

GOLDSRING INC
Form 10QSB
November 14, 2007

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

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

For the quarterly period ended September 30, 2007

OR

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

For the transition period from _____ to _____

Commission File No. 000-32429

GOLDSRING, INC.

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

| | | |
|------------------------------|---------------------|---------------------|
| FLORIDA | 7389 | |
| (State or other jurisdiction | (Primary Standard | |
| of | Industrial | 65-0955118 |
| incorporation or | Classification Code | (I.R.S. Employer |
| organization) | Number) | Identification No.) |

P.O. Box 1118
Virginia City, NV 89440
(775) 847-5272

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of the issuer's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-QSB or any amendment to this Form 10-QSB

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12-b2 of the Exchange Act). Yes No

State the number of shares outstanding of each of the issuer's classes of common equity, as of the last practicable date:
2,503,071,940 shares of Common Stock, \$0.000666 Par Value per share, as of November 13, 2007.

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PART I - FINANCIAL INFORMATION**ITEM 1 - FINANCIAL STATEMENTS****GOLDSRING, INC.
CONDENSED CONSOLIDATED BALANCE SHEET**

| | September 30, 2007 (Unaudited) |
|---|---|
| ASSETS | |
| CURRENT ASSETS: | |
| Prepaid expenses and other current assets | \$ 66,048 |
| Deferred financing fees, net | 814,323 |
| TOTAL CURRENT ASSETS | 880,371 |
| PLANT, EQUIPMENT, MINE DEVELOPMENT, AND MINERAL PROPERTIES, NET: | |
| Mineral properties | 1,619,837 |
| Plant, Equipment, Mine Development | 513,039 |
| TOTAL PROPERTY AND EQUIPMENT | 2,132,876 |
| Reclamation deposit | 377,169 |
| TOTAL ASSETS | \$ 3,390,416 |

The accompanying notes are an integral part of these condensed consolidated financial statements

LIABILITIES AND SHAREHOLDERS' DEFICIENCY

| | |
|--|---------------------|
| CURRENT LIABILITIES | |
| Bank Overdraft | \$ 5,504 |
| Accounts Payable | 251,695 |
| Accrued Expenses | 1,186,734 |
| Accrued liquidated damages | 1,745,751 |
| Accrued interest payable | 2,841,629 |
| Derivative Liabilities | 502,573 |
| Short-Term Lease Obligations | 33,675 |
| Convertible debentures | 10,296,548 |
| Promissory notes | 2,775,000 |
| Other notes payable and current portion of long-term debt | 407,478 |
| TOTAL CURRENT LIABILITIES | 20,046,587 |
| LONG-TERM DEBT AND OTHER LONG-TERM LIABILITIES | |
| Long-term debt, net of current portion | 14,881 |
| Long-term Lease obligation, net of current portion | 17,082 |
| Long-term Asset retirement obligations | 553,190 |
| TOTAL LONG-TERM DEBT AND OTHER LONG-TERM LIABILITIES | 585,153 |
| TOTAL LIABILITIES | 20,631,740 |
| SHAREHOLDERS' DEFICIENCY | |
| Common stock, \$.000666 par value, 3,950,000,000 shares authorized , 1,178,751,631 shares issued and outstanding | 1,485,778 |
| Additional paid-in capital | 12,288,095 |
| Accumulated deficit - Prior years | (27,940,829) |
| Accumulated deficit - Current year | (3,074,368) |
| TOTAL SHAREHOLDERS' DEFICIENCY | (17,241,324) |
| TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY | \$ 3,390,416 |

The accompanying notes are an integral part of these condensed consolidated financial statements

GOLDSRING, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the three month period ended September 30,

| | 2007 | 2006 |
|--|---------------|-------------|
| | (Unaudited) | (Unaudited) |
| Revenue from gold sales, net | \$ 804 | \$ 379,845 |
| Cost and expenses: | | |
| Costs Applicable to sales (exclusive of depreciation, and amortization shown separately below) | - | - |
| Depletion, depreciation and amortization | 81,688 | 69,979 |
| Exploration | 127,882 | 668,617 |
| General and administrative | 24,237 | 112,029 |
| Consulting and professional services | 44,021 | 52,150 |
| | 277,828 | 902,775 |
| Operating Loss | (277,024) | (522,930) |
| Other income (expense) | | 65,000 |
| Gain on sale of fixed assets | - | 1,500 |
| Derivative change in fair value | 75,103 | 114,326 |
| Interest expense | (775,082) | (706,558) |
| Interest income | - | - |
| | (699,979) | (525,732) |
| Net loss: | (977,003) | (1048,662) |
| Net loss per common share - basic | \$ (0.0006) | \$ (0.0013) |
| Basic weighted average common shares outstanding | 1,549,126,624 | 800,000,000 |

The accompanying notes are an integral part of these condensed consolidated financial statements

GOLDSRING, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the Nine month period ended September 30,

| | 2007 | 2006 |
|--|---------------|-------------|
| | (Unaudited) | (Unaudited) |
| Revenue from gold sales, net | \$ 350,595 | \$ 991,105 |
| Cost and expenses: | | |
| Costs Applicable to sales (exclusive of depreciation, and amortization shown separately below) | - | - |
| Depletion, depreciation and amortization | 225,578 | 216,379 |
| Exploration | 670,950 | 1,384,227 |
| General and administrative | 304,366 | 369,166 |
| Consulting and professional services | 180,666 | 405,338 |
| | 1,381,560 | 2,375,110 |
| Operating Loss | (1,030,965) | (1,384,005) |
| Other income (expense) | | 85,000 |
| Gain on sale of fixed assets | - | 106,897 |
| Derivative change in fair value | 335,995 | 114,326 |
| Interest expense | (2,379,383) | (2,097,651) |
| Interest income | - | - |
| | (2,043,388) | (1,791,428) |
| Net loss: | (3,074,353) | (3,175,433) |
| Net loss per common share - basic | \$ (0.0024) | \$ (0.005) |
| Basic weighted average common shares outstanding | 1,302,253,229 | 643,483,944 |

GOLDSRING, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTH ENDED SEPTEMBER 30, 2007 AND 2006

| | 2007 (Unaudited) | 2006 (Unaudited) |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (3,074,353) | \$ (3,175,433) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation, depletion, and amortization | 225,579 | 460,290 |
| Interest paid through the issuance of stock | 716,637 | 1,574,582 |
| Bank Overdraft | (9,987) | - |
| Accounts receivable | - | - |
| Prepaid and other current assets | (41,441) | (192,508) |
| Finished goods inventory | - | 52,000 |
| Other assets | - | (45,619) |
| Other current assets | (39,925) | - |
| Accounts payable | (267,976) | (973,968) |
| Accrued expenses | 71,560 | 950,579 |
| Accrued interest | 1,227,804 | 168,878 |
| Net change - derivative change fair value | 104,261 | - |
| Other | 15,203 | (18,522) |
| Net cash used in operating activities | (1,072,638) | (1,199,721) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisition / sale of plant and equipment | 20,000 | 25,969 |
| Net cash provided by (used in) investing activities | 20,000 | 25,969 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from financing net | - | - |
| Proceeds from the issuance of notes payable to related party | 1,085,000 | 1,500,000 |
| Principal payment Note Payable | (32,362) | (157,700) |
| Net Cash flows provided by financing activities | 1,052,638 | 1,342,300 |
| Net decrease in cash and cash equivalents | - | 168,548 |
| Cash - beginning of period | - | 26,865 |
| Cash - end of period | \$ - | \$ 195,413 |
| Supplemental disclosures of non-cash investing and financing activities: | | |
| Issuance of company stock for interest | 716,637 | 1,574,582 |
| Issuance of company stock for liquidated damages | 154,346 | - |
| Conversion of debt into common shares | \$ 660,676 | \$ 4,449,490 |

The accompanying notes are an integral part of these condensed consolidated financial statements

GOLDSRING, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2007 AND 2006

Note 1 — Nature of Business

We were incorporated in the State of Florida effective October 19, 1999 under the name of Click and Call, Inc. On September 7, 2000, we filed an amendment to our Articles of Incorporation changing our name to STARTCALL.COM, INC. On March 10, 2003, we changed our name to GoldSpring, Inc. (“we” “Goldspring,” or the “Company”). The primary nature of our business is the exploration and development of mineral producing properties.

Note 2 — Interim Financial Statements

The accompanying interim unaudited condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB and Article 10 of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In our opinion, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine month period ended September 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007. For further information, refer to the financial statements and footnotes thereto included in our Form 10-KSB Report for the fiscal year ended December 31, 2006.

Note 3 — Going Concern

The accompanying consolidated condensed financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America which contemplate continuation of the Company as a going concern. However, the Company has year end losses from operations and had minimal revenues from operations during the nine months ended September 30, 2007. During the nine months ended September 30, 2007 the Company incurred a net loss of \$3,074,353. Further, the Company has inadequate working capital to maintain or develop its operations, and is dependent upon funds from private investors and the support of certain stockholders.

These factors raise substantial doubt about the ability of the Company to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of these uncertainties. In this regard, Management is proposing to raise any necessary additional funds through loans and additional sales of its common stock. There is no assurance that the Company will be successful in raising additional capital.

Note 4 — Management Plans

Our plans for the continuation of our company as a going concern include developing our Plum Mine into a profitable operation and supplementing financing of our operations through sales of our unregistered common stock and borrowings from affiliates and other shareholders. There are no assurances, however, with respect to the future success of these plans. The financial statements do not contain any adjustments, which might be necessary, if we are unable to continue as a going concern.

Note 5 — Summary of Significant Accounting Policies

Forward-Looking Statements

The statements contained in this report on Form 10-QSB that are not purely historical are forward-looking statements within the meaning of applicable securities laws. Forward-looking statements include statements regarding our “expectations,” “anticipation,” “intentions,” “beliefs,” or “strategies” regarding the future. Forward looking statements also include statements regarding fluctuations in the price of gold or certain other commodities, (such as silver, copper, diesel fuel, and electricity); changes in national and local government legislation, taxation, controls, regulations and political or economic changes in the United States or other countries in which we may carry on business in the future; business opportunities that may be presented to or pursued by us; our ability to integrate acquisitions successfully; operating or technical difficulties in connection with exploration or mining activities; the speculative nature of gold exploration, including risks of diminishing quantities or grades of reserves; and contests over our title to properties. All forward-looking statements included in this report are based on information available to us as of the filing date of this report, and we assume no obligation to update any such forward-looking statements. Our actual results could differ materially from the forward-looking statements. Among the factors that could cause actual results to differ materially are the factors discussed in Item 1, “Business - Risk Factors” in our Form 10-KSB for the year ended December 31, 2006. Results for the three and nine months ended September 30, 2007 are not necessarily indicative of year end results for the year to end December 31, 2007.

Summarized below are the significant accounting policies of GoldSpring, Inc. (“we,” “GoldSpring,” or the “Company”). Unless otherwise indicated, amounts provided in these notes to the financial statements pertain to continuing operations.

Recent Authoritative Pronouncements

Recent accounting pronouncements that the Company has adopted or will be required to adopt in the future are summarized below.

On December 16, 2004, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards, or Statement, No. 123 (revised 2004), Share-Based Payment ("Statement 123(R)"), which is a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation ("Statement 123"). Statement 123(R) supersedes Accounting Principles Board Opinion No. 25 ("APB 25"), Accounting for Stock Issued to Employees, and amends FASB Statement No. 95, Statement of Cash Flows. Generally, the approach in Statement 123(R) is similar to the approach described in Statement 123. Statement 123(R) requires that all share-based payments to employees, including grants of employee stock options, be recognized in the income statement based on their fair values. Pro forma disclosure is no longer permitted. Statement 123(R) is effective for small business issuers at the beginning of the first interim or annual period beginning after December 15, 2005. As permitted by Statement 123, we currently account for share-based payments to employees using APB 25's intrinsic value method. We adopted Statement 123(R) on January 1, 2006 using the modified prospective method.

In November 2004, the FASB issued Statement of Financial Accounting Standards (SFAS) 151, "Inventory Costs - an amendment of ARB No. 43, Chapter 4." SFAS 151 seeks to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage) in the determination of inventory carrying costs. The statement requires such costs to be treated as a current period expense. This statement is effective November 1, 2005 for the Company. The Company does not believe that the adoption of SFAS 151 will have a significant impact on its consolidated financial statements.

In May 2005, the FASB issued SFAS 154, "Accounting Changes and Error Corrections - a Replacement of APB Opinion No. 20 and FASB Statement No. 3." SFAS 154 requires retrospective application to prior period financial

statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS 154 also redefines "restatement" as the revising of previously issued financial statements to reflect the correction of an error. This statement is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005 (or fiscal 2007 for the Company). The Company does not believe that the adoption of SFAS 154 will have a significant impact on its consolidated financial statements.

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In September 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" (FIN 48), which clarifies the accounting for uncertainty in tax positions. This Interpretation requires that we recognize in our financial statements the benefit of a tax position if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 become effective as of the beginning of our 2008 fiscal year, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. We are currently evaluating the impact that FIN 48 will have on our financial statements.

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements" (FAS 157), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of FAS 157 become effective as of the beginning of our 2009 fiscal year. We do not expect the adoption of SFAS No. 157 to have a material impact on its consolidated financial position, results of operations or cash flows.

In September 2006, the FASB issued Statement No. 158, "Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)" (FAS 158). FAS 158 requires that employers recognize the funded status of their defined benefit pension and other postretirement plans on the balance sheet and recognize as a component of other comprehensive income, net of tax, the plan-related gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost. We do not feel the implementation of this will effect our financial statements.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" (SAB 108), which addresses how to quantify the effect of financial statement errors. The provisions of SAB 108 become effective as of the end of our 2007 fiscal year. We do not expect the adoption of SAB 108 to have a significant impact on our financial statements.

The Company adopted SFAS No. 123R as of December 2006. The Company's condensed consolidated financial statements as of and for the Nine month period ended September 30, 2007 reflect the impact of adopting SFAS No. 123R.

In February 2007, the FASB issued Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115" (FAS 159). FAS 159 permits companies to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The provisions of FAS 159 become effective as of the beginning of our 2009 fiscal year. We are currently evaluating the impact that FAS 159 will have on our financial statements.

Note 6 —Notes Payable Stockholders

On September 26, 2007, Longview Fund and Longview Equity Fund extended the due date on several outstanding notes with Registrant until January 31, 2008, as described below:

Note with Longview Equity Fund: Convertible Note dated November 30, 2004 in the original principal amount of \$1,248,825.

Notes with Longview Fund:

Convertible Note dated November 22, 2005, in the original principal amount of \$832,500

Various Promissory Notes, dated September 27, 2005, December 6, 2005, December 22, 2005, February 2, 2006 and March 10, 2006, with an aggregate original principal amount of \$1,075,000

Secured Convertible Note, dated August 24, 2006, in the original principal amount of \$550,000

Promissory Note, dated July 13, 2007, in the original principal amount of \$300,000

As of September 30, 2007, the Company is in default of the terms on several outstanding note payable with several of its note holders with principal balance due of \$10,646,221 and accrued interest of \$2,496,124. Because we are in default, the entire note balances have been recorded as current liabilities.

Note 7 —Other Items

The Settlement of the Parent Litigation

On March 23, 2007, the Company and related parties entered into a global settlement with Stephen B. Parent, Goldspring's former CEO and related parties, which brought final resolution in the following cases: (i) GoldSpring, Inc. v. Stephen B. Parent, et al., Case No. CV2004-021755, Maricopa County Superior Court ("the State Court Action"); and (ii) Robert T. Faber, et al. v. Stephen B. Parent, et al., Case No. CV04-2960-PHX-EHC, the United States District Court, District of Arizona ("the Federal Court Action"). The settlement agreement contains the following terms, among others:

- Settlement without payment of cash consideration by either side in either case
- Dismissal of both the Federal Court Action and the State Court Action with prejudice (including dismissal by Parent of the pending Federal Court appeal)
- Mutual release of liability and covenants not to sue
- Invalidity of Consent Resolutions described in the Federal Court's April 18, 2006 Order Granting Preliminary Injunction in the Federal Court Action and agreement by the Parents and Medhi further to not further contest or challenge in any way the election of GoldSpring's current Board of Directors or any of the actions taken by GoldSpring's Board of Directors or its officers at any time up to the date of this Agreement, including, but not limited to the approval and/or implementation of the November 30, 2004 financial restructuring.
- No admission of liability by any party to either the Federal Court Action or the State Court Action.

Degerstrom Suit

On April 11, 2006, in the First Judicial District Court, Storey County, Nevada, wherein N.A. Degerstrom, Inc. ("Degerstrom") sued the Company on various counts, including breach of contract, *quantum meruit*, foreclosure of mechanic's lien, and assertion that the Degerstrom lien has priority over all other liens on the Plum Mine property. The plaintiff claims damages in excess of \$806,000 plus interest. The Company subsequently answered the Complaint and counterclaimed for breach of contract, breach of implied covenant of good faith and fair dealing, and for negligence, alleging damages in excess of \$10,000.

The lawsuit arises out of a dispute as to how much the Company owes the Degerstrom for services provided. Pursuant to a December 27, 2005 agreement, the parties agreed that the amount to be paid by the Company to Degerstrom would be subject to volume reconciliation by aerial survey. According to Company management, pursuant to prepared

aerial and ground surveys, the Company has been over-billed for amounts of ore and waste which have been hauled by Degerstrom. The results of the surveys are to be presented to the Court as evidence as to the Company's affirmative defenses that it does not owe the amounts claimed by Degerstrom.

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Additionally, the Company has what it believes to be valid counterclaims, arising out of activities of Degerstrom, including, but not limited to, negligent crushing of ore, failure to accurately measure and charge for waste and ore hauled and crushed, and failure to adequately man the job and provide sufficient equipment. These activities, as alleged in the Counterclaim, resulted in damages to the Company in excess of \$10,000.

Degerstrom filed a mechanic's lien against the property of Plum, and at the time of filing of the Complaint, filed and recorded a lis pendens against the property of Plum based upon Degerstrom's claim. Counsel has advised management that the Company may challenge the lis pendens by asserting that the lis pendens is based upon a mechanic's lien which is overstated. However, the time is not ripe for the bringing of such a motion until the survey results have been presented and analyzed. Alternatively, Plum may request the court to establish a bond in an amount that would secure, pending litigation, Degerstrom's mechanic's lien claim. Typically, the court would charge one and one-half times the amount it found to be the mechanic's lien claim.

Management believes the ground and aerial surveys support a much lower amount of ore and waste which was processed by Degerstrom than is alleged in the Complaint, and if the Court accepts that volume reconciliation would be as established by such surveys (as is established in the written documentation between the parties), there is a reasonable probability of success in reduction, if not elimination, of the amount claimed by Degerstrom.

However, until the Court rules on the method of volume reconciliation, it is premature to predict the probability of likelihood of success on the merits.

During the first quarter of 2007, there was little activity in this lawsuit, other than the beginning of discovery by the parties, which continued through the third quarter. Trial on this matter is currently set for February 2008.

Note 8 —Convertible Debentures and Notes Payable

Convertible Debentures-Investors

We completed a private placement of securities transaction during March 2004 (the "March Offering"). In connection with the offering, we received gross proceeds of \$10 million from a group of accredited institutional and individual investors. Subsequent to the closing of the March Offering, we failed to meet certain provisions of the offering that required for us to provide for an effective registration statement with the Securities and Exchange Commission.

As a result, and effective November 30, 2004, we restructured the private placement transaction and entered into a new subscription agreement. In connection with the restructuring, we exchanged 8% convertible notes in the aggregate principal amount of approximately \$11.1 million and four-year warrants to purchase approximately 27.8 million shares of common stock at an exercise price of \$0.20 per share, subject to anti-dilution adjustments, for 21,739,129 shares of common stock and 21,739,129 warrants to purchase shares of common stock issued in the March Offering. The principal amount of the convertible notes consist of the original \$10.0 million investment plus approximately \$1.1 million of accrued penalties associated with the delay in effectiveness of our registration statement covering the resale of the shares of common stock held by the investors.

The 8% convertible notes mature in November 2006. We must make monthly payments of 102% of 1/20th of the initial principal amount, together with accrued interest. We have the option to repay such amounts in shares of our common stock at a conversion rate equal to 85% of the average of the five lowest closing bid prices of our common stock during the 20 trading days preceding each payment date. We may prepay the outstanding principal amount by paying the holders of the notes 115% of the then-outstanding principal amount. Each holder of notes may convert the notes into shares of common stock at an initial conversion price of \$0.20 per share, which is subject to anti-dilution adjustments. During the first 20 days following the closing date, the conversion price may be reduced to a price equal to 70% of the average of the five lowest closing prices of our common stock during the 20 trading days preceding the

closing date.

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On April 1, 2005, we failed to make our first payment on the notes and were in default of the terms of the convertible notes. On December 20, 2004, we received notice from holders of approximately \$3.8 million of convertible notes of their intention to convert into shares of our common stock. The applicable conversion rate was approximately \$0.11 per share, and we were obligated to issue 33,817,594 shares of our common stock. Under the terms of the subscription agreement, we had three business days following receipt of the notice of conversion of notes to deliver to the note holders' free-trading common stock certificates (the "Delivery Date"). Although the shares were due to be delivered in December 2004, they were not delivered until 2005. As a result of our failure to deliver shares, we were subject to liquidated damages that were settled by the issuance of notes payable to the investors.

Convertible Debentures-Mandatory Redemption Payment

The failure to deliver the shares by the Delivery Date resulted in liquidated damages of 1% of the note principal amount being converted per business day after the Delivery Date. We did not deliver the share certificates within the period required in the subscription agreement and as a result, in March of 2005, John V. Winfield, a major shareholder and note holder elected to demand payment of approximately \$6.9 million pursuant to the mandatory redemption payment provisions of the subscription agreement and forfeit his right to receive the shares in favor of the payment.

On March 31, 2005, we entered into a Settlement Agreement ("Settlement") with the Mr. Winfield and agreed to convert the mandatory redemption payment into Nine Convertible Debentures ("the Debentures"). Accordingly, we accrued a liability for approximately \$6.9 million and reduced our paid-in-capital account for approximately \$3.5 million. The Debentures are subject to various covenants and conditions, including, but not limited to anti-dilution rights and protective rights.

The Debentures accrue interest at 12% per annum and are payable in monthly installments of principal and interest over a 24 month period with the remaining entire balance of unpaid principal and interest due on March 31, 2007. The debentures are subject to the following terms:

Conversion Rights

The Debentures are convertible, in all or in part, into shares of our common stock ("Conversion Shares") at any time. The conversion price shall be equal to the lesser of: (i) eighty-five percent (85%) of the average of the five (5) lowest closing bid prices of the common stock as reported by Bloomberg L.P. for the twenty (20) trading days preceding the date the Company was obligated to pay the mandatory redemption Payment; and (ii) eighty-five percent (85%) of the average of the five (5) lowest closing bid prices of the common stock as reported by Bloomberg L.P. for the twenty (20) trading days preceding the date of any such conversion; provided, however, until the effective date of the registration statement (see below), the conversion price shall be fifty-percent (50%) of the average of the five (5) lowest closing bid prices of the Common Stock as reported by Bloomberg L.P. for the twenty (20) trading days preceding the date of any such conversion. In no event shall the conversion price be higher than (i) \$0.1131 and (ii) the conversion price of the convertible notes (See Note 6), as adjusted from time to time, whichever is lower.

Security Agreement

Pursuant to the terms of the Settlement Agreement, the Debentures are granted a priority collateralized position, second only to our note payable to the Brockbank Trust (See Note 7) in substantially all of our assets.

Mandatory Registration Rights

The terms of the Debenture agreement require that we must file with the Securities and Exchange Commission on a Form SB-2 registration statement, or such other form that we are eligible to use, to register the Conversion Shares, together with any other shares of Common stock issuable hereunder for resale and distribution under the 1933 and cause to be filed not later than April 30, 2005 and declared effective not later than September 30, 2005. If we fail to make effective a registration statement we are subject to liquidated damages, an amount equal to two percent (2%) for each thirty (30) days or part thereof, thereafter of the principal amount of the Debenture remaining unconverted and purchase price of Conversion Shares issued upon conversion of the Debenture owned of record by the holder. The Company must pay the liquidated damages in cash or an amount equal to two hundred percent of such cash liquidated damages if paid in additional shares of registered un-legended free trading shares of common stock. As of September 30, 2007 we had failed to make any monthly payments on the debentures and are in default.

On December 20, 2004, we received notice from holders of approximately \$500,000 of convertible notes payable of their intention to convert into shares of our common stock. As a result, we recorded the issuance of 4,243,791 shares on December 20, 2004. We were required to deliver certificates representing unrestricted, free-trading stock within three business days of our receipt of the notices of conversion (the "Delivery Date"). The failure to deliver the shares by the Delivery Date resulted in liquidated damages of 1% of the Note principal amount being converted per business day after the Delivery Date. Our former Chief Executive Officer did not deliver the stock certificates within the required period. On March 18, 2005 we delivered the certificates representing the shares of common stock to these converting note holders. The 84 -day delay in delivering the shares resulted in liquidated damages of \$403,175. We recognized these damages during the fourth quarter of 2004 and the first quarter of 2005. We issued convertible notes for the amount of liquidated damages due.

\$2,200,000 Principal Amount Convertible Debenture Financing

On August 23 and 24, 2006, the Company formally entered into an agreement with several investors to loan \$1,900,000 to the Company. In March 2007, the Company amended the agreement increasing the loan amount to \$2,200,000. The notes evidencing the loan bear interest at the rate of 12% per annum, payable monthly on the first of each month commencing October 1, 2006, along with 1/24 of the principal amount of such notes on each repayment date and were issued between May 18, 2006 - August 24, 2006, with the second quarter notes being treated as "bridge debt" until the loan agreement was formally signed.. The notes are also convertible into Common Stock at a 50% discount to market until a registration statement registering the Common Stock underlying the notes is effective and at a 15% discount to market thereafter. As additional consideration, the investors are to be issued a total of 20,000,000 warrants to purchase common stock at exercise prices based upon the same formulas as for conversion of the amounts due under the notes. The notes are secured by a lien on the assets of Goldspring, Inc. and a pledge of all of the interests in Plum Mine Special Purpose, LLC, which owns the Plum Mine operation. In connection with this loan, the lender has agreed to acquire the existing mortgage on the Plum Mine property from the Brockbank Trust . To date, \$2,170,000 of the \$2,200,000 has been funded by the investors.

The notes issued as of September 30, 2007 are as follows:

| | Issued date | Face amount |
|-------------------------------------|------------------|-------------|
| Winfield Debenture Payable | 5/15/2006 | \$ 300,000 |
| Winfield Debenture Payable | 6/21/2006 | 300,000 |
| Winfield Debenture Payable | 8/23/2006 | 300,000 |
| Longview Debenture Payable | 8/24/2006 | 300,000 |
| Winfield Debenture Payable | 12/12/2006 | 100,000 |
| Winfield/Longview Debenture Payable | First Quarter | 331,120 |

| | 2007 | |
|-------------------------------------|---------|--------------|
| | Second | |
| | Quarter | |
| | 2007 | |
| Winfield/Longview Debenture Payable | | 538,880 |
| Total | | \$ 2,170,000 |

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Accordingly, at September 30, 2007 and 2006, we classified the following convertible debentures as current liabilities as follows:

| | 2007 | 2006 |
|--|---------------|---------------|
| Convertible Debentures Payable-Investors | \$ 2,187,812 | \$ 2,799,219 |
| Convertible Debentures Payable- Mandatory Redemption payment | 5,835,688 | 5,886,058 |
| Convertible Debentures Payable- Failure to Deliver Shares | 103,048 | 356,348 |
| Convertible Notes Payable - 2006 & 2007 | 2,170,000 | 1,200,000 |
| Total | \$ 10,296,548 | \$ 10,241,625 |

Note 9 —Promissory Notes Payable

Promissory Notes Payable—July Financing

In July of 2005, we borrowed \$1.2 million from companies controlled by John V. Winfield, a major shareholder. Proceeds from the notes were reduced by a 33.3% original issue discount and other origination fees. Net proceeds received by the Company from the borrowing were \$740,000. The notes accrue interest at 15% per annum and are payable in monthly installments of principal and interest over a 24 month period with the remaining entire balance of unpaid principal and interest due on July 15, 2007. The notes are collateralized by substantially all of the Company's assets subject to the security interest of the Brockbank Trust (See Note 7). As of September 30, 2007 we had failed to make any monthly payments on the notes and are in default. Accordingly, the entire principal balance and all accrued and unpaid interest thereon are considered accelerated and classified as current liabilities.

Promissory Notes Payable—September Financing

In September of 2005, we borrowed \$300,000 from Longview Fund L.P., a major shareholder. Proceeds from the notes were reduced by a 33.3% original issue discount and other origination fees. Net proceeds received by the Company from the borrowing were \$165,500. The notes accrue interest at 15% per annum and are payable in monthly installments of principal and interest over a 24 month period with the remaining entire balance of unpaid principal and interest due on July 15, 2007. The notes are collateralized by substantially all of the Company's assets subject to the security interest of the Brockbank Trust (See Note 7) and the Winfield convertible debentures of March 2005.

The notes share a security interest with the Winfield notes issued in July 2004. As of September 30, 2007, we had failed to make any monthly payments on the notes and are in default.

Promissory Notes Payable: December Financing

Accordingly, at September 30, 2007 and 2006, we classified the following notes payable as current liabilities as follows:

| | 2007 | 2006 |
|---|--------------|--------------|
| Promissory Notes Payable-July 2005 Financing | \$ 1,200,000 | \$ 1,200,000 |
| Promissory Notes Payable-September 2005 Financing | 300,000 | 300,000 |
| Promissory Notes Payable-December 2005 Financing | 575,000 | 575,000 |
| Promissory Notes Payable-February 2006 Financing | 250,000 | 250,000 |
| Promissory Notes Payable-March 2006 Financing | 150,000 | 150,000 |
| Promissory Notes Payable-July 2007 Financing | 300,000 | - |
| Total | \$ 2,775,000 | \$ 2,475,000 |

Note 10 —Other Long Term DebtNotes Payable- Plum Mine

We have a non-interest bearing note payable to a shareholder related to our purchase of the Plum Mining property. The note is payable in ten quarterly payments through September 2006.

Notes Payable- Seller Note

In connection with our acquisition of the Justice, Woodville and Keystone patented claims we issued a promissory note to the seller for \$160,000. The note is payable in ten quarterly payments through September 2008.

Notes Payable- Equipment Financing

During 2004, we purchased certain equipment and financed our purchases through GMAC, Ford Motor and Caterpillar Company credit agencies. Aggregated principal and interest due pursuant to the financings is due monthly in equal installments of \$3,952, at an averaged interest rate of 7.2%. The equipment purchased is pledged as collateral for the debt. At September 30, 2007 and 2006, we had the following amounts due under the financings as follows:

| | 2007 | | 2006 |
|------------------------------------|------------|----|---------|
| Long-term Debt-Current Plum Mine | \$ 10,278 | \$ | 9,591 |
| Long-term Debt-Current Seller Note | 397,200 | | 397,200 |
| Other Long-term Debt-Current | 33,675 | | 29,671 |
| Total | \$ 441,153 | \$ | 436,462 |

Notes Payable- Equipment Financing - Continued

| | 2007 | | 2006 |
|--|-----------|----|--------|
| Long-term Debt-non current Plum Mine | \$ 14,881 | \$ | 26,059 |
| Long-term Debt-non current Seller Note | - | | - |
| Other Long-term Debt -Non-current | 17,082 | | 53,497 |
| Total | \$ 31,963 | \$ | 79,556 |

Principal payments on other long-term debt related to equipment financing for the next four years are as follows:

| | |
|---------------------|-----------|
| 2007 | \$ 11,040 |
| 2008 | \$ 53,899 |
| 2009 | \$ 10,977 |
| 2010 and thereafter | \$ - |
| Total | \$ 75,916 |

Convertible Notes Payable-Failure to Deliver Shares

In March of 2005, and pursuant to our settlement with investors for our failure to deliver shares of our common stock upon their conversion of debentures during 2004 (See above), we issued convertible notes payable that accrue interest at 8% and are payable in equal monthly installments including interest beginning April 1, 2006. In the event of our default on the notes the interest rate increased to 15%.

Conversion Rights

The notes are convertible, in all or in part, into shares of our common stock at any time at an initial conversion price of \$0.20, subject to certain anti-dilution provisions that include the sale of assets, reclassifications of our equity, issuance of additional shares and stock splits and dividends.

Borrower's Repayment Election.

The monthly amount due on a repayment date shall be paid by the Company at its election (i) in cash at the rate of 102% of such monthly amount otherwise due on such repayment date within three (3) business days of the applicable repayment date, or (ii) with registered, freely transferable common stock at an applied conversion rate equal to eighty-five percent (85%) of the average of the five (5) lowest closing bid prices of the common stock as reported by Bloomberg L.P. for the twenty (20) trading days preceding such repayment date.

On April 1, 2005, we failed to make our first payment on the convertible debentures and were in default of the terms of the convertible notes. At September 30, 2007 and 2006 we classified the following notes payable as current liabilities as follows:

| | 2007 | 2006 |
|---------------------------|---------------|---------------|
| Convertible Notes Payable | \$ 10,296,548 | \$ 10,241,625 |
| Promissory notes | 2,775,000 | 2,475,000 |
| Total | \$ 13,071,548 | \$ 12,716,625 |

Item 2. Management's Discussion and Analysis or Plan of Operations

The following discussion provides information that we believe is relevant to an assessment and understanding of the consolidated results of operations and financial condition of our company. It should be read in conjunction with the Consolidated Financial Statements and accompanying Notes.

The following discussion addresses matters we consider important for an understanding of our financial condition and results of operations as of and for the quarter ended September 30, 2007, as well as our future results.

Overview

We are a North American precious metals mining company with an operating gold and silver test mine in northern Nevada. Our Company was formed in mid-2003, and we acquired the Plum property in November 2003. In our relatively short history, we secured permits, built an infrastructure and brought the Plum exploration project into test mining production. Beginning in 2005, we started acquiring additional properties around the Plum project in Northern Nevada, expanding our footprint and creating opportunities for exploration. We are an emerging company, looking to build on our success through the acquisition of other mineral properties in North America with reserves and exploration potential that can be efficiently put into near-term production. Our objectives are to increase production; increase reserves through exploration and acquisitions; expand our footprint at the Plum Mine; and maximize cash flow and return for our shareholders.

We started to reap the benefits of the operational improvement program that we initiated in 2005, including our first reported net profit for the first quarter of 2006. This program began with a complete review of every facet of the operation to insure maximum efficiency. We have nearly completed our review of the various processes and have implemented several changes, which have increased efficiencies. Most recently, we have made the decision to take over our mining operations, which are currently being performed by an outside contractor. Although we had planned to have our mining operation completely in place by the end of May 2006, delays in financing have dictated that we rely on contract mining assistance through the end of November 2006. However, when we do take over operations, based on our mine plan and internal calculations and reach our targeted production numbers, we had expected our production cost to be less than \$400 per ounce but due to shutdown of Plum Mine in February 2007, we have not been able to continue production.

Our first quarter 2006 production was hampered by inclement weather in northern Nevada in late 2005 and early 2006. Our Plum Mine received fourteen inches of rain between mid-December and the end of February, filling our leach ponds, including our one hundred year storm pond, nearly to capacity. The high levels of effluents in the ponds prevented us from adding additional reagents to our leach pads. Because we were unable to add new material to the pad and put it under leach, we ceased mining operations in early-January. Our team at the mine did an excellent job, in a challenging situation, to insure the environmental integrity of our operation. The team worked closely with the regulatory authorities throughout this process. In order to resume mining and processing with the necessary reagents, the level of effluents in the ponds must be reduced through evaporation. The necessary level was reached in late September 2006.

Due to the nine month cessation of mining activities, there was little ore to produce in the second quarter, and therefore revenues in the second quarter were markedly lower in the first quarter, when there was still a supply of ore, mined in the fourth quarter of 2005, to process and sell. A lapse in mining typically leads to reduced saleable materials in the next fiscal quarter as the mining-processing-sales cycle is approximately 60 - 90 days. The third quarter of 2006 marked the recommencement of mining activities. Recent focus has including (i) ramping up of mining and processing on a continued basis; (ii) stockpiling of ore for processing during inclement weather; and (iii) transition preparation for December 1, 2006 takeover of mining operations by the Company's own staff. Furthermore, significant fluid management steps had been taken to avoid another shut down of activity as experienced during the first five months of 2006. The mine was shut down again in the first quarter of 2007 due to insufficient funds to run operations.

In the first quarter of 2007 three of our four remaining directors resigned to pursue other opportunities which leaves the Company with the opportunity to seek a new Board well experienced in the mining industry.

The Company turned a corner in the first quarter of 2007 with the final settlement of the Parent litigation as continued financial and human resource drain which all but consumed the Company is finally over. Given the end of this litigation, change in Board composition and continued challenges in capital raising efforts, the Company's management has determined that there is a need to reevaluate the Company's business plan with a view toward the best

way to maximize shareholder value and protection of our secured creditors.

In detail, this evaluation is covering the following matters:

- Expanding our footprint in the Comstock Region and other acquisition opportunities

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- Further exploration in the Comstock Region to accomplish the above
- Completion of the Plum Mine reserve report
- Strategic acquisitions in other areas of North America

Adjustments to this analysis have been made over the past few months, all with the goal to best utilize the Company's limited financial resources to increase shareholder value and to focus on raising additional capital to reinstate operations.

Despite the mine shutdown in February 2007, the Company has had activity in ore body delineation, metallurgic testing and exploration. Ore body delineation has included plans to commence developmental drilling before the end of 2007, with drilling to be completed in three phases of 100 holes per phase. The goal is to map ore body and to prepare geologic cross sections to be utilized in mine planning and as a result, to be able to build a new mine model using geostatistics and extensive drill hole data.

There is also ongoing exhaustive metallurgic testing to attempt to maximize recovery of the high grade fraction of the ore and to determine optimum size to continue heap leaching. The Company is also assessing if a small mill could be added to increase overall recovery and to determine if previously leached ore has been adequately leached and to determine optimum heap height.

The exploration program, which is heavily dependent on funds availability had been scheduled to commence toward the end of 2007, resources permitting, with 12 targets developed at an average depth of 2500 feet; however, lack of sufficient funds has caused another delay in the recommencement of exploration.

Assuming sufficient funds are raised in a timely manner, the Company's goal would be to reopen the Mine late in the first quarter of 2008 or during the second quarter if it can complete a reserve report with a qualified third party and complete a comprehensive mine plan and schedule, all of which is dependent upon ability to secure sufficient funds to procure the mining fleet.

In conjunction with the business plan reconsideration, the Company has taken steps to minimize operations in order to conserve cash flow and has presented a temporary Mine Closure Plan to the NDEP, which if approved, would call for closure through March 2008, at the latest.

There are also several specific risk factors attendant to operation of a gold mining concern which bear repetition here due to events in 2006, although this is not intended to be a full blown list of risk factors (and we encourage you to review our October 11, 2005 424(b)(3) for a further discussion of risk factors attendant to our business):

- Weather - As disclosed in this Quarterly Report, excessive rains has caused material delays in our ability to operate as high levels of water in our leaching ponds and flooding have prevented us from being able to leach materials, a necessary part of the gold production process. Excessive snows, which can occur in the area in which the Plum Mine is located, would also hamper mining as the Plum Mine is an open pit mine.
- Current Political Instability in the Middle East - Commodities such as gold tend to have widely fluctuating markets, and the current problems in areas such as Lebanon and Iraq, which are causing much political and economic instability internationally,

may very well be a contributing factor to the volatile gold market.

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There are also risks involved in the fact that one individual and his affiliates, as of September 30, 2007, beneficially own in excess of 50% of our voting stock. Pursuant to our recent financing agreement, this convertible debt holder and his affiliates with a 61 day notice can waive the 4.9% ownership restriction, allowing him to convert 100% of his convertible debt and related interest, which totals \$8,264,650 at September 30, 2007, into our common shares. This group, if they waive the ownership restriction and convert all convertible debt and related interest into our voting common stock, may take actions that could conflict with your interests. This includes the election of Company directors, approval of actions generally requiring the approval of the holders of our voting stock, including adopting amendments to our articles of incorporation and bylaws and approving mergers, certain acquisitions or sales of all or substantially all of our assets, which could delay or prevent someone from acquiring or merging with us or limit the ability of our other stockholders to approve transactions that they may deem to be in their best interests.

Results of Operations and Operational Plan

Our Plum Mine, which is located in Storey County, Nevada, went into test mining production in late third quarter 2004. We have not established reserves on this exploration project. Therefore, all of our activities on this property are considered test mining or exploratory in nature. One of our top priorities in 2005 was to improve efficiencies and increase test mining production at our Plum Mine. In March 2005, we initiated a program to improve the operational efficiency of our mining operation. As part of this program, we consolidated our corporate office with the Plum Mine office. We also made improvements to our processing plant and took over crushing operations from our third-party contractor, reducing costs and increasing our control over the crushing process. Our improvement program continued throughout the year. In November 2005, we retained licensed mining engineer Jim Golden, who became our COO in 2006, to conduct a comprehensive review of all aspects of the Plum Mine operation, including the overall mine plan, with the objective of further improving efficiency, increasing production, and reducing costs. Furthermore Mine Development and Associates of Reno, Nevada is expected to complete a detailed mine plan and a reserve report for the Plum Mine by the end of the third quarter 2007. Recent changes have included revising the mine plan to reflect the current higher gold prices; adding various efficiencies in the processing area; and re-positioning personnel to maximize overall performance. The mine plan and reserve report are the culmination of a twelve-month undertaking by our Company and Mine Development & Associates. We believe that these improvements, including the updated mine plan, will improve our overall performance at the Plum Mine.

Inclement weather in northern Nevada in late 2005 and early 2006 presented a challenge to our Plum Mine operation. The mine received twelve inches of rain between mid-December and mid-January, filling our leach ponds nearly to capacity. This situation impacted our ability to mine and to process at our normal capacity, thus decreasing production. Our team at the mine did an excellent job, in a challenging situation, to insure the environmental integrity of our operation. The team worked closely with the regulatory authorities throughout this process. In mid-January, we ceased mining operations to allow time for our crew to stabilize the leach ponds and the processing plant. During this interruption from mining, we took steps to implement additional process modifications identified through our operational improvement plan.

We also had planned to continue our exploration program in 2007 if capital resources allowed; however, due to insufficient funds, this has been delayed until the first quarter of 2008. In March 2006, we retained Larry Martin, a registered geologist, to oversee our exploration program at the Plum Mine and in the Comstock Lode district. Mr. Martin has over twenty-five years of diverse geological and exploration experience in the mining industry. He has worked for several major mining enterprises, including Peter Kiewit, where he served as manager of geological services. We have allocated a budget of \$500,000 to explore and develop our claims at the Plum Mine. We hoped to begin exploration in late spring or early summer of 2006 but due to inability to obtain a large enough capital investment this exploration is substantially delayed into sometime in 2007 (assuming the Company is able to secure adequate financing). We intend to target our exploration toward replenishing and expanding our mineralized material inventory at our existing mine and toward developing new mineral properties. The successful location of additional mineralized material on the existing property would allow us to expand the size and the lifespan of the Plum mining

project, exclusive of new property acquisitions. It is our belief that we possess an advantage with our status as likely the only heap leach gold mining permit holder in the area. This permit is relatively difficult to obtain, and it is one that we can expand to include new areas in the event we locate and wish to process new deposits.

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In December 2005, we initiated a review of the invoices of our mining contractor. Specifically, we sought to reconcile the volume of material for which we were billed with the volume of material that was actually mined. We used an outside surveyor to conduct a comprehensive analysis of bank cubic yards mined. The results of the survey indicated that we had been over-billed by over \$500,000. We met with the mining contractor in early 2006 to discuss this issue and presented our proposed billing adjustment. The mining contractor has contracted an engineering firm to perform an independent analysis of the data generated from our surveys to determine the accuracy of our calculations. We anticipated a resolution of this issue by September of 2006 but due to continuing litigation this issue is still outstanding.

In all 2006 proved to be another challenging year for the Company although some advances were made. In the first half of 2006, weather conditions caused delays which prevented any ore processing and mining activity ceased. Additionally, the Company undertook substantial corrective measures to ensure proper water management and continuation of mining activity during future heavy moisture periods. Additionally, an aerial survey was completed which confirmed over billing by Degerstrom Inc, the former mining contractor. The Company took advantage of the "down time" in 2006 to improve the overall operation of the mine with solid results in reduced costs and improved efficiencies.

In the second half of 2006, a new mining contractor was hired, with mining activities recommencing in July 2006 and again suspended in early 2007.

On a positive note is the resolution, without liability to the Company, of the 2-½ year legal battle with a former director thus stopping the ongoing drain of litigation on the human and financial resources of the Company. To date, over \$1,000,000 was spent on legal fees in that litigation. With the litigation settled, all diverted human and financial resources can be refocused on readjusting the business plan of the Company with the goal of restarting and revamping operations no later than early 2008.

Among the exploration and business development activities that were to be completed in 2007 are:

- Ore body delineation
- Reserve definition
- Completion of reserve report
- Development of comprehensive mine plan from exploration results
- Increase of ore reserves
- Augment ability to mine and operate at more efficient levels
- Intent to cease mine operations until completion of the exploration program and related reports
- Expansion of existing footprint in the Comstock region
- Identification of properties outside the Comstock region to complement Comstock activities and increase Company operations

Due to our current plan to realign our operations, we have not yet been able to and may not be able to meet any or all of the above goals.

Placer Claims, Water Rights, and Mineral Permits

We originally became a mineral company through an acquisition of unpatented placer mineral claims and the Big Mike copper claims in September 2003 from Ecovery, Inc. The transaction had an effectuation date of March 11, 2003. Specifically, that acquisition provided us with a number of Nevada-based placer claims, including the Gold Canyon and Spring Valley claims, and 17 unpatented lode claims called the Big Mike Copper property. This acquisition did not include any real property rights. In November 2003, we acquired the Plum mine facility as well as water rights that are usable at Plum Mine and the Gold Canyon and Spring Valley placer claims.

Comparative Financial Information

Below we set forth a summary of comparative financial information for both the three and nine months ended September 30, 2007 and 2006, respectively.

Comparative Financial Information

| | Quarter ended September 30, 2007 | Quarter ended September 30, 2006 | Difference |
|--|---|---|------------|
| Revenue | \$ 804 | \$ 379,845 | (379,041) |
| Depletion and amortization | 81,688 | 69,979 | 11,709 |
| Reclamation, Exploration and Test Mining Expense | 127,882 | 668,617 | (540,735) |
| General and administration | 24,236 | 112,029 | (87,793) |
| Consulting and Professional Service | 44,021 | 52,150 | (8,129) |
| Gain on Sale of Fixed Asset / Other | -0- | (66,500)- | 66,500 |
| Derivative Change in fair value | 75,103- | 114,326 | (39,223) |
| Interest Expense | 775,082 | 706,558 | 68,524 |
| Net Loss | \$ (977,003) | \$ (1,048,662) | \$ 138,159 |

| | Nine Months ended September 30, 2007 | Nine Months ended September 30, 2006 | Difference |
|--|--|--|--------------|
| Revenue | \$ 350,595 | \$ 663,260 | \$ (313,469) |
| Depletion and amortization | 225,578 | 216,379 | 9,199 |
| Reclamation, Exploration and Test Mining Expense | 670,950 | 1,384,227 | (713,277) |
| General and Administration | 304,365 | 369,166 | 64,801) |
| Consulting and Professional Service | 180,666 | 405,338 | (224,672) |
| Gain on Sale of Fixed Asset / Other | - | (191,897) | 191,897 |
| Derivative Change in fair value | 335,995 | 114,326 | 221,669 |
| Interest Expense | 2,379,383 | 2,097,651 | 281,732 |
| Net Loss | \$ (3,074,353) | (3,175,433) | \$ 101,080 |

During the three months ended September 30, 2007, we sold 229 ounces of gold at an average price of \$654 per ounce as opposed to 223 ounces of gold during the three months ended September 30, 2006 at an average price of \$563 per ounce. During the nine months of 2007, we sold 536 ounces of gold at an average price of \$650 per ounce as opposed to 1163 ounces of gold at an average price of \$ 570 per ounce during the first nine months of 2006. Our gold production during the first nine months of 2007 was severely hampered by lack of funds to be able to continue mining operations and market our products in an effective manner.

Test Mining Expenses in the three months ended September 30, 2007 were \$176,858 less than in the three months ended September 30, 2006, and were \$226,640 less in the nine months ended September 30, 2007 than in the Nine months ended September 30, 2006. The expense reduction reflects our decision to temporarily cease mining activity in February 2007 while we focus on delineating the ore body and completing a comprehensive mine plan that should facilitate in mining more efficiently in the future

General and administrative expenses for the three months ended September 30, 2007 were \$4,425 more than for the three months ended September 30, 2006 and were \$42,008 less for the nine months ended September 30, 2007 than for the Nine months ended September 30, 2006. The decrease in G&A is based primarily upon reduction in personnel and other operating costs due to temporary mine shutdown plans, most of which took effect during the first quarter of 2007.

Consulting and professional service fees were \$35,393 less for the three months ended September 30, 2007 than for the three months ended September 30, 2006, and \$131,544 less for the nine months ended September 30, 2007 than for the nine months ended September 30, 2006. The decrease is mainly due to the settlement of the Parent litigation in the first quarter of 2007 and decrease in operational activities which has reduced the need for consulting and professional services.

Interest expense for the three months ended September 30, 2007 was \$302,416 higher than for the three months ended September 30, 2006 and was \$356,843 higher for the nine months ended September 30, 2007 than for the nine months

ended September 30, 2006. This variance reflects the adoption of SFAS No. 123R in December 2006 and the issuance of additional higher interest bearing notes. At September 30, 2007, our Company had approximately \$13,573,211 of outstanding debt bearing an average interest rate of 18%, and at September 30, 2006, our Company had approximately \$12,490,052_ of outstanding debt bearing an average interest rate of 16%.

Liquidity and Capital Resources

We are actively seeking additional capital to meet our working capital needs and to grow our business. We recognize that our cash resources are limited. Our continued existence and plans for future growth depend on our ability to obtain the capital necessary to operate, through the generation of revenue or the issuance of additional debt or equity. In 2006, we raised an aggregate of \$1,700,000 through three financing transactions. In the first nine months of 2007, we completed additional financing transactions, which provided us with \$785,000 in net funding. While this additional funding may meet our immediate working capital needs, if we are not able to generate sufficient revenues and cash flows or obtain additional or alternative funding, we will be unable to continue as a going concern. We have yet to realize an operating profit at our Plum Mine location. As disclosed in the report of our independent registered public accounting firm in our financial statements included in this Form 10-KSB for the year ended December 31, 2006, our recurring losses and negative cash flow from operations raise substantial doubt about our ability to continue as a going concern.

At the date of filing, we do not have any specific commitments for additional financing, which will be necessary to implement our revised business plan, although we are diligently seeking alternative sources of funding. Additionally, without additional funding, it is unlikely that we will be able to remain in operation long enough to have the time necessary to fully revise the business plan.

Our operations are significantly affected by changes in the market price of gold. Gold prices can fluctuate widely and may be affected by numerous factors, such as expectations for inflation, levels of interest rates, currency exchange rates, central bank sales, forward selling or other hedging activities, demand for precious metals, global or regional political and economic crises, and production costs in major gold-producing regions, such as South Africa and the former Soviet Union. The aggregate effect of these factors, all of which are beyond our control, is impossible for us to predict. The demand for and supply of gold affect gold prices, but not necessarily in the same manner as supply and demand affect the prices of other commodities. The supply of gold consists of a combination of new mineral production and existing stocks of bullion and fabricated gold held by governments, public and private financial institutions, industrial organizations, and private individuals. As the amount produced in any single year constitutes a small portion of the total potential supply of gold, normal variations in current production do not have a significant impact on the supply of gold or on its price. If gold prices decline substantially, it could adversely affect the realizable value of our assets and potential future results of operations and cash flow.

Item 3. Controls and Procedures

Based on the most recent evaluation, which was completed as of the end of the period covered by this Form 10-QSB, we believe our company's disclosure controls and procedures (as defined in the Exchange Act Rules 13a-15(e) and 15d-15(e)) are effective to ensure that information required to be disclosed by us in this report is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Our executive officers have also concluded that our disclosure controls and procedures are also effective to give reasonable assurance that the information required to be disclosed in our filings is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Commission.

We have identified conditions as of September 30, 2007 that we believe are significant deficiencies in internal controls that include: 1) a lack of segregation of duties in accounting and financial reporting activities; and 2) the lack of a sufficient number of qualified accounting personnel. We have taken corrective measures to remedy these deficiencies. These measures include our consolidation of the corporate office with the office at the Plum Mine operation. This consolidation has provided the corporate office with additional accounting personnel. We believe that the presence of additional qualified accounting personnel will allow us to effectively correct the lack of segregation of duties in accounting and financial reporting activities.

Our former Chief Financial Officer became our Chief Executive Officer in September 2004. Our Company has not hired another individual to act as Chief Financial Officer. We believe the absence of a full-time Chief Financial Officer or Chief Accounting Officer has resulted in a significant deficiency with respect to the lack of qualified accounting personnel. We have been able to mitigate this deficiency by engaging outside consultants to assist the Company in its accounting activities, but believe that the only effective long-term solution to our accounting needs is to hire a qualified CFO. Due to our budgetary constraints and the small size of our company we are uncertain as to when we will be able to accomplish this.

We do not believe that these deficiencies constitute material weaknesses because of (i) additional accounting support through the office consolidation with Plum Mine and (ii) the use of outside consultants.

We are also in the process of taking additional corrective measures to further remedy the deficiencies in future periods.

There have been no changes during the quarter ended September 30, 2007 in our Company's internal control over financial reporting identified in connection with the evaluation required by Exchange Act Rules 13a-15(d) and 15d-15(d) that have material affected, or are reasonably likely to materially affect, our internal controls over our financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Parent Litigation

The State Court Case

Background

On November 9, 2004, we filed a lawsuit in Maricopa County (Arizona) Superior Court against defendants Stephen B. Parent, Ron Haswell, Walter Doyle, Seth Shaw, Antonio Treminio, together with their spouses, and Ecovery, Inc., a Nevada corporation, or Ecovery.

The 12-count complaint alleges claims for violations of Arizona's racketeering act, state-law securities fraud (primary and secondary liability), common-law fraud, negligent misrepresentation, breach of fiduciary duty, negligence/gross negligence, breach of contract, unjust enrichment/restitution, theft/conversion, conspiracy liability, and injunctive relief. In essence, the complaint alleges that Stephen Parent misrepresented the value of certain placer mining claims that his company, Ecovery, sold to us in 2003 in exchange for approximately 99,000,000 shares of our stock; that Ecovery no longer had good title to the mining claims when they were sold to us; that Mr. Parent and the other named defendants conspired to defraud us out of approximately 24,000,000 shares of our stock; and that Mr. Parent misappropriated more than \$300,000 in company funds.

The Federal Court Case

Background

Stephen B. Parent and several others purporting to represent a majority of the shareholders of our company adopted Consent Resolutions in Lieu of a Special Meeting of Shareholder's dated December 9, 2004, and Mr. Parent, Jerrie W. Gasch, and Purnendu K. Rana Medhi, each of whom served as a director of our company until Mr. Medhi's resignation in April 2005, adopted Directors' Consent Resolutions (together the "December Consent Resolutions") dated December

10, 2004. Taken together, the December Consent Resolutions, by their purported terms, removed John F. Cook, Robert T. Faber, Leslie L. Cahan, Todd S. Brown, Christopher L. Aguilar, Stanley A. Hirschman, and Phil E. Pearce as directors, rescinded the restructuring of a \$10 million financing transaction entered into in March 2004, removed Mr. Faber as President of our company, named Mr. Parent as President of our company and his wife as Secretary of our company, designated Mr. Parent as the sole signing officer of our company's bank accounts, and terminated our company's legal counsel.

On December 22, 2004, Robert T. Faber and Leslie L. Cahan (collectively, the “plaintiffs”), who are shareholders and directors of our company, filed a lawsuit in the United States District Court for the District of Arizona, entitled Robert T. Faber, et al. v. Stephen B. Parent, et al., No. CV04-2960-PHX-EHC (“the Litigation”). The plaintiffs asserted claims in both their individual capacities and derivatively, on behalf of our company, against directors Stephen B. Parent, Jerrie W. Gasch, and Purnendu K. Rana Medhi (collectively, the “defendants”), alleging that, by adopting the Consent Resolutions, the defendants had unlawfully orchestrated an illegal coup to wrest control of our company from its current officers and directors.

The Settlement

On March 23, 2007, the Company and related parties entered into a global settlement with Stephen B. Parent, Goldspring’s former CEO and related parties, which brought final resolution in the following cases: (i) GoldSpring, Inc. v. Stephen B. Parent, et al., Case No. CV2004-021755, Maricopa County Superior Court (“the State Court Action”); and (ii) Robert T. Faber, et al. v. Stephen B. Parent, et al., Case No. CV04-2960-PHX-EHC, the United States District Court, District of Arizona (“the Federal Court Action”). The settlement agreement contains the following terms, among others:

- Settlement without payment of cash consideration by either side in either case
- Dismissal of both the Federal Court Action and the State Court Action with prejudice (including dismissal by Parent of the pending Federal Court appeal)
- Mutual release of liability and covenants not to sue
- Invalidity of Consent Resolutions described in the Federal Court’s April 18, 2006 Order Granting Preliminary Injunction in the Federal Court Action and agreement by the Parents and Medhi further to not further contest or challenge in any way the election of GoldSpring’s current Board of Directors or any of the actions taken by GoldSpring’s Board of Directors or its officers at any time up to the date of this Agreement, including, but not limited to the approval and/or implementation of the November 30, 2004 financial restructuring.
- No admission of liability by any party to either the Federal Court Action or the State Court Action

Degerstrom Suit

On April 11, 2006, in the First Judicial District Court, Storey County, Nevada, wherein N.A. Degerstrom, Inc. (“Degerstrom”) sued the Company on various counts, including breach of contract, *quantum merit*, foreclosure of mechanic's lien, and assertion that the Degerstrom lien has priority over all other liens on the Plum Mine property. The plaintiff claims damages in excess of \$806,000 plus interest. The Company subsequently answered the Complaint and counterclaimed for breach of contract, breach of implied covenant of good faith and fair dealing, and for negligence, alleging damages in excess of \$10,000.

The lawsuit arises out of a dispute as to how much the Company owes the Degerstrom for services provided. Pursuant to a December 27, 2005 agreement, the parties agreed that the amount to be paid by the Company to Degerstrom would be subject to volume reconciliation by aerial survey. According to Company management, pursuant to prepared aerial and ground surveys, the Company has been over-billed for amounts of ore and waste which have been hauled by Degerstrom. The results of the surveys are to be presented to the Court as evidence as to the Company's affirmative defenses that it does not owe the amounts claimed by Degerstrom.

Additionally, the Company has what it believes to be valid counterclaims, arising out of activities of Degerstrom, including, but not limited to, negligent crushing of ore, failure to accurately measure and charge for waste and ore hauled and crushed, and failure to adequately man the job and provide sufficient equipment. These activities, as alleged in the Counterclaim, resulted in damages to the Company in excess of \$10,000.

Degerstrom filed a mechanic's lien against the property of Plum, and at the time of filing of the Complaint, filed and recorded a lis pendens against the property of Plum based upon Degerstrom's claim. Counsel has advised management that the Company may challenge the lis pendens by asserting that the lis pendens is based upon a mechanic's lien which is overstated. However, the time is not ripe for the bringing of such a motion until the survey results have been presented and analyzed. Alternatively, Plum may request the court to establish a bond in an amount that would secure, pending litigation, Degerstrom's mechanic's lien claim. Typically, the court would charge one and one-half times the amount it found to be the mechanic's lien claim.

Management believes the ground and aerial surveys support a much lower amount of ore and waste which was processed by Degerstrom than is alleged in the Complaint, and if the Court accepts that volume reconciliation would be as established by such surveys (as is established in the written documentation between the parties), there is a reasonable probability of success in reduction, if not elimination, of the amount claimed by Degerstrom. However, until the Court rules on the method of volume reconciliation, it is premature to predict the probability of likelihood of success on the merits.

During the third quarter and fourth quarters of 2006, there was little activity in this lawsuit, other than the beginning of discovery by the parties. Discovery continued during the first three quarters of 2007, and trial is now set for February 2008.

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

None.

Item 3. Defaults Upon Senior Securities

None called, although the Company is treating all senior securities as if currently due.

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

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits and Reports on Form 8-K

(a)

The following documents are filed as part of
this Report:

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(1) Financial statements filed as part of this Report:

- Consolidated Balance Sheet as of September 30, 2007(Unaudited)
- Consolidated Statement of Operations for the three-month periods ended September 30, 2007 and 2006 (Unaudited)
- Consolidated Statement of Cash Flows for the three-month periods ended September 30, 2007 and 2006 (Unaudited)
- Notes to Financial Statements

(2) Exhibits filed as part of this Report:

| Exhibit Number | Exhibit |
|----------------|--|
| 31.1 | Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), promulgated under the Securities Exchange Act of 1934, as amended. |
| 32.1 | Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |

(b) Reports filed on Form 8-K during the quarter ended September 30, 2007:

None

SIGNATURES

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

GOLDSRING, INC.
(Registrant)

Date: November 14, 2007

By: /s/ Robert T. Faber
Name: Robert T. Faber
Title: President and Chief Executive Officer

By: /s/ Robert T. Faber
Name: Robert T. Faber
Title: Chief Financial Officer