Exchange Commission rules.

The committee was constituted in May 2007, and met once during fiscal 2012.

The committee has the sole authority to oversee the administration of compensation programs applicable to our executive officers and directors. Executive compensation will be reviewed at least annually by the committee. Director compensation is reviewed periodically by the committee as its members deem appropriate. The committee may delegate some or all of its authority to subcommittees when it deems appropriate.

Compensation Committee Interlocks and Insider Participation

None of the members of our Compensation Committee is an officer or employee of the Company. None of our executive officers serves as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or Compensation Committee.

Compliance with Section 16(a) of The Securities Exchange Act of 1934

Based solely on our review of the copies of such forms we received, or written representations from certain reporting persons, we believe that, during the fiscal year ended June 30, 2012, our officers, directors and greater than ten percent beneficial owners complied with all applicable filing requirements.

Code of Business Conduct

Our board has adopted a code of business conduct that is applicable to all members of our board, our executive officers and our employees. We have posted our code of business conduct on our website at www.santafegoldcorp.com.

Code of Ethics for CEO and Senior Financial Officers

Effective June 15, 2006, we adopted a Code of Ethics for CEO and Senior Financial Officers that applies to our CEO and all officers. This code was filed as an exhibit to our Annual Report on Form 10-KSB for the year ended June 30, 2006. The code summarizes the legal, ethical and regulatory standards that we must follow and is a reminder to our directors and officers of the seriousness of that commitment. Compliance with this code and high standards of business conduct is mandatory for each of our officers. As adopted, our Code of Ethics sets forth written standards that are designed to deter wrongdoing and to promote:

1) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

2) compliance with applicable governmental laws, rules and regulations;

3) the prompt internal reporting of violations of the Code of Ethics to an appropriate person or persons identified in the Code of Ethics; and

4) accountability for adherence to the Code of Ethics.

We will provide a copy of the Code of Ethics to any person without charge, upon request. Requests can be sent to: Santa Fe Gold Corporation, 1128 Pennsylvania NE, Suite 200, Albuquerque, NM 87110.

ITEM 11. EXECUTIVE AND DIRECTOR COMPENSATION

Summary Compensation Table

The following table summarizes the compensation awarded to, earned by or paid during the last three fiscal years to Named Executive Officers, including (a) our principal executive officer; (b) each of our Company's two most highly compensated executive officers, other than the principal executive officer, who were serving as executive officers at the end of the financial year ended June 30, 2012, and whose total compensation exceeded $100,000 per year; and (c) up to two additional individuals for whom disclosure would have been provided under (b) but for the fact that the individual was not serving as an executive officer of our Company at the end of the year ended June 30, 2012.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compen-sation ($)	Non-qualified Deferred Compen-sation Earnings ($)	All Other Compen-sation ($)	Total ($)
W. Pierce Carson President & CEO	2012	253,774	-	-	73,547(3)	-	-	-	327,321
	2011	239,229	-	-	55,129(2)	-	-	-	294,358
	2010	227,837	-	172,000(1)	62,543(1)	-	-	-	462,380

(1) On June 8, 2010, the board of directors granted Mr. Carson an award of 200,000 shares of restricted common stock and 200,000 options under our 2007 EIP. The shares vest 50% after 12 months with the remaining 50% vesting after 24 months. The options have a vest date of December 31, 2010 and a term of five years. The exercise price of the options is $0.86 per share, the closing price of our common stock on the date of grant. The dollar value recognized for financial statement reporting purposes for both the grant of stock and options was calculated in accordance with FAS 123R.

(2) On May 17, 2011, the board of directors granted Mr. Carson an award of 150,000 options under our 2007 EIP. The options have a vest date of December 31, 2011 and a term of five years. The exercise price of the options is $1.01 per share, the closing price of our common stock on the date of grant. The dollar value recognized for financial statement reporting purposes for the options was calculated in accordance with FAS 123R.

(3) On January 9, 2012, the board of directors granted Mr. Carson an award of 150,000 options under our 2007 EIP. The options have a vest date of June 30, 2012 and a term of five years. The exercise price of the options is $0.94 per share, the closing price of our common stock on the date of grant. The dollar value recognized for financial statement reporting purposes for the options was calculated in accordance with FAS 123R.

Outstanding Equity Awards as of June 30, 2012

The following table summarizes the outstanding equity awards as of June 30, 2012, for each of our named executive officers:

Outstanding Equity Awards as of June 30, 2012

Option Awards						Stock Awards			
									Equity

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
W. Pierce Carson	4,000,000 200,000 150,000 150,000	N/A N/A N/A N/A	N/A N/A N/A N/A	0.11 0.86 1.01 0.94	10/16/2013 6/08/2015 5/17/2016 1/9/2017	N/A	N/A	N/A	N/A

Compensation of Directors

The following table summarizes the compensation of our Company's directors for the fiscal year ended June 30, 2012:

Compensation of Directors

Name[1]	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)[2]	Non-Equity Incentive Plan Compen-sation ($)	Non-qualified Deferred Compen-sation Earnings ($)	All Other Compen-sation ($)	Total ($)
Lawrence G. Olson	26,250	-	-	-	-	-	26,250
John E. Frost	35,000	-	37,233	-	-	-	72,233

(1) W. Pierce Carson, a member of our board of directors, is a Named Executive Officer and did not receive any compensation as a director that has not been disclosed in the summary compensation table above.

(2) This column represents the fair value of the options awarded in fiscal 2012 in accordance with FAS 123R.

Effective July 1, 2010, we adopted an increase in the annual non-employee independent director fee to $25,000 per year and an increase in annual committee fees to $4,000 per committee membership and $2,000 per committee chairmanship, to be paid quarterly, plus $1,000 for each full-day board meeting, and $500 for each telephonic meeting, committee meeting or less than full day meeting attended. In addition, upon first being appointed or elected to the board, each independent director receives a grant of options to purchase 100,000 shares of common stock which vest twelve months after the date of grant, and on January 1st of each year, each independent director receives a grant of options to purchase 75,000 shares of common stock which vest six months after the date of grant. All options are granted at an exercise price equal to the fair market value of the stock on the date of grant. All options granted to non-employee independent directors, unless earlier terminated, or exercised,

expire five years after the grant date. All directors are reimbursed for out-of-pocket expenses incurred in connection with attendance at board meetings and committee meetings.

Effective July 1, 2012, we adopted a decrease in the annual non-employee independent director fee to $8,000 per year and a decrease in annual committee fees to $1,000 per committee membership and $500 per committee chairmanship, to be paid quarterly. All other compensation to non-employee independent directors remains as described in the preceding paragraph.

During fiscal years 2012, 2011 and 2010, non-officer directors received no consulting fees separate and distinct from directors' fees as a result of actual services rendered above and beyond those typical of a non-officer director. Total director fees were $61,250 for the year ended June 30, 2012.

Employment Agreements

In October 2003, we entered into employment and change of control agreements with our president and chief executive officer. The employment agreement describes among other things the officer's duties, compensation levels and benefits. The agreement provides for annual salary of $180,000 adjusted by the CPI. The term of the agreement is from October 16, 2003, through and including October 15, 2006, and then automatically extends through October 15, 2008, and thereafter year to year unless terminated on 90 days prior notice. The change of control agreement provides that if there is a change of control of the Company and the officer leaves the employment of the Company, for whatever reason (other than discharge for cause, death, or disability) within six months after such change of control, the officer shall receive a lump sum cash payment of 299% of the base amount as defined in IRC Section 280G (b) (3), subject to certain limitations of the Internal Revenue Code. In addition, the officer will continue to be covered by our medical, health, life and dental plans for 24 months after such cessation of employment. In connection with the employment agreement, we granted 4,000,000 options at an exercise price of $0.11 per share, the closing price on the date of grant. The options vested as to 1,000,000 shares on October 16, 2003, and as to additional 1,000,000 share increments over successive six-monthly periods.

In May 2009, we entered into change of control agreements with two key employees, our manager of legal affairs, who currently is our secretary and assistant treasurer, and who also is the son of our president; and our controller, who currently is our chief financial officer and treasurer. The change of control agreements provide that if there is a change of control of the Company and the individual leaves the employment of the Company, for reason other than discharge for cause, death, or disability, within six months after such change of control, the employee shall receive a lump sum cash payment of 100% of the base salary in effect at the time of change of control. In addition, the employee will continue to be covered by our medical, health, life and dental plans for 24 months after such cessation of employment.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth, as of September 13, 2012, certain information regarding beneficial ownership of our common stock by: (i) each person known by us to be the beneficial owner of more than 5% of our outstanding common stock; (ii) each director and director-nominee; (iii) each named executive officer; and (iv) all executive officers and directors as a group.

		Common Stock Beneficially Owned	
Name and Address Of Beneficial Owner	**Title of Class**	**Number of Shares**	**Percent of**

			Class[6]
Erich Hofer 1700 Bassett Street #1713 Denver, CO 80202	Common Stock	-	0.0%
Sulane Holdings, Inc. P.O. Box 414 CH-1630 Bulle Switzerland	Common Stock	21,707,360[1]	17.5%

Lawrence G. Olson (Estate) 3045 S. 35th Avenue Phoenix, AZ 85009	Common Stock	8,127,450[2]	6.9%
W. Pierce Carson 33 Camino de Avila Tijeras, NM 87059	Common Stock	13,851,494[3]	11.4%
John E. Frost 602 Sandy Port Houston, TX 77079	Common Stock	710,000[4]	0.6%
Officers and Directors As a Group (3 Persons)	Common Stock	14,561,494 [5]	11.9%

(1) Includes 13,500,000 shares issued in connection with conversion in December 2011 of convertible debentures at a conversion price of $1.00 per share. Also includes an aggregate of 1,457,360 shares that were issued for conversion of accrued interest due June 30, 2009, September 30, 2009 and December 31, 2009, and 6,750,000 warrants with an exercise price of $0.30 per share.

(2) Includes options issued under the 2007 EIP to acquire 75,000 shares at an exercise price of $1.38 per share, 50,000 shares at an exercise price of $0.86 per share, and 75,000 shares at an exercise price of $1.21 per share.

(3) Includes non-plan options to acquire 4,000,000 shares at an exercise price of $0.11 per share, and options issued under the 2007 EIP to acquire 200,000 shares at an exercise price of $0.86 per share, 150,000 shares at an exercise price of $1.01 per share, and 150,000 shares at an exercise price of $0.94 per share. Also includes warrants issued under the August 2012 unit offering to stockholders to acquire 100,000 warrants at an exercise price of $0.40 per share.

(4) Includes options issued under the 2007 EIP to acquire 75,000 shares at an exercise price of $0.55 per share, 75,000 shares at an exercise price of $0.60 per share, 75,000 shares at an exercise price of $1.38 per share, 50,000 shares at an exercise price of $0.86 per share, 75,000 shares at an exercise price of $1.21 per share, and 75,000 shares at an exercise price of $0.95 per share. Also includes warrants issued under the August 2012 unit offering to stockholders to acquire 100,000 warrants at an exercise price of $0.40 per share.

(5) Includes options and warrants to acquire an aggregate of 5,125,000 shares.

(6) Applicable percentage of ownership is based on 117,537,970 shares of common stock outstanding as of September 13, 2012, together with securities exercisable or convertible into shares of common stock within 60 days of September 13, 2012, for each stockholder. Beneficial ownership is determined in accordance with the rules of the Commission and generally includes voting or investment power with respect to securities. Shares of common stock subject to securities exercisable or convertible into shares of common stock that are currently exercisable or exercisable within 60 days of September 13, 2012, are deemed to be beneficially owned by the person holding such options for the purpose of computing the percentage of ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

Equity Compensation Plans

The following table contains information regarding our Equity Compensation Plans as of June 30, 2012:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
2007 Equity Incentive Plan approved by security holders	3,615,000	$1.20	2,370,000
Equity compensation plan not approved by security holders[1]	4,525,000	$0.25	N/A

(1) Includes certain options granted to an executive officer pursuant to an employment agreement described in more detail under the caption “Employment Agreements”, prior to the adoption of the 2007 EIP. Also includes options granted to an investor relations consultant.

2007 Equity Incentive Plan

At our Annual Meeting on July 24, 2007, the stockholders approved the 2007 Equity Incentive Plan ("2007 EIP"). The 2007 EIP became effective on July 25, 2007, and will terminate on July 24, 2017. A maximum of 8,000,000 shares of common stock are reserved for the grant of non-qualified stock options, incentive stock options, restricted stock awards and other stock awards under the 2007 EIP. The 2007 EIP replaced our 1989 Stock Option Plan, which terminated on April 30, 2007. The full text of the 2007 EIP is included in our definitive proxy statement DEF14A filed with the SEC on May 23, 2007.

The purpose of the 2007 EIP is to provide the employees, non-employee directors, and consultants who are selected for participation in the 2007 EIP with added incentives to continue in the long-term service of the Company and to create in such persons a more direct interest in the future success of our operations by relating increases in compensation to increases in stockholder value, so that the income of the participants in the 2007 EIP is more closely aligned with the financial interests of our stockholders. The 2007 EIP is also intended to provide a financial incentive that will enable us to attract, retain and motivate the most qualified directors, employees, and consultants. As of September 24, 2012, four executive officers, two non-employee independent board members and approximately sixty-seven other employees and consultants are eligible to receive grants under the 2007 EIP.

The Compensation Committee of the board administers the 2007 EIP with respect to grants to employees, consultants, and non-employee directors. The Committee has sole discretion to establish rules and procedures for the administration of the 2007 EIP, select the participants from among the eligible employees, non-employee directors,

and consultants, determine the types of awards to be granted and the number of shares of common stock subject to each award, and set the terms and conditions of the awards.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In October 2003, prior to his becoming an officer and director of the Company, we entered into a confidential property identification agreement with W. Pierce Carson, our president and chief executive officer. Under terms of the agreement, Mr. Carson, on the basis of his prior knowledge, provided a list of 24 specific mineral properties with potential for exploration and development that might represent attractive acquisition opportunities for us. We agreed to pay compensation to Mr. Carson in the form of a royalty of 1.0% of the value of future production, if any, derived from identified properties that we acquire. In the event an identified property is acquired and subsequently sold, we agreed to pay Mr. Carson an amount equal to 10.0% of the value of the sale. The Ortiz gold property acquired in August 2004 and the Summit silver-gold property acquired in May 2006 are two of the 24 properties identified and are subject to the property identification agreement (See NOTE 14 in the Consolidated Financial Statements).

In August 2003, we assigned, for the sum of $5,000, our right, title and interest in and to our lease with New Planet Copper Mining Company to Metallica Ventures, LLC, a corporation controlled by Mr. Carson, who at the time of the assignment was a consultant to us. We retained an option to purchase 25% of the New Planet lease for an amount equal to 25% of the expenditures on the property from the date of assignment through the date of the exercise of the option. In September 2005, Metallica Ventures LLC reassigned to us, for consideration of $10,000 and the issue of 2,000,000 unregistered shares of our common stock, its right, title and interest in and to the lease with New Planet Copper Mining Company.

In September 2005, we entered into a consulting agreement with Ryan P. Carson, an attorney who is the son of our president and chief executive officer. Terms of the contract provided for compensation of $4,000 per month and payment of certain expenses for an initial three-month period. In November 2005, the contract was extended for a six-month period, after which the contract extended on a month-to-month basis until terminated by either party. We issued a bonus of 50,000 unregistered shares of common stock in consideration for the contract extension. On May 2, 2006, the individual was offered and accepted employment at a salary of $5,000 per month. In connection with employment, we granted 50,000 stock options at an exercise price of $1.24 per share, which was the closing price on May 2, 2006. On April 25, 2007, we granted the individual 50,000 stock options at an exercise price of $0.74 per share, and on December 13, 2007, we granted the individual 100,000 options at an exercise price of $0.55 per share, which were the closing prices on the dates granted. On December 3, 2008, we granted the individual 100,000 options and also cancelled and reissued the options previously granted on May 2, 2006 and April 25, 2007, at an exercise price of $0.60 per share, which was the closing price on December 3, 2008. On June 8, 2010, we granted the individual 100,000 options at an exercise price of $0.86 per share, the closing price on the date of grant. Additionally, on June 8, 2010 we granted the individual 100.000 shares of restricted stock. The shares were valued at $0.86 per share, the closing price on the date of grant. On August 20, in connection with the individual's appointment to secretary and assistant treasurer of the Company, we granted the individual 100,000 options at an exercise price of $0.32 per share, which was the closing price on August 20, 2012.

In March 2001, Lawrence G. Olson, our recently deceased chairman and former president and chief executive officer, jointly with his wife, made an unsecured loan to us in the amount of $800,000 at an interest rate equal to the prime rate of interest plus one percentage point. In connection with the loan, Mr. Olson received 5-year warrants to purchase 300,000 shares of common stock at an exercise price of $0.70 per share. In October 2001, we restructured the $800,000 loan agreement with Mr. Olson and the interest rate payable on the loan was adjusted to 12% annually. In June 2002, the loan was extended an additional year and we entered into a security agreement with Mr. Olson, whereby our assets secured the loan. The note became payable in March 2004 after which time it was in default. On March 15, 2006, Mr. Olson exercised warrants to purchase 300,000 shares of common stock at $0.70 per share in exchange for a reduction of accrued interest and principal on the note payable to him, aggregating $210,000. Mr.

Olson agreed to reduce the principal by $50,000 and to extend the $750,000 note payable for a period of 18 months, until September 15, 2007.

On November 15, 2006, Mr. Olson exercised stock options to purchase 1,000,000 shares of common stock at $0.10 per share and 1,000,000 shares of common stock at $0.11 per share, in exchange for payment of accrued interest owed and reduction of principal on the note payable, aggregating $210,000. In addition, Mr. Olson agreed to contribute to capital the remaining unpaid principal on the note of $600,000. In connection with the contribution to capital, we granted a 25% net proceeds royalty in the Black Canyon mica claims, toward an end settlement of $600,000. On May 19, 2009, we entered into an agreement with Mr. Olson to purchase the royalty for $200,000. On July 17, 2009, the $200,000 owed to Mr. Olson was satisfied by applying credit of $186,250 for payment of the exercise price of stock options exercised on that date, including 1,000,000 options at an exercise price of $0.10 per share, 75,000 options at $0.55 per share and 75,000 options at $0.60 per share, and by satisfying the remaining amount of $13,750 by the issuance of 12,500 shares of stock at a price of $1.10 per share, the closing price on July 17, 2009.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICE

The following table discloses the fees for professional services provided by Stark Schenkein, LLP for the 2012 and 2011 fiscal years respectively:

	2012	2011
Audit Fees (1)	$ 101,626	$ 82,609
Tax Fees (2)	-0-	-0-
	$ 101,626	$ 82,609

(1) Includes services rendered for audit of the Company's consolidated financial statements, review of quarterly financial information, and assistance and issuance of consents associated with SEC filings.
(2) Relates to services rendered for tax advice and compliance services.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a)

Exhibit No.	Description	Location
2.1	Agreement and Plan of Merger of Arizona Mica Properties, Inc. into Sanchez Mining, Inc., a wholly-owned subsidiary of Registrant, dated as of March 9, 1999	Incorporated by reference to Exhibit 1 to Registrant's 8-K dated March 9, 1999, as filed with the SEC on March 24, 1999
3.1	Registrant's Certificate of Incorporation dated August 8, 1991	Incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-4 (File No. 33-45162)

3.2	Articles of Amendment to the Certificate of Incorporation dated December 5, 1991	Incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement on Form S-4 (File No. 33-45162)
3.3	Registrant's Amended By-laws	Incorporated by reference to Exhibit 3.3 to the Registrant's Registration Statement on Form S-4 (File No. 33-45162)
4.1	Specimen stock certificate	Incorporated by reference to Exhibit 1 to the Registrant's Registration Statement on Form 8-A as filed with the SEC on July 21, 1992
4.2	Rights Agreement dated July 19, 1995 between the Registrant and Montreal Trust Company of Canada	Incorporated by reference to Exhibit 3.4 to the Registrant's Annual Report on Form 10-K/A for the fiscal year ended June 30, 1995
10.1	Agreements for Piedras Verdes property	Incorporated by reference to Exhibit 10.10 to the Registrant's Registration Statement on Form S-4 (File No. 33-45162)
10.2	Purchase Agreement dated July 27, 1995 between the Registrant, Sanchez and Phelps Dodge	Incorporated by reference to Exhibit 10.20 to the Registrant's Annual Report on Form 10- K/A for the fiscal year ended June 30, 1995
10.3	Memorandum of Agreement dated June 7, 1996, by and among West Africa Gold & Exploration Ltd., Eagle River International Limited, Lion Mining Finance Limited and the Registrant	Incorporated by reference to Exhibit 10.10 to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1996 as filed with the SEC on September 30, 1996
10.4	Stock Option Plan	Incorporated by reference to Exhibit A to Registrant's DEF 14A as filed with the SEC on March 5, 1997
10.5	Memorandum of Agreement/Eagle River International Ltd.	Incorporated by reference to Exhibit 10.13 to Registrant's Annual Report on Form 10-K for the year ended June 30, 1997, as filed with the SEC on September 30, 1997
10.6	Management Agreements dated February 1, 1998 between the Registrant, Alan Lindsay and Associates, Ltd. and ARH Management Ltd.	Incorporated by reference to Exhibit 10.8 to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1998 as filed with the SEC on September 30, 1998

10.7	Management Agreements dated August 15, 1994, by and between the Registrant and both of Alan P. Lindsay, Anthony R. Harvey; Management Agreement dated November 19, 1996, by and between the Registrant and Ryan A. Modesto	Incorporated by reference to Exhibit 10.15 to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1998 as filed with the SEC on September 30, 1998
10.8	Director's Agreement dated August 15, 1994, by and between the Registrant and Paul A. Hodges	Incorporated by reference to Exhibit 10.16 to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1998 as filed with the SEC on September 30, 1998
10.9	Shareholders & Operator's Agreement dated December 19, 1995, by and among PD Cobre Del Mayo, Inc., the Registrant and Cobre Del Mayo, SA de CV	Incorporated by reference to Exhibit 10.17 to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1998 as filed with the SEC on September 30, 1998
10.10	Right of First Refusal Agreement dated June 18, 1998 by and among the Registrant, Seville Mineral Developments SA de CV and Minera Cortez Resources Ltd.	Incorporated by reference to Exhibit 10.12 to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1998 as filed with the SEC on September 30, 1998
10.11	Mineral Property Option Agreement dated July, 1998, by and between the Registrant and Minera Cortez Resources Ltd.	Incorporated by reference to Exhibit 10.13 to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1998 as filed with the SEC on September 30, 1998
10.12	Shareholders' Agreement by and among Registrant, Sanou Mining Corporation, West African Gold & Exploration, S.A. and Randgold Resources Ltd.	Incorporated by reference to Exhibit 10.5 to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1999 as filed with the SEC on September 29, 1999
10.13	Mineral Property Option Agreement dated May 20, 1999, by and between the Registrant and Minera Cortez Resources Ltd.	Incorporated by reference to Exhibit 10.16 to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1999 as filed with the SEC on September 29, 1999
10.14	Agreement in Principal dated August 9, 1999 between the Registrant, Thomas Ford and Calgem, Inc.	Incorporated by reference to Exhibit 10.17 to the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 1999 as filed with the SEC on September 29, 1999
10.15	Non-Revolving Credit Line Agreement dated March 14, 2001, by and between the Registrant and Lawrence G. Olson	Incorporated by reference to Exhibit 10.16 to Registrant's 10-K as filed with the SEC on October 15, 2001
10.16	Settlement Agreement and Release by and among the Registrant, Anthony Harvey, ARH	Incorporated by reference to Exhibit 99 to the Registrant's 8-K as filed with the SEC on July 25,

	Management, Ltd., Alan Lindsay and Alan Lindsay and Associates, Ltd.	2002
10.17	$5,000,000 Equity Line of Credit Agreement, by and between the Registrant and Cornell Capital Partners, LP dated June 19, 2002	Incorporated by reference to Exhibit 10.17 to Registrant's 10-K as filed with the SEC on September 27, 2002
10.18	Registration Rights Agreement by and between the Registrant and Cornell Capital Partners, LP dated June 19, 2000	Incorporated by reference to Exhibit 10.18 to Registrant's 10-K as filed with the SEC on September 27, 2002
10.19	Escrow Agreement by and among the Registrant, Cornell Capital Partners, LP, Wachovia, NA and Butler Gonzales LLP, dated June 19, 2002.	Incorporated by reference to Exhibit 10.19 to Registrant's 10-K as filed with the SEC on September 27, 2002

10.20	Placement Agent Agreement by and between the Registrant and Westrock Advisors, Inc. dated June 19, 2002.	Incorporated by reference to Exhibit 10.20 to Registrant's 10-K as filed with the SEC on September 27, 2002
10.21	$150,000 Subscription Agreement between the Registrant and Floyd R. Bleak dated August 13, 2001	Incorporated by reference to Exhibit 10.21 to Registrant's 10-K as filed with the SEC on September 27, 2002
10.22	300,000 share Stock Loan Agreement between the Registrant and Floyd R. Bleak dated October 11, 2001	Incorporated by reference to Exhibit 10.22 to Registrant's 10-K as filed with the SEC on September 27, 2002
10.23	$200,000 Loan Agreement between the Registrant and Patty J. Ryan dated August 27, 2001	Incorporated by reference to Exhibit 10.23 to Registrant's 10-K as filed with the SEC on September 27, 2002
10.24	$200,000 Loan agreement between the Registrant and Luis Barrenchea dated September 4, 2001	Incorporated by reference to Exhibit 10.24 to Registrant's 10-K as filed with the SEC on September 27, 2002
10.25	Amendment to March 15, 2001 $800,000 Loan Agreement between the Registrant and Lawrence G. Olson dated October 12. 2001	Incorporated by reference to Exhibit 10.25 to Registrant's 10-K as filed with the SEC on September 27, 2002
10.26	$100,000 Loan agreement between the Registrant and Luis Barrenchea dated October 19, 2001	Incorporated by reference to Exhibit 10.26 to Registrant's 10-K as filed with the SEC on September 27, 2002

10.27	$100,000 Loan agreement between the Registrant and Luis Barrenchea dated December 4, 2001	Incorporated by reference to Exhibit 10.27 to Registrant's 10-K as filed with the SEC on September 27, 2002
10.28	$3,000,000 Purchase Agreement between the Registrant and Muzz Investments, LLC dated January 17, 2002	Incorporated by reference to Exhibit 10.28 to Registrant's 10-K as filed with the SEC on September 27, 2002
10.29	Lease Agreement between the Registrant and Muzz Investments, LLC dated January 17, 2002	Incorporated by reference to Exhibit 10.29 to Registrant's 10-K as filed with the SEC on September 27, 2002
10.30	Amendment No. 2 to Loan Agreement dated March 15, 2001 for $800,000 between the Registrant and Lawrence G. Olson dated June 28, 2002	Incorporated by reference to Exhibit 10.30 to Registrant's 10-K as filed with the SEC on September 27, 2002
10.31	Director's Agreements dated April 26, 2002, by and between the Registrant and Stanley A. Ratzlaff and M. William Lightner	Incorporated by reference to Exhibit 10.31 to Registrant's 10-K as filed with the SEC on September 27, 2002
10.32	Settlement Agreement dated July 9, 2002 by and between the Registrant and Anthony Harvey and Alan Lindsay	Incorporated by reference to Exhibit 1 to Registrant's 8-K dated July 11, 2002, as filed with the SEC on July 25, 2002
10.34	Stock Purchase Agreement dated April 10, 2003 by and between the Registrant and Frontera Cobre del Mayo, Inc.	Incorporated by reference to Exhibit 1 to Registrant's 8-K dated April 10, 2003, as filed with the SEC on April 25, 2003
10.35	Settlement Agreement dated June 22, 2003 by and between the Registrant and Anthony Harvey and Alan Lindsay	Incorporated by reference to Exhibit 10.35 to Registrant's 10-K/A as filed with the SEC on May 18, 2005
10.36	Amendment to $200,000 Loan agreement between the Registrant and Luis Barrenchea dated September 4, 2002	Incorporated by reference to Exhibit 10.36 to Registrant's 10-K/A as filed with the SEC on May 18, 2005

10.37	Amendment to $100,000 Loan agreement between the Registrant and Luis Barrenchea dated October 19, 2002	Incorporated by reference to Exhibit 10.37 to Registrant's 10-K/A as filed with the SEC on May 18, 2005
10.38	Amendment to $100,000 Loan agreement between	Incorporated by reference to Exhibit 10.38 to

	the Registrant and Luis Barrenchea dated December 3, 2003	Registrant's 10-K/A as filed with the SEC on May 18, 2005
10.39	Employment Agreement between the Registrant and W. Pierce Carson dated October 7, 2003	Incorporated by reference to Exhibit 10.39 to Registrant's 10-KSB as filed with the SEC on December 28, 2005
10.40	Change of Control Agreement between the Registrant and W. Pierce Carson dated October 7, 2003	Incorporated by reference to Exhibit 10.40 to Registrant's 10-KSB as filed with the SEC on December 28, 2005
10.41	Property Identification Agreement between the Registrant and W. Pierce Carson dated October 6, 2003	Incorporated by reference to Exhibit 10.41 to Registrant's 10-KSB as filed with the SEC on December 28, 2005
10.42	Assignment and Assumption of Planet Lease Agreement between the Registrant and Metallica Ventures LLC dated August 12, 2003	Incorporated by reference to Exhibit 10.42 to Registrant's 10-KSB as filed with the SEC on December 28, 2005
10.43	Option Agreement between the Registrant and Metallica Ventures LLC dated August 12, 2003	Incorporated by reference to Exhibit 10.43 to Registrant's 10-KSB as filed with the SEC on December 28, 2005
10.44	Assignment and Assumption of Planet Lease Agreement between the Registrant and Metallica Ventures LLC dated September 22, 2005	Incorporated by reference to Exhibit 10.44 to Registrant's 10-KSB as filed with the SEC on December 28, 2005
10.45	Letter Agreement between the Registrant and Metallica Ventures LLC dated September 22, 2005	Incorporated by reference to Exhibit 10.45 to Registrant's 10-KSB as filed with the SEC on December 28, 2005
10.46	Securities Purchase Agreement dated March 21, 2006 by and between the Registrant and Purchasers	Incorporated by reference to Exhibits 4.1-4.5 and Exhibit 99.1 to Registrant's 8-K dated March 21, 2006, as filed with the SEC on March 23, 2006
10.47	Share Sale Agreement dated May 4, 2006, by and between the Registrant and Imagin Minerals, Inc. and St. Cloud Mining Company	Incorporated by reference to Exhibit 10.1 and Exhibit 99.1 to Registrant's 8-K dated May 4, 2006, as filed with the SEC on May 10, 2006
10.48	Amended Securities Purchase Agreement dated September 6, 2006, by and between the Registrant and Purchasers	Incorporated by reference to Exhibits 4.1-4.4 and Exhibit 99.1 to Registrant's 8-K dated September 6, 2006, as filed with the SEC on September 8, 2006, and amended on September 15, 2006
10.49	Real Property Purchase Agreement effective	Incorporated by reference to Exhibits 10.1 and 10.2

	October 31, 2006, by and between Registrant and Muzz Investments, LLC	and Exhibit 99.1 to Registrant's 8-K dated November 3, 2006, as filed with the SEC on November 6, 2006
10.50	Amended Securities Purchase Agreement dated February 23, 2007, by and between the Registrant and Purchasers	Incorporated by reference to Exhibits 4.1-4.3 and Exhibit 99.1 to Registrant's 8-K dated February 23, 2007, as filed with the SEC on February 26, 2007

10.51	Registrant's 2007 Equity Incentive Plan, effective July 25, 2007, approved by security holders on July 24, 2007	Incorporated by reference to Registrant's DEF14Adated June 18, 2007, as filed with the SEC on May 23, 2007
10.52	Senior subordinated Promissory Note dated October 31, 2007, by and between Registrant and Purchasers	Incorporated by reference to Exhibits 4.1-4.3 and Exhibit 99.1 to Registrant's 8-K dated October 31, 2007, as filed with the SEC on November 1, 2007
10.53	Securities Purchase Agreement dated December 21, 2007, by and between Registrant and Purchaser	Incorporated by reference to Exhibits 4.1-4.5 and Exhibit 99.1 to Registrant's 8-K dated December 21, 2007, as filed with the SEC on December 26, 2007
10.54	Settlement Agreement dated June 5, 2008, by and between Registrant and New Planet Copper Mining Company	Incorporated by reference to Exhibit 99.1 to Registrant's 8-K dated June 5, 2008 , as filed with the SEC on June 10, 2008
10.55	Purchase and Sale Agreement dated June 30, 2008, by and between Registrant and St. Cloud Mining Company	Incorporated by reference to Exhibits 10.55 and 99.1 to Registrant's 8-K dated June 30, 2008, as filed with the SEC on July 1, 2008
10.56	Change of Control Agreement between the Registrant and Ryan P. Carson dated May 19, 2009	Incorporated by reference to Exhibit 10.56 in Registrant's 10-K dated June 30, 2009, as filed with the SEC on October 13, 2009
10.57	Change of Control Agreement between the Registrant and Michael P. Martinez dated May 19, 2009	Incorporated by reference to Exhibit 10.57 in Registrant's 10-K dated June 30, 2009, as filed with the SEC on October 13, 2009
10.58	Purchase option dated June 13, 2009, by and between Registrant's subsidiary Minera Sandia S.A. de C.V. and Mineral de Suaqui Grande S. de R.L. de C.V.	Incorporated by reference to Exhibit 10.58 in Registrant's 10-K dated June 30, 2009, as filed with the SEC on October 13, 2009

10.59	Agreement dated June 13, 2009, by and between Registrant and Minera de Suaqui Grande S. de R.L. de C.V.	Incorporated by reference to Exhibit 10.59 in Registrant's 10-K dated June 30, 2009, as filed with the SEC on October 13, 2009
10.60	Finders Agreement dated June 13, 2009, by and between Registrant and Finder	Incorporated by reference to Exhibit 10.60 in Registrant's 10-K dated June 30, 2009, as filed with the SEC on October 13, 2009
10.61	Amendment No. 2 dated June 30, 2009, to Securities Purchase Agreement dated December 21, 2007, by and between Registrant and Purchaser	Incorporated by reference to Exhibit 10.1 to Registrant's 8-K dated June 30, 2009, as filed with the SEC on August 25, 2009
10.62	Gold Sale Agreement dated September 11, 2009, by and between Registrant and Purchaser	Incorporated by reference to Exhibits 99.1- 99.2 to Registrant's 8-K dated September 11, 2009, as filed with the SEC on September 17, 2009
10.63	Placement Agreement dated January 7, 2010, by and between Registrant and Placement Agent	Incorporated by reference to Exhibit 1.1 to Registrant's 8-K dated January 14, 2010, as filed with the SEC on January 20, 2010.
10.64	Securities Purchase Agreement dated January 14, 2010, by and between Registrant and Purchasers	Incorporated by reference to Exhibit 10.1 to Registrant's 8-K dated January 14, 2010, as filed with the SEC on January 20, 2010.
10.65	Memorandum of Understanding dated September 24, 2010, by and between Registrant and Columbus Silver Corporation	Incorporated by reference to to Exhibits 99.1- 99.2 to Registrant's 8-K dated September 24, 2010, as filed with the SEC on September 27, 2010.

10.66	Placement Agreement dated December 29, 2010, by and between Registrant and Placement Agent	Incorporated by reference to Exhibit 1.1 to Registrant's 8-K dated December 29, 2010, as filed with the SEC on January 5, 2011.
10.67	Securities Purchase Agreement dated December 29, 2010, by and between Registrant and Purchasers	Incorporated by reference to Exhibit 10.1 to Registrant's 8-K dated December 29, 2010, as filed with the SEC on January 5, 2011.
10.68	Promissory Note dated January 27, 2011, by and between Registrant and Columbus Silver Corporation	Incorporated by reference to Exhibits 99.1- 99.2 to Registrant's 8-K dated January 27, 2011, as filed with the SEC on February 2, 2011.
10.69	Financing Agreement dated August 2, 2011, by and between Registrant and Victory Park Capital Advisors, LLC	Incorporated by reference to Exhibits to Registrant's 8-K dated August 2, 2011, as filed with the SEC on August 9, 2011.
10.70	Registrant's filing of federal court complaint against Ortiz Mines Inc. announced August 31, 2011	Incorporated by reference to Exhibit 99.1 to Registrant's 8-K dated August 31, 2011, as filed with the SEC on September 2, 2011.

10.71	Memorandum of Understanding dated September 6, 2011, by and between Registrant and Columbus Silver Corporation	Incorporated by reference to Exhibits 99.1 and 99.2 to Registrant's 8-K dated September 6, 2011, as filed with the SEC on September 7, 2011.
10.72	Financing Agreement dated December 23, 2011, by and between Registrant and Waterton Global Value L.P.	Incorporated by reference to Exhibits to Registrant's 8-K dated December 23, 2012, as filed with the SEC on December 30, 2011.
10.73	Arrangement Agreement dated December 15, 2011, by and between Registrant and Columbus Silver Corporation	Incorporated by reference to Exhibits 99.1, 99.2 and 99.3 to Registrant's 8-K dated December 15, 2011, as filed with the SEC on January 9, 2012.
10.74	Registrant's change of directors announced April 23, 2012	Incorporated by reference to Exhibit 99.1 to Registrant's 8-K dated April 23, 2012, as filed with the SEC on April 24, 2012.
10.75	Settlement Agreement dated May 22, 2012, by and between Registrant and Ortiz Mines Inc.	Incorporated by reference to Exhibits 99.1 and 99.2 to Registrant's 8-K dated May 22, 2012, as filed with the SEC on May 25, 2012.
10.76	Common Stock Purchase Agreement dated June 20, 2012, by and between Registrant and Purchaser	Incorporated by reference to Exhibits 5.1, 10.1 and 99.1 to Registrant's 8-K dated June 20, 2012, as filed with the SEC on June 21, 2012.
14.1	Code of Ethics for CEO and Senior Financial Officers adopted June 15, 2006	Incorporated by reference to Exhibit 14.1 to Registrants 10-KSB for the period ending June 30, 2006, dated February 14, 2007, as filed with the SEC on February 16, 2007
21.1	Subsidiaries of the Registrant	Incorporated by reference to Exhibit 21.1 in Registrant's 10-K dated June 30, 2009, as filed with the SEC on October 13, 2009
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)	Provided herewith
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)	Provided herewith

32.1	Certification of Principal Executive Officer and Chief Financial Officer pursuant to 18 U.S.C.	Provided herewith

	Section 1350	

(b) Reports on Form 8-K

On July 6, August 1 and August 15, 2012, the Company filed Current Reports on Form 8-K relating to unit stock offerings to stockholders.

On August 21, 2012, the Company filed a Current Report on Form 8-K relating to appointment of a new director to its board of directors and appointments of corporate officers.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on September 28, 2012.

SANTA FE GOLD CORPORATION

By: /s/ W. Pierce Carson
Name: W. Pierce Carson
Title: President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant in the capacities indicated on September 28, 2012.

SIGNATURE	**TITLE**
/s/ W. Pierce Carson W. Pierce Carson	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)
/s/ Michael P. Martinez Michael P. Martinez	Chief Financial Officer (Principal Financial Officer)
/s/ Ryan P. Carson Ryan P. Carson	Secretary and Assistant Treasurer
/s/ John E. Frost John E. Frost	Director
/s/ Erich Hofer Erich Hofer	Director

EXHIBIT 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

I, W. Pierce Carson, certify that:

1. I have reviewed this Annual Report on Form 10-K of Santa Fe Gold Corporation (the "registrant");

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)) and internal controls 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 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 annual 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 officers 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.

Date: September 28, 2012

/s/ W. Pierce Carson

W. Pierce Carson
President, Chief Executive Officer,
Director and Chairman of the Board

EXHIBIT 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

I, Michael P. Martinez, certify that:

1. I have reviewed this Annual Report on Form 10-K of Santa Fe Gold Corporation (the "registrant");

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)) and internal controls 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 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 annual 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 officers 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.

Date: September 28, 2012

/s/ Michael P.Martinez

Michael P. Martinez
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTOION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Santa Fe Gold Corporation. (the "Company") on Form 10-K for the fiscal year ended June 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officers of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of our knowledge:

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

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

Date: September 28, 2012

/s/ W. Pierce Carson
W. Pierce Carson
Chief Executive Officer, President, Director
And Chairman of the Board

/s/ Michael P. Martinez
Michael P. Martinez
Chief Financial Officer